

OJSC Territorial Generation Company №11

**Condensed consolidated interim financial statements
prepared in accordance with International Financial Reporting Standards (IFRS)
for the six months ended 30 June 2009**

Contents

Independent Auditors' Report	2
Condensed consolidated interim statement of financial position	4
Condensed consolidated interim statement of comprehensive income	6
Condensed consolidated interim statement of cash flows	7
Condensed consolidated interim statement of changes in equity	9
Notes to the Condensed consolidated interim financial statements	10



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Independent Auditors' Report

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

We have reviewed the accompanying condensed consolidated interim statement of financial position of OJSC TGC-11 (the "Company") and its subsidiaries (the "Group") as at 30 June 2009 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of selected explanatory notes (the condensed consolidated interim financial information). Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As described in Note 10, the Group has recognised an impairment of RUR 606,255 thousand of loans given, including accrued interest (as at 31 December 2008 the amount of loans given was RUR 550,736 thousand, including accrued interest), but the Group has not performed a sufficiently detailed assessment of when the loss event occurred. It was impracticable to satisfy ourselves as to whether the loss event occurred before 1 January 2009, and whether the impairment loss should have been recognised in a previous period.

Qualified Conclusion

Based on our review, except for such adjustments, if any, as might have been determined to be necessary had it been practicable to obtain sufficient appropriate evidence, as described in Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2009 and for the six-month period ended is not prepared, in all material respects in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Emphasis of matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2008 were audited by other auditors whose report dated 28 April 2009 expressed a modified opinion on those statements because of the matter described in the Basis for Qualified conclusion paragraph.

The other auditors also modified their opinion as they were unable to satisfy themselves as to the completeness of disclosure of transactions with related parties in 2008. We draw attention to the disclosure in Note 13, which have been amended by the Group in order to ensure completeness of related party disclosures. We have reviewed the adjustments made to the Group's disclosure of transactions with related parties in 2008. Based on our review, nothing has come to our attention that such adjustments are not appropriate and have not been properly applied.

ZAO KPMG

ZAO KPMG
5 November 2009

OJSC Territorial Generation Company №11
Condensed consolidated interim statement of financial position as at 30 June 2009
(in '000 RUR)

	<i>Note</i>	30 June 2009 (unaudited)	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	7	13 719 908	13 089 116
Prepayments		423 970	537 817
Intangible assets		146 730	146 730
Trade and other receivables		84 868	110 630
Total non-current assets		14 375 476	13 884 293
Current assets			
Inventories		825 269	700 654
Trade and other receivables		2 350 324	1 737 059
Prepayments		398 020	91 945
Income tax receivable		85 557	51 189
VAT recoverable		40 925	5 050
Loans given		-	550 736
Cash and cash equivalents		91 213	22 137
Total current assets		3 791 308	3 158 770
Total assets		18 166 784	17 043 063

OJSC Territorial Generation Company №11
Condensed consolidated interim statement of financial position as at 30 June 2009
(in '000 RUR)

	<i>Note</i>	30 June 2009 (unaudited)	31 December 2008
EQUITY			
Share capital	8	5 128 277	5 128 277
Treasury shares		(20 671)	(20 671)
Additional paid-in capital		125 590	125 590
Retained earnings		7 204 483	6 558 935
Total equity		12 437 679	11 792 131
LIABILITIES			
Non-current liabilities			
Loans and borrowings	9	12 948	25 865
Employee benefits		274 585	261 765
Provisions		100 293	91 722
Deferred tax liabilities		1 153 729	1 267 415
Total non-current liabilities		1 541 555	1 646 767
Current liabilities			
Loans and borrowings	9	2 595 119	1 830 742
Trade and other payables		944 697	818 422
Income tax payable		1 452	9 579
Other taxes payable		231 019	422 401
Advances from customers		77 177	195 147
Employee payables		124 199	96 228
Provisions		213 887	231 646
Total current liabilities		4 187 550	3 604 165
Total liabilities		5 729 105	5 250 932
Total equity and liabilities		18 166 784	17 043 063

General Director Kozhemyako S.I.

Chief Accountant Chizhenko I.V.



