

the Group is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. The defined benefit obligations are calculated using the projected unit credit method. The present value of the 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 associated with the operation of the plans, and that have terms to maturity approximating the terms of the related retirement benefit obligations.

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

The effect of curtailment or settlement of a defined benefit plan is recognised immediately in the income statement.

**Revenue recognition.** Revenue is recognized on the delivery of electricity, capacity, heat and provision of other services during the period. Revenues are measured at the fair value of consideration received or receivable. Revenue amounts are represented exclusive of value added tax. Effective 1 January 2010 the Group started to present electricity purchases entered into to support a delivery of non-regulated bilateral contracts net within revenue.

**Segment reporting.** Operating segments are operations that generate revenue and incur expenses that are covered by separate financial information regularly submitted to the decision-making body which is represented by the Company's Management Board. The Management Board of the Company controls and allocates economic resources of the Group between segments and evaluates segment's operating efficiency. The Group discloses seven reporting segments: Surgutskaya GRES-1, Troitskaya GRES, Stavropolskaya GRES, Serovskaya GRES, Kirishskaya GRES, Ryazanskaya GRES, Novochoercasskaya GRES. Pskovskaya GRES and Adlerskaya TES are included in other operating segments based on quantitative criteria. Before the merger (see Note 1) the Group disclosed Pskovskaya GRES and Adlerskaya TES as separate reporting segments.

**Earnings per share.** The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

#### Note 5. Related Parties

Information on transactions and balances with related parties is presented below. All transactions were made in Russian Federation and in Russian Roubles. Transactions with related parties have been made mostly on the same terms and conditions as similar operations with the parties external to the Group. Prices for natural gas and heat are based on tariffs set by FST, prices for electricity and capacity are based on tariffs set by FST and also based on competitive takeoff on the wholesale electricity (capacity) market. Loans are granted at market rates. Bank deposits are invested at market rates.

**OGK-2 Group**  
**Notes to Consolidated Financial Statements for the year ended 31 December 2011**  
(in thousands of Russian Roubles)

**Transactions with Gazprom Group and its associates**

Transactions with Gazprom Group were as follows:

	12 months ended 31 December 2011	12 months ended 31 December 2010 (Restated)
<i>Sales:</i>		
Sales of electricity and capacity	10,533,902	12,747,534
Sales of heat	333	382
Other sales	21,525	-
<i>Other income</i>	44	45,874
<i>Purchases:</i>		
Purchases of gas	42,680,503	34,977,573
Other purchases	1,032,000	323,041
<i>Other expenses</i>	3,102	48,970

Balances with Gazprom Group were as follows:

	31 December 2011	31 December 2010 (Restated)
Trade and other receivables	564,467	164,364
Trade and other payables	601,901	916,840
Loans (non-current debt)	6,901,877	-
Cash OJSC "Gazprombank"	823	6

Interest expense accrued in respect of loans for the year ended 31 December 2011 was RR 87,436 thousand (for the year ended 31 December 2010: nil). The Group had no deposits held in banks related to Gazprom Group as at 31 December 2011 and as at 31 December 2010. Interest income on bank deposits accrued for the year ended 31 December 2011 equals zero (for the year ended 31 December 2010: RR 108,086 thousand).

**Transactions with state-controlled entities and its associates**

In the normal course of business the Group enters into transactions with other entities under Government control (in addition to transactions with Gazprom Group), including sales of electricity and capacity, heat, purchases of electricity and capacity resources, services and other transactions. These transactions (except for sales and purchases of electricity and capacity) are not significant either individually or collectively. The Group received guarantee from OJSC "VTB" in the amount of RR 3,300,000 thousand, as described in Note 6.

Information concerning sales and purchases of electricity and capacity with state-controlled entities is presented below:

	12 months ended 31 December 2011	12 months ended 31 December 2010 (Restated)
Sales of electricity and capacity	22,210,242	13,093,540
Charge of provision for impairment of trade receivables	1,097,769	80,255
Reversal of provision for impairment of trade receivables	(66,091)	(87,190)
Purchases of electricity and capacity	8,575,160	13,625,923

Significant balances with state-controlled entities were as follows:

	31 December 2011	31 December 2010 (Restated)
Trade and other receivables, gross	3,436,396	2,177,227
Provision for impairment of trade and other receivables	(1,856,575)	(451,941)
Trade and other payables	725,758	539,548

**Transactions with key management**

Compensation is paid to members of the Management Board of the Company for their services in full time management positions. The compensation is made up of a contractual salary and a performance bonus depending on results for the period according to Russian statutory financial results of the Company. The compensation is approved by the Board of Directors. Discretionary bonuses are also payable to members of the Management Board, which are approved by the Chairman of the Management Board according to his perception of the value of their contribution.

Fees, compensation or allowances to the members of the Board of Directors for their services in that capacity and for attending Board meetings are paid depending on results for the year.

Total remuneration accrued to the members of the Board of Directors and Management Board is presented below:

	Year ended 31 December 2011		Year ended 31 December 2010 (Restated)	
	Expenses	Accrued liabilities	Expenses	Accrued liabilities
Remuneration	267,721	2,733	226,952	793
Social funds contribution	3,148	-	2,175	-
Medical insurance	1,317	-	2,107	-
Share option plan	-	-	(1,415)	-
Retirement benefit obligations	4,133	28,652	883	5,645

**Transactions with other related parties**

Transactions with other related parties represent transactions with the pension fund of energy industry (NPF Electroenergetiki). For the year ended 31 December 2011 the Group has expenses of RR 154,717 thousand from transactions with NPF Electroenergetiki (2010: RR 172,228 thousand).

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

Cost	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2011 (Restated)	31,645,204	16,029,174	29,082,518	12,298,686	1,365,105	45,906,647	136,327,334
Additions	46,771	45,693	14	329,209	204,237	17,541,000	18,166,924
Transfer	313,604	550,106	1,083,267	1,403,846	22,039	(3,372,862)	-
Disposals	(93,440)	(86,242)	(122,319)	(25,122)	(42,129)	(43,872)	(413,124)
Reclassification	(18)	249,097	(1,375,718)	1,126,678	(39)	-	-
Closing balance as at 31 December 2011	31,912,121	16,787,828	28,667,762	15,133,297	1,549,213	60,030,913	154,081,134
<b>Accumulated depreciation (including impairment)</b>							
Opening balance as at 1 January 2011 (Restated)	(13,083,487)	(8,731,090)	(15,663,231)	(5,558,085)	(859,914)	(328,576)	(44,224,383)
Charge for the period	(615,837)	(599,680)	(1,253,061)	(998,698)	(143,187)	-	(3,610,463)
Charge of impairment	-	-	-	-	-	(7,208)	(7,208)
Disposals	49,044	53,165	90,194	23,208	36,495	6,149	258,255
Reclassification	16	(173,710)	912,059	(738,398)	33	-	-
Closing balance as at 31 December 2011	(13,650,264)	(9,451,315)	(15,914,039)	(7,271,973)	(966,573)	(329,635)	(47,583,799)
Net book value as at 31 December 2011	18,261,857	7,336,513	12,753,723	7,861,324	582,640	59,701,278	106,497,335
Net book value as at 31 December 2010 (Restated)	18,561,717	7,298,084	13,419,287	6,740,601	505,191	45,578,071	92,102,951

**OGK-2 Group**  
**Notes to Consolidated Financial Statements for the year ended 31 December 2011**  
(in thousands of Russian Roubles)

Cost	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Opening balance as at 1 January 2010 (Restated)	30,672,284	15,234,357	25,377,066	10,249,002	1,267,601	41,282,660	124,082,970
Additions	20,605	219,676	2,412	151,545	101,122	12,202,370	12,697,730
Transfer	983,354	684,354	3,751,782	1,998,148	40,727	(7,458,365)	-
Disposals	(31,039)	(109,213)	(48,742)	(100,009)	(44,345)	(120,018)	(453,366)
Closing balance as at 31 December 2010 (Restated)	31,645,204	16,029,174	29,082,518	12,298,686	1,365,105	45,906,647	136,327,334
<b>Accumulated depreciation (including impairment)</b>							
Opening balance as at 1 January 2010 (Restated)	(12,511,578)	(8,253,044)	(14,589,894)	(4,865,687)	(751,872)	(442,404)	(41,414,479)
Charge for the period	(590,875)	(547,217)	(1,086,854)	(752,480)	(138,776)	-	(3,116,202)
Reversal of impairment	-	-	-	-	-	4,615	4,615
Disposals	18,966	69,171	13,517	60,082	30,734	109,213	301,683
Closing balance as at 31 December 2010 (Restated)	(13,083,487)	(8,731,090)	(15,663,231)	(5,558,085)	(859,914)	(328,576)	(44,224,383)
Net book value as at 31 December 2010 (Restated)	18,561,717	7,298,084	13,419,287	6,740,601	505,191	45,578,071	92,102,951
Net book value as at 31 December 2009 (Restated)	18,160,706	6,981,313	10,787,172	5,383,315	515,729	40,840,256	82,668,491

Construction in progress as at 31 December 2011 and 31 December 2010 includes prepayments for property, plant and equipment in the amount of RR 23,510,369 thousand and RR 19,851,288 thousand respectively.