5 November 2009

OJSC Territorial Generation Company №11
Condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2009
(in '000 RUR)

	<i>Note</i>	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Revenue		9 073 663	8 344 747
Other operating income		66 759	55 809
Operating expenses		(8 041 617)	(7 774 939)
Results from operating activities		1 098 805	625 617
Finance income		71 041	40 058
Finance costs	10	(781 044)	(80 003)
Net finance costs		(710 003)	(39 945)
Profit before income tax		388 802	585 672
Income tax	6	366 709	(195 767)
Profit for the period		755 511	389 905
Total comprehensive income for the period		755 511	389 905
Earnings per ordinary share, basic and diluted (in RUR per share)		0.0015	0.0008

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 19.

OJSC Territorial Generation Company №11
Condensed consolidated interim statement of cash flows for the six months ended 30 June 2009
(in '000 RUR)

	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
OPERATING ACTIVITIES		
Profit before income tax	388 802	585 672
<i>Adjustments for:</i>		
Depreciation	495 923	470 820
Profit on disposal of property, plant and equipment	(1 083)	(1 134)
Provision for inventory obsolescence	(226)	-
Allowance for impairment of accounts receivable	72 381	101 106
Other provisions	(23 999)	(22 437)
Net finance costs	710 003	39 945
Adjustments for other non-cash transactions	(90 064)	(33 300)
Operating profit before changes in working capital, income taxes and interest paid	1 551 737	1 140 672
<i>Changes in working capital:</i>		
Increase in trade and other receivables	(656 503)	(534 979)
Increase in inventories	(124 389)	(25 086)
Increase in prepayments	(306 075)	(182 905)
(Increase) /decrease in VAT recoverable	(35 875)	9 146
Increase in trade and other payables	206 007	99 388
(Decrease)/increase in other taxes payable	(191 382)	29 229
Increase in employee payables	27 971	47 505
Decrease in advances from customers	(117 970)	(105 492)
Cash flows from operating activities before income taxes and interest paid	353 521	477 478
Interest paid	(144 348)	(65 727)
Income taxes returned/(paid)	141 542	(211 347)
Net cash flows from operating activities	350 715	200 404

OJSC Territorial Generation Company №11
Condensed consolidated interim statement of cash flows for the six months ended 30 June 2009
(in '000 RUR)

	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1 025 420)	(1 122 113)
Proceeds from disposal of property, plant and equipment	4 238	4 852
Acquisition of intangible assets	-	(24 681)
Loans given	-	(500 000)
Other	2 685	(3 183)
Net cash flows used in investing activities	(1 018 497)	(1 645 125)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	4 245 648	5 821 906
Repayment of loans and borrowings	(3 488 665)	(4 356 040)
Dividends paid	(212)	(380)
Other	(19 913)	(6 099)
Net cash flows from financing activities	736 858	1 459 387
Net increase in cash and cash equivalents	69 076	14 666
Cash and cash equivalents at beginning of period	22 137	11 649
Cash and cash equivalents at end of period	91 213	26 315

OJSC Territorial Generation Company №11
Condensed consolidated interim statement of changes in equity for the six months ended 30 June 2009
(in '000 RUR)

Attributable to equity holders of TGC-11					
<i>Note</i>	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Total equity
At 1 January 2008	5 128 277	-	125 590	5 783 024	11 036 891
Total comprehensive income for the period (unaudited)	-	-	-	389 905	389 905
At 30 June 2008 (unaudited)	5 128 277	-	125 590	6 172 929	11 426 796
At 1 January 2009	5 128 277	(20 671)	125 590	6 558 935	11 792 131
Total comprehensive income for the period (unaudited)	-	-	-	755 511	755 511
Shares transferred to LLC Neft-Aktiv (unaudited) 8	-	-	-	(109 963)	(109 963)
At 30 June 2009 (unaudited)	5 128 277	(20 671)	125 590	7 204 483	12 437 679

1 Background

(a) The Group and its operations

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

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

As at 30 June 2009 and 31 December 2008 OJSC Territorial Generation Company №11 Group (hereinafter - the "Group") comprises TGC-11 and its subsidiaries:

	Ownership, %
OJSC Production and Repairs Enterprise Omskenergoremont	100
OJSC Engineering and Construction Company	100
OJSC Energoservis	100
LLC SibEnergofinance	100

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

The consolidated financial statements of the Group as at and for the year ended 31 December 2008 are available upon request from TGC-11's registered office or at website <http://www.tgk11.com>.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The condensed consolidated interim financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

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

The government affects financial and business activities of the Group by controlling tariffs for electricity and heat energy. The Federal Tariff Service does not always approve increase of tariffs in line with the increase of the Group's expenses; therefore, certain tariffs may not be sufficient to cover all the Group's power generation expenses. Furthermore, tariffs are determined based on the expenses calculated in accordance with Russian Accounting Standards which are considerably different from the International Financial Reporting Standards (hereinafter - "IFRS").