The Group capitalized borrowing costs attributable to the acquisition, construction or production of an asset in the amount of RR 15,440 thousand (2010: RR 12,065 thousand), with a capitalisation rate of 7.25 % (2010: 7.39 %).

The assets received by the Group as a result of the merger with its predecessors did not include the land on which the Group's buildings and facilities are situated. The Group has the right to rent this land. In accordance with Russian legislation this right should be formalized either into purchase of this land upon application to the state registration body, or into lease of this land prior to 1 July 2012. As at 31 December 2011 the Group owns land (included in the group "Other") with the carrying amount of RR 64,407 thousand (as at 31 December 2010: RR 55,796 thousand).

Capitalization of ash dump restoration costs is recognised within the group "Constructions" (see Note 21).

As at 31 December 2011 the advances given to major contractors: OJSC "E4 Group" to build a power unit on site of Serovskaya GRES amounted to RR 7,217,993 thousand (net of VAT) and CJSC "QUARTZ-Novie Technologii" to build a power unit on site of Troitskaya GRES amounted to RR 12,617,121 thousand (net of VAT) (as at 31 December 2010: RR 7,217,993 thousand (net of VAT) OJSC "E4 Group" and RR 9,859,636 thousand (net of VAT) CJSC "QUARTZ-Novie Technologii"). The respective input VAT is recognised within other non-current assets balance (see Note 8).

The return of the advance payments made to CJSC "QUARTZ-Novie Technologii" to secure the contractor's obligations under the general construction contract with the Group as at 31 December 2011 in the amount of RR 3,300,000 thousand was guaranteed to the Group by OJSC "VTB" and in the amount of RR 12,672,692 thousand was guaranteed by the contract of pledge of property rights by OJSC "QUARTZ-Novie Technologii" (as at 31 December 2010: RR 220,568 thousand by OJSC "Alfa-bank").

The return of the advance payments made to OJSC "E4 Group" to secure the contractor's obligations under the general construction contract with the Group as at 31 December 2011 in the amount of RR 5,213,936 thousand was guaranteed by the contract of pledge of property rights by OJSC "E4 Group" (as at 31 December 2010: 4,122,056 thousand).

**OGK-2 Group****Notes to Consolidated Financial Statements for the year ended 31 December 2011**

(in thousands of Russian Roubles)

Also as at 31 December 2011 the return of the advance payments made to CJSC "PF VIS" for construction of a power unit on site of Novocherkasskaya GRES in the amount of RR 939,582 thousand (net of VAT) in case of non-fulfilment of construction obligations was guaranteed by OJSC "BANK "ROSSIYA" in the amount of RR 1,631,834 thousand.

**Impairment**

The impairment provision balance included in accumulated depreciation as at 31 December 2011 in the amount of RR 329,635 thousand (as at 31 December 2010 – RR 328,576 thousand) relates to the assets under construction that have been indefinitely suspended for further construction and are not included in the Group's investment program (see Note 27).

**Finance lease**

The Group leased certain equipment under a number of finance lease agreements. At the end of the leases the Group has the option to purchase the equipment at a beneficial price. The net book value of leased property, plant and equipment is presented below:

	31 December 2011	31 December 2010 (Restated)
Energy machinery and equipment	48,238	55,499
Other machinery and equipment	196,287	42,147
Other	117,042	38,541
<b>Total</b>	<b>361,567</b>	<b>136,187</b>

The leased equipment secures lease obligations.

**Operating lease**

The Group leases a number of land plots owned by local governments and real estate under operating leases. Lease payments are determined by lease agreements. Lease agreements are concluded for the different periods. Part of the lease contracts is concluded for a year with right of future prolongation, maximum lease period is 48 years.

Operating lease rentals are payable as follows:

	31 December 2011	31 December 2010 (Restated)
Not later than one year	616,193	329,693
Later than one year and not later than five years	1,489,902	229,938
Later than five years and not later than ten years	620,992	173,193
Later than ten years	1,973,651	983,839
<b>Total</b>	<b>4,700,738</b>	<b>1,716,663</b>

The land areas leased by the Group are the territories on which the Group's electric power stations and other assets are located. Lease payments are reviewed regularly to reflect market rentals.

**OGK-2 Group**
**Notes to Consolidated Financial Statements for the year ended 31 December 2011**

(in thousands of Russian Roubles)

**Note 7. Intangible assets**

	SAP R-3 software	System NSI software	Other intangibles	Total intangible assets
<b>Cost</b>				
Balance as at 1 January 2011 (Restated)	1,172,956	619,050	336,224	2,128,230
Additions	123,361	-	81,407	204,768
Disposals	(736,400)	-	(7,116)	(743,516)
Balance as at 31 December 2011	559,917	619,050	410,515	1,589,482
Balance as at 1 January 2010 (Restated)	1,168,060	619,050	277,480	2,064,590
Additions	4,896	-	58,744	63,640
Balance as at 31 December 2010 (Restated)	1,172,956	619,050	336,224	2,128,230
<b>Amortisation (including impairment)</b>				
Balance as at 1 January 2011 (Restated)	(418,580)	-	(131,593)	(550,173)
Charge for the period	(14,750)	-	(57,325)	(72,075)
Disposals	330,125	-	-	330,125
Balance as at 31 December 2011	(103,205)	-	(188,918)	(292,123)
Balance as at 1 January 2010 (Restated)	(407,014)	-	(74,608)	(481,622)
Charge for the period	(11,566)	-	(56,985)	(68,551)
Balance as at 31 December 2010 (Restated)	(418,580)	-	(131,593)	(550,173)
Net book value as at 31 December 2011	456,712	619,050	221,597	1,297,359
Net book value as at 31 December 2010 (Restated)	754,376	619,050	204,631	1,578,057

The amount of intangible assets includes advances paid to contractors in the amount of RR 41,772 thousand (net of VAT) as at 31 December 2011 (as at 31 December 2010: RR 384,119 thousand (net of VAT)).

The impairment provision for intangible assets included in accumulated amortisation balance as at 31 December 2011 of RR 61,716 thousand (as at 31 December 2010: RR 391,841 thousand) relates to the SAP R-3 software, the development of which is suspended for indefinite period.

**OGK-2 Group**  
**Notes to Consolidated Financial Statements for the year ended 31 December 2011**  
(in thousands of Russian Roubles)

**Note 8. Other non-current assets**

	31 December 2011	31 December 2010 (Restated)
Long-term input VAT from advances paid	2,200,226	2,365,855
Long-term promissory notes (nominal value of promissory notes is RR 998,642 thousand as at 31 December 2011 and RR 784,476 thousand as at 31 December 2010)	610,518	378,962
Prepayments / Deposits for pensions	263,663	225,839
Long-term restructured trade and other receivables (net of provision for impairment of trade and other receivables of RR 13,752 thousand as at 31 December 2011 and RR 28,379 thousand as at 31 December 2010)	19,956	44,118
Other	116,795	196,571
<b>Total</b>	<b>3,211,158</b>	<b>3,211,345</b>

Other non-current assets mainly include an investment in 90,454,910 ordinary shares of OJSC "RusHydro" (available-for-sale investments) with par value of RR 0.001 thousand amounted to RR 87,280 thousand as at 31 December 2011 (as at 31 December 2010: RR 148,256 thousand) (see also Note 13).

**Note 9. Cash and cash equivalents**

	Currency	31 December 2011	31 December 2010 (Restated)
Current bank accounts	RR	337,816	3,701,720
Current bank accounts	KZT	-	1
Bank deposits with maturity of 3 months or less	RR	20,000	1,659,750
Other cash equivalents	RR	1,300	907
<b>Total</b>		<b>359,116</b>	<b>5,362,378</b>

The Group has current bank accounts in the following banks:

	Credit rating on 31 December 2011*	31 December 2011	Credit rating on 31 December 2010*	31 December 2010 (Restated)
<b>Cash in bank</b>				
OJSC "BANK "ROSSIYA"	E+/Stable	148,749	E+/Stable	2,725,994
OJSC "Alfa-bank"	D/Stable	90,549	D/Stable	491,942
OJSC "Eurofinance Mosnarbank"	E+/Ratings Under Review	71,112	E+/Stable	281,332
OJSC "Sberbank"	D+/Stable	21,074	D+/Stable	128,543
CJSC "Mezhdunarodny promyshlenny bank"	-	4,271	-	4,272
CJSC "VTB 24"	D-/Negative	926	D-/Stable	69,569
OJSC "Gazprombank"	E+/Stable	823	E+/Stable	6
OJSC "Transcreditbank"	D-/Stable	199	D-/Stable	10
OJSC "Nomos-bank"	D-/Stable	70	D-/Stable	35
OJSC "Promsvyazbank" (PSB)	D/Stable	41	D/Stable	4
OJSC "URALSIB"	D-/Stable	2	E+/Stable	2
CJSC "UniCredit Bank"	-	-	C-/Ratings Under Review	7
ZAO "Raiffeisenbank"	-	-	D+/Stable	3
OJSC JSCB "ROSBANK"	-	-	D/Ratings Under Review	2
<b>Total cash in bank</b>		<b>337,816</b>		<b>3,701,721</b>