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

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements for the six months ended 30 June 2009 (hereinafter "Financial Statements") have been prepared in accordance with International Financial Reporting Standard 34 (IAS 34) *Interim Financial Reporting*.

These Financial Statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

(b) Basis of measurement

These Financial Statements are prepared on the historical cost basis except for the valuation of property, plant and equipment acquired before 1 January 2006 at the fair value at the date of transition to IFRS in order to determine their deemed cost; and the valuation of financial assets and liabilities in accordance with IAS 39 *Financial Instruments: Recognition and measurement*.

(c) Functional and presentation currency

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

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

(d) Use of professional judgment, estimates and assumptions

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

Judgments, estimates and assumptions made by the Group's management to prepare these Financial Statements correspond to the judgments, estimates and assumptions made in the preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in these Financial Statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2008.

(a) Determination and presentation of operating segments

As at 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the General Director of TGC-11 (the Group's chief operating decision maker). This change in accounting policy is due to the adoption of IFRS 8 *Operating segments*.

Previously, the Group did not disclose information about operating segments. Comparative segment information has been presented in these Financial Statements with the requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earning per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's management in order to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the TGC-11's headquarters), head office expenses, income tax assets and liabilities and income, expenses and assets of TGC-11's subsidiaries.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets.

(b) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements (2007)*, which became effective as at 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these Financial Statements.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earning per share.

4 Operating segments

The Group determined the following operating segments:

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

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

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

	<u>Omsk</u>	<u>Tomsk</u>	<u>Unallocated</u>	<u>Balancing items</u>	<u>Total</u>
External revenue	6 625 437	2 450 785	16 015	(18 574)	9 073 663
Inter-segment revenue	5 555	-	873 426	(878 981)	-
Operating results	1 087 587	553 725	(149 538)	161 158	1 652 932

For the six months ended 30 June 2008 (unaudited):

	<u>Omsk</u>	<u>Tomsk</u>	<u>Unallocated</u>	<u>Balancing items</u>	<u>Total</u>
External revenue	6 135 837	2 182 655	43 218	(16 963)	8 344 747
Inter-segment revenue	8 023	-	396 310	(404 333)	-
Operating results	958 164	414 910	(277 955)	6 041	1 101 160

Segment operating results that are reported to the Group's chief operating decision maker are determined based on the income and expenses calculated in accordance with Russian Accounting Standards. For the Group's internal reporting purposes, segment operating results are results from operating activities adjusted for depreciation and interest income.

Information of the Group's operating segments assets is presented in the table below (unaudited):

	<u>Omsk</u>	<u>Tomsk</u>	<u>Unallocated</u>	<u>Balancing items</u>	<u>Total</u>
31 December 2008	9 293 716	8 716 672	2 379 751	(2 223 355)	18 166 784
30 June 2009	8 307 224	8 277 378	1 465 019	(1 006 558)	17 043 063

Balancing items include elimination of inter-segment transactions, reclassification and other adjustments needed to transfer amounts determined in accordance with Russian Accounting Standards to IFRS.

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

	<u>Six months ended 30 June 2009</u>	<u>Six months ended 30 June 2008</u>
Omsk	1 087 587	958 164
Tomsk	553 725	414 910
Unallocated	(149 538)	(277 955)
Operating results per Russian Accounting Standards	1 491 774	1 095 119
Reversal of over-accrued repair and maintenance expenses	185 380	102 863
Change in provisions for unused vacation and bonuses	58 499	71 696
Change in other provisions	3 479	(53 975)
Allowance for impairment of accounts receivable	(78 287)	-
Other balancing items	(7 913)	(114 543)
Operating results per IFRS	1 652 932	1 101 160

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

	30 June 2009	31 December 2008
Omsk	9 293 716	8 307 224
Tomsk	8 716 672	8 277 378
Unallocated	2 379 751	1 465 019
Total assets per Russian Accounting Standards	20 390 139	18 049 621
Difference in PPE net book value	(444 247)	(486 702)
Inter-segment balances	(628 482)	(190 337)
Impairment provision for loans given	(606 255)	-
Allowance for impairment of accounts receivable	(78 287)	-
Cost of investments in subsidiaries	(187 434)	(187 434)
Other balancing items	(278 650)	(142 085)
Total assets per IFRS	18 166 784	17 043 063

5 Seasonality of operations

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

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

6 Income tax

Income tax rate in Russian federation is 20% (in 2008 – 24%).