**OGK-2 Group**

**Notes to Consolidated Financial Statements for the year ended 31 December 2011**

(in thousands of Russian Roubles)

\* The bank financial strength rating / the outlook on all of the bank's ratings, determined by Moody's Investor Service.

Credit quality of bank deposits is presented below:

Bank deposits with maturity of 3 months or less	Interest rate	Credit rating on 31 December 2011*	31 December 2011	Interest rate	Credit rating on 31 December 2010*	31 December 2010 (Restated)
OJSC "Sberbank"	5.84%	Not-Prime	8,000	-	-	-
OJSC "Alfa-bank"	-	-	-	2.95%-3.5%	Not-Prime	1,529,750
OJSC "BANK "ROSSIYA"	5.75%	Not-Prime	12,000	2.4%-3.25%	Not-Prime	130,000
<b>Total bank deposits with maturity of 3 months or less</b>			<b>20,000</b>			<b>1,659,750</b>

\* Short-term rating of foreign currency deposits, determined by Moody's Investors Service.

**Note 10. Trade and other receivables**

	31 December 2011	31 December 2010 (Restated)
Trade receivables (net of provision for impairment of trade receivables of RR 2,603,520 thousand as at 31 December 2011 and RR 1,316,993 thousand as at 31 December 2010)	6,578,502	4,025,927
Other receivables (net of provision for impairment of other receivables of RR 1,268,972 thousand as at 31 December 2011 and RR 1,278,088 thousand as at 31 December 2010)	4,297,505	138,572
Promissory notes (nominal value of promissory notes is RR 1,063,749 thousand as at 31 December 2011 and RR 3,652,974 thousand as at 31 December 2010)	671,326	3,182,196
<b>Financial assets</b>	<b>11,547,333</b>	<b>7,346,695</b>
Input VAT	3,895,759	4,241,760
Advances to suppliers (net of provision for impairment of advances to suppliers of RR 16,637 thousand as at 31 December 2011 and RR 105,700 thousand as at 31 December 2010)	418,799	475,645
Prepaid other tax and social funds contribution	554,208	77,012
Prepayments	-	44,507
<b>Total</b>	<b>16,416,099</b>	<b>12,185,619</b>
Less: Long-term input VAT from advances paid	(2,200,226)	(2,365,855)
Long-term promissory notes (nominal value of promissory notes is RR 998,642 thousand as at 31 December 2011 and RR 784,476 thousand as at 31 December 2010)	(610,518)	(378,962)
Long-term restructured trade and other receivables (net of provision for impairment of trade and other receivables of RR 13,752 thousand as at 31 December 2011 and RR 28,379 thousand as at 31 December 2010)	(19,956)	(44,118)
<b>Total</b>	<b>13,585,399</b>	<b>9,396,684</b>



**OGK-2 Group**
**Notes to Consolidated Financial Statements for the year ended 31 December 2011**

(in thousands of Russian Roubles)

**Note 11. Inventories**

	31 December 2011	31 December 2010 (Restated)
Fuel supplies	3,942,509	3,910,729
Materials and supplies	846,441	767,242
Spare parts	1,293,468	1,250,707
Other inventories	75,584	4,141
<b>Total</b>	<b>6,158,002</b>	<b>5,932,819</b>

The above inventory balances are recorded net of obsolescence provision of RR 53,350 thousand and RR 57,494 thousand as at 31 December 2011 and 31 December 2010, respectively.

There is no inventory pledged as collateral at 31 December 2011 and at 31 December 2010.

**Note 12. Other current assets**

	31 December 2011	31 December 2010 (Restated)
Short-term deposits	-	24,670
Other current assets	-	9,531
<b>Total</b>	<b>-</b>	<b>34,201</b>

Credit quality of bank deposits is presented below:

Bank deposits with maturity more than 3 months but within one year	Inter- est rate	Credit rating on 31 December 2011*	31 December 2011	Credit rating on 31 December 2010*	31 December 2010 (Restated)
OJSC "BANK "ROSSIYA	12.5%	-	-	Not-Prime	24,670
<b>Total bank deposits with maturity more than 3 months but within one year</b>			<b>-</b>		<b>24,670</b>

\* Short-term rating of foreign currency deposits, determined by Moody's Investors Service.

**Note 13. Equity**
**Reorganisation**

On 21 June 2011 the General Shareholders Meeting of OJSC "OGK-2" made a decision to merge OJSC "OGK-2" with OJSC "OGK-6". On 1 November 2011 the merger has been completed. In accordance with the merger agreement the share capital of OJSC "OGK-2" was increased by RR 9,645,411 thousand as a result of an additional ordinary shares issue of 26,593,358,578 ordinary shares with nominal value RR 0.3627 each. Thus as at 31 December 2011 the share capital of the Group amounted to RR 21,518,239 thousand (as at 31 December 2010: RR 11,872,828 thousand).

<i>Share capital</i>	Number of ordinary shares 31 December 2011	Number of ordinary shares 31 December 2010 (Restated)
Issued shares	59,327,926,960	32,734,568,382
Treasury shares	(2,360,884,527)	(7,970,300)
<b>Total outstanding shares</b>	<b>56,967,042,433</b>	<b>32,726,598,082</b>

As a result of merger the carrying amount of acquired net assets of OJSC "OGK-6" was recognized in retained earnings as at 1 January 2010.

As at 31 December 2011 the total number of authorised ordinary shares is 59,328,280,734 shares (as at 31 December 2010: 44,757,822,542 shares). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

**Treasury shares**

Shareholders who voted against the merger or didn't participate in voting in August 2011 made claims to repurchase their shares. The Group repurchased 2,351,934,227 shares at RR 1.72 per share totalling to RR 4,045,327 thousand in August-September 2011.

Besides LLC "OGK-2 Finance", the Group's subsidiary, purchased on MICEX for further sale 980,000 shares of OJSC "OGK-2" in the total amount of RR 874 thousand.

**Dividends**

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

In June 2011 OJSC "OGK-2" and OJSC "OGK-6" declared final dividends for the year ended 31 December 2010 of RR 0.0048759 per share for RR 159,577 thousand and RR 0.00439874 per share for RR 142,022 thousand respectively. These dividends were recognized as liability and deducted from equity at 31 December 2011.

**Employee share option plan**

In December 2006, the Board of Directors has approved the policy for OJSC "OGK-2" management and employees remuneration – stock option program (hereinafter the "Program"). The Program provided stock options to management and employees of OJSC "OGK-2" (hereinafter the "Participants"). The Program has been functioning during 3.5 years starting from 1 November 2007. The approved number equaled to 529,617,916 ordinary shares, which equaled 1.6% of total quantity of issued ordinary shares of OJSC "OGK-2" as at 31 December 2007. The stock option exercise price was identified at the date of decision for participation in the Program and is calculated as weighted average price of ordinary shares for the period of 365 days before date of such decision, based on RTS quotations.

As at 31 December 2010 a number of Participants, including key management personnel terminated their employment contracts. The number of share options allocated to these Participants was assessed on the pro rata basis of the days they have worked for the Group. The service cost in respect of those options was assessed as if they became vested at the date of the termination. As the result of this, the number of active options under the program has decreased to 216,880,574. During the year ended 31 December 2010 the Group recognized service cost in the amount of RR 1,792 thousand with corresponding increase in retained earnings.

As part of realization of the approved stock option program the Company has entered into a service agreement with OJSC "NOMOS-Bank". Under this agreement the Group has transferred all liabilities for conclusion and fulfilment of share purchase agreements with Company's employees for the total amount of 529,617,916 shares at a fixed price of RR 3.94 per share and maturity of 3 years. In accordance with the agreement with OJSC "NOMOS-Bank" in 2007 the Company paid to OJSC "NOMOS-Bank" a premium of RR 709,688 thousand to secure the delivery of shares to employees in the settlement of share-based payment arrangement. According to the decision of the Supreme Arbitration Court of the Russian Federation in January 2010 the agreement with OJSC "NOMOS-Bank" was cancelled and cash transferred in 2007 was received by the Company in full in March 2010.