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

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

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

equipment, which resulted in reduction of deferred tax liabilities of the Group in the amount of RUR 142 516 thousand.

7 Property, plant and equipment

During the six months ended 30 June 2009, the Group acquired assets with a cost of RUR 1 147 033 thousand (for the six months ended 30 June 2008 - RUR 668 110 thousand).

Assets with a carrying amount of RUR 454 thousand were disposed of during the six months ended 30 June 2009 (for the six months ended 30 June 2008 - RUR 3 642 thousand), resulting in an income on disposal of RUR 1 083 thousand (for the six months ended 30 June 2008 - RUR 1 134 thousand). This income is included in other operating income.

8 Equity

(a) Share capital

As at 30 June 2009 and 31 December 2008, the authorized, issued and fully paid share capital 512 827 729 472 ordinary shares with a par value of RUR 0.01.

(b) Treasury shares

In September 2008 the Group repurchased 725 282 150 of its ordinary shares for the total amount of RUR 20 671 thousand. These shares are held by one of the subsidiaries and recognised as a deduction from equity as at 30 June 2009.

(c) Shares transferred to LLC Neft-Aktiv

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

TGC-11 and LLC Neft-Aktiv have reached a mutual agreement on the amicable settlement of the above dispute that was approved by the Moscow District Federal Arbitration Court on 15 July 2009. According to the mutual agreement TGC-11 should transfer 7 657 430 027 of its ordinary shares to LLC Neft-Aktiv, therefore, as at 30 June 2009, the Group recognized a liability in the estimated amount of RUR 109 963 thousand. Due to the fact that the mutual agreement represents settlement with LLC Neft-Aktiv in its capacity as the former owner of interest in Tomskenergo as a result of reorganization of TGC-11, recognition of the liability was recorded in the condensed consolidated interim statement of changes in equity for the six months ended 30 June 2009 as decrease of retained earnings.

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

9 Loans and borrowings

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

	Currency	Effective interest rate (annual)	Maturity	31 December 2008
Non-current liabilities				
Long-term bank loan	RUR			-
Finance lease	RUR	11.51-13.1%	2010	25 865
				25 865
Current liabilities				
Short-term bank loans	RUR	9.0-16.0%	2009	1 795 532
Finance lease	RUR	11.5-13.1%	2009	35 210
				1 830 742
	Currency	Effective interest rate (annual)	Maturity	30 June 2009 (unaudited)
Non-current liabilities				
Long-term bank loan	RUR			
Finance lease	RUR	12.6%	2010	12 948
				12 948
Current liabilities				
Short-term bank loans	RUR	16.5-20.6%	2009	2 566 905
Finance lease	RUR	12.6%	2009	28 214
				2 595 119

Bank loans bear fixed or floating interest rates.

The effective interest rate is the market interest rate applicable to the loan at the date of origination for fixed rate loans and the current market interest rate for floating rate loans.

Short-term bank loans are mainly represented by the credit lines obtained for financing of operating activities and have the following securities for loans: property, plant and equipment with the carrying value of RUR 184 993 thousand as at 30 June 2009 (as at 31 December 2008 – RUR 178 413 thousand).

The increase of short-term loans as at 30 June 2009 compared to 31 December 2008 related to the opening of new credit lines for financing of operating activities of the Group in OJSC Gazprombank, OJSC Sberbank of Russia, CJSC Globex Bank, CJSC UniCredit Bank and CJSC RaiffeisenBank.

10 Impairment provision for loans given

During the six months ended 30 June 2009 the Group recorded impairment provision for loans given in June 2008 and the maturity date in September 2009 in the amount of RUR 606 255 thousand (including interest accrued in the amount of RUR 106 255 thousand). The impairment provision for loans given was recorded in finance costs.

11 Financial instruments and financial risks

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

During the six months ended 30 June 2009 there were no material changes in these risks and in the Group's financial risk management policies which are disclosed in the consolidated financial statements as at and for the year ended 31 December 2008.