1 May 2011 was the end date of the employee share option plan. There were no exercised stock options under this program.

**Fair value revaluation reserve**

The movements in fair value of available-for-sale investments (see also Note 8), which is recognized as part of other comprehensive income are presented below:

<b>As at 31 December 2009 (Restated)</b>	<b>(75,660)</b>
Change in fair value of available-for-sale investments for the period	45,589
<b>As at 31 December 2010 (Restated)</b>	<b>(30,071)</b>
Change in fair value of available-for-sale investments for the period	(60,976)
<b>As at 31 December 2011</b>	<b>(91,047)</b>

Note 14. Income tax

<i>Income tax charge</i>	Year ended 31 December 2011	Year ended 31 December 2010 (Restated)
Current income tax charge	(1,037,249)	(1,874,964)
Adjustment for prior years	1,962,441	130,701
<b>Deferred tax expenses</b>		
Deferred income tax charge	590,665	1,990
Change in tax base of PPE	(1,928,070)	-
<b>Total</b>	<b>(1,337,405)</b>	<b>1,990</b>
<b>Total income tax charge</b>	<b>(412,213)</b>	<b>(1,742,273)</b>

During the year ended 31 December 2011 the Group was subject to a 20% income tax rate on taxable profits (for the year ended 31 December 2010: 20%).

In 2011 the Group recalculated income tax for prior periods (2007-2010) related to the deductibility for tax purposes of certain operating expenses which were previously capitalized in the tax value of property, plant and equipment and accelerated depreciation of property, plant and equipment operated in an aggressive environment.

As a result, income tax overprovided in prior periods, in accordance with the adjusted tax declarations submitted to the tax authorities, amounted to RR 1,962,441 thousand. Also the Group corrected the tax value of property, plant and equipment which resulted in an increase of deferred tax liabilities of the Group in the amount of RR 1,928,070 thousand.

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

	Year ended 31 December 2011	Year ended 31 December 2010 (Restated)
<b>Profit before tax</b>	<b>422,363</b>	<b>6,412,463</b>
Theoretical tax charge at the statutory tax rate of 20%	(84,473)	(1,282,493)
Overprovided in prior years	1,962,441	130,701
Change in tax base of PPE	(1,928,070)	
Non-deductible expenses:		
Provision for impairment of other receivables	19,636	(244,330)
Social payments	(109,539)	(96,863)
Other	(272,208)	(249,288)
<b>Total income tax charge</b>	<b>(412,213)</b>	<b>(1,742,273)</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 income tax assets and liabilities are measured at 20%, the rate applicable when the temporary differences will reverse.

**OGK-2 Group**

**Notes to Consolidated Financial Statements for the year ended 31 December 2011**

(in thousands of Russian Roubles)

**Deferred income tax liabilities**

	31 December 2010 (Restated)	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2011
Property, plant and equipment	(5,258,362)	(1,330,645)	-	(6,589,007)
Intangible assets	(63,889)	49,000	-	(14,889)
Prepayments / deposits	(45,168)	(7,565)	-	(52,733)
Provision for impairment of trade receivables	(45,201)	(55,352)	-	(100,553)
<b>Total</b>	<b>(5,412,620)</b>	<b>(1,344,562)</b>	<b>-</b>	<b>(6,757,182)</b>

**Deferred income tax assets**

	31 December 2010 (Restated)	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2011
Retirement benefit obligations	234,733	(54,786)	-	179,947
Restoration provision	113,356	1,012	-	114,368
Other non-current assets	103,283	(24,798)	-	78,485
Trade and other payables	29,336	39,696	-	69,032
Inventory	10,400	270	-	10,670
Unused tax losses	1,391	1,638	-	3,029
Finance lease liabilities	-	52,550	-	52,550
Other	11,137	(8,425)	12,195	14,907
<b>Total</b>	<b>503,636</b>	<b>7,157</b>	<b>12,195</b>	<b>522,988</b>

	31 December 2010 (Restated)	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2011
Total deferred income tax liabilities	(5,412,620)	(1,344,562)	-	(6,757,182)
Total deferred income tax assets	503,636	7,157	12,195	522,988
<b>Deferred income tax liabilities, net</b>	<b>(4,908,984)</b>	<b>(1,337,405)</b>	<b>12,195</b>	<b>(6,234,194)</b>

**Deferred income tax liabilities**

	31 December 2009 (Restated)	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2010 (Restated)
Property, plant and equipment	(5,221,935)	(36,427)	-	(5,258,362)
Intangible assets	(64,881)	992	-	(63,889)
Prepayments / deposits	(41,337)	(3,831)	-	(45,168)
Provision for impairment of trade receivables	(28,283)	(16,918)	-	(45,201)

**OGK-2 Group**  
**Notes to Consolidated Financial Statements for the year ended 31 December 2011**  
(in thousands of Russian Roubles)