12 Contingencies and commitments

(a) Insurance

As at 30 June 2009 the Group had insurance coverage for its production facilities and equipment in the amount of RUR 6 427 633 thousand (as at 31 December 2008 – RUR 11 988 364 thousand) and for liabilities to third parties in respect of damage to the environment and life and health injury arising from accidents on the Group's property in the amount of RUR 137 764 thousand (as at 31 December 2008 – RUR 140 664 thousand). Nevertheless, the Group is exposed to a risk of negative impact on the Group's performance and financial position in case of a loss or damage to assets which have no or partial insurance coverage.

(b) Legal proceedings

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

(c) Taxation

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

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

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

The companies spun off from OJSC Omskenergo after reorganization (OEGK, OJSC Omskaya energosbytovaya kompaniya and OJSC Omskaya magistralnaya setevaya kompaniya) have joint responsibility with OJSC Omskenergo for contingent liabilities that relate to periods prior to 3 August 2005, if any. OEGK's share in these liabilities is 79.21%.

As at 30 June 2009 according to result of tax reviews of OJSC Omskenergo for 2002, 2003 and 2004 it has been charged with additional taxes, penalties and interest in the amount of RUR 491 663 thousand of which the OEGK's share is RUR 389 446 thousand. These charges primarily relate to income tax and VAT and are currently disputed by OJSC Omskenergo with tax authorities in the court.

As at 30 June 2009 management has created a provision in relation to additional accruals amounting to RUR 113 182 thousand (as at 31 December 2008 - RUR 75 202 thousand). The management of the Group has not provided for the remaining exposure amounting to RUR 276 264 thousand, as it believes that it is possible but not probable, that an outflow of economic benefits will be required to settle these obligations.

The management believes that currently it is not practicable to assess the potential financial effect of additional contingent liability in relation to the tax review of OJSC Omskenergo for 2005, if any, as the results of such review has not been presented to TGC-11.

(d) Environmental liabilities

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

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

State authorities monitor the technical condition of the Group's production equipment on a regular basis. As a result of such reviews the Group may be required to perform modernization or repairs of its plant and equipment. Given that the volume, estimates and timing of such works are now under consideration by the Group's management, it is impracticable to estimate the total amount of capital expenditure necessary to fulfil government authorities' requirements as at 30 June 2009.

13 Related-party disclosures

At 1 July 2008 there was a final stage of reorganization of OJSC RAO UES of Russia (hereinafter – "RAO UES"), as result of which the shares owned by RAO UES in its subsidiaries were transferred to shareholders of RAO UES and RAO UES ceased to exist as a separate legal entity. Prior to the reorganization RAO UES owned 50.47% of TGC-11's share capital. Therefore, the party with ultimate control over TGC-11 was the Government of the Russian Federation, which held the majority of the voting rights in RAO UES.

As at 30 June 2009 and 31 December 2008 TGC-11 did not have parent company and ultimate controlling party.

The majority of the Group's related party transactions were with the shareholders, companies owned or controlled by the same entities as the Group and key management personnel.

The following tables provide the total amount of the Group's transactions with the related parties:

Related parties	Sales/ purchases from related parties	Sales to related parties for the six months ended 30 June 2009	Purchases from related parties for the six months ended 30 June 2009	Sales to related parties for the six months ended 30 June 2008	Purchases from related parties for the six months ended 30 June 2008
RAO UES subsidiaries	Energy services, disposal of PPE and other assets	-	-	173 355	16 514
	Energy services	-	-	1 417 946	2 655 342
	Securities	-	-	2 070	1 880
State controlled entities:	Loans	-	-	-	484
	Loans given	-	-	500 000	-
	Interest accrued on loan given	55 519	-	4 611	-
	Impairment provision for loan given	-	606 255	-	-
Parties controlled by the shareholders of the Group:	Coal	-	44 188	-	-

Related parties	Liabilities of related parties as at 30 June 2009	Liabilities of related parties as at 31 December 2008	Liabilities to related parties as at 30 June 2009	Liabilities to related parties as at 31 December 2008
Parties controlled by the shareholders of the Group:				
Loans given	-	550 736	-	-
Trade payables	-	-	3 517	-
Key management personnel:				
Salary and other short-term benefits	-	-	14 439	1 714
Loans given	-	3 113	-	-

Terms and conditions of related-party transactions

Related party sales of heat and electric power are based on prices determined by the government; other related party transactions are based on normal market prices. Outstanding balances at the end of reporting periods are unsecured, interest free and settlement occurs mainly in cash.

Management remuneration

	Six months ended 30 June 2009	Six months ended 30 June 2008
Salary and other short-term benefits	77 653	63 324