Other	(456)	456	-	-
<b>Total</b>	<b>(5,356,892)</b>	<b>(55,728)</b>	<b>-</b>	<b>(5,412,620)</b>

**Deferred income tax assets**

	31 December 2009 (Restated)	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2010 (Restated)
Retirement benefit obligations	213,288	21,445	-	234,733
Restoration provision	78,007	35,349	-	113,356
Trade and other payables	51,602	(22,266)	-	29,336
Other non-current assets	36,021	67,262	-	103,283
Inventory	21,122	(10,722)	-	10,400
Unused tax losses	1,401	(10)	-	1,391
Finance lease liabilities	240	(240)	-	-
Other	48,796	(33,100)	(4,559)	11,137
<b>Total</b>	<b>450,477</b>	<b>57,718</b>	<b>(4,559)</b>	<b>503,636</b>

	31 December 2009 (Restated)	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2010 (Restated)
Total deferred income tax liabilities	(5,356,892)	(55,728)	-	(5,412,620)
Total deferred income tax assets	450,477	57,718	(4,559)	503,636
<b>Deferred income tax liabilities, net</b>	<b>(4,906,415)</b>	<b>1,990</b>	<b>(4,559)</b>	<b>(4,908,984)</b>

**Note 15. Non-current debt**

	Currency	Effective interest rate	Due	31 December 2011	31 December 2010 (Restated)
Loans	RR	7.25%-8.40%	2015-2021	27,001,877	13,600,000
Bonds	RR	7.25%	2012	-	1,532,550
Finance lease liability	RR	14.00%-23.30%	2013-2016	166,363	1,977
<b>Total</b>				<b>27,168,240</b>	<b>15,134,527</b>

All of the above bank debt is obtained at fixed interest rates.

**Maturity table**

	31 December 2011	31 December 2010 (Restated)
<b>Due for repayment</b>		
Between one and two years	56,826	1,534,527
Between two and three years	42,357	-
Between three and four years	13,647,363	-
Between four and five years	6,519,817	13,600,000
More than five years	6,901,877	-
<b>Total</b>	<b>27,168,240</b>	<b>15,134,527</b>

**OGK-2 Group**  
**Notes to Consolidated Financial Statements for the year ended 31 December 2011**  
(in thousands of Russian Roubles)

The lease liabilities are effectively secured as the rights for the leased asset revert to the lessor in the event of default.

<b>Finance lease liabilities – minimum lease payments</b>	<b>31 December 2011</b>	<b>31 December 2010 (Restated)</b>
<b>Due for repayment</b>		
Less than one year	111,088	10,993
Between one year and five years	219,883	2,081
Future finance charges on finance lease	(95,450)	(807)
<b>Present value of lease liabilities</b>	<b>235,521</b>	<b>12,267</b>

Management believes that the total current value of non-current debt approximates its fair value since actual interest rates approximate current market interest rates available to the Group for similar financial instruments.

**Note 16. Other long-term liabilities**

	<b>31 December 2011</b>	<b>31 December 2010 (Restated)</b>
Trade payables	230,885	590,207
Accrued liabilities and other payables	10,376	12,718
<b>Total finance liabilities</b>	<b>241,261</b>	<b>602,925</b>

**Note 17. Current debt and current portion of non-current debt**

	<b>Currency</b>	<b>Effective interest rate</b>	<b>31 December 2011</b>	<b>31 December 2010 (Restated)</b>
OJSC "BANK "ROSSIYA"	RR	5.80%	4,000,000	-
Bonds	RR	7.25%	1,532,550	-
Current portion of finance lease liability	RR	14.00%-23.30%	69,158	10,290
<b>Total</b>			<b>5,601,708</b>	<b>10,290</b>

All of the above bank debt is obtained at fixed interest rates.

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

**Note 18. Trade and other payables**

	<b>31 December 2011</b>	<b>31 December 2010 (Restated)</b>
Trade payables	5,972,946	5,921,198
Accrued liabilities and other payables	728,692	471,645
Interest payable	21,917	21,613
Dividend payable	3,726	1,127
<b>Financial liabilities</b>	<b>6,727,281</b>	<b>6,415,583</b>
Salaries and wages payable	671,985	428,681
Advances from customers	32,244	114,730
<b>Total</b>	<b>7,431,510</b>	<b>6,958,994</b>

Trade payables, accrued liabilities and other payables are classified as financial liabilities. The Group's management believes that the majority of suppliers, whose balances are included in trade and other payables balance, relate to the same class of reliable suppliers with similar characteristics.