JSC Inter RAO

Consolidated financial statements

For the year ended 31 December 2014
with report of independent auditors

Contents

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Совершенствуя бизнес, улучшаем мир

Independent auditors' report

To the shareholders and the Board of Directors of
Open Joint Stock Company "Inter RAO UES" (JSC "Inter RAO")

We have audited the accompanying consolidated financial statements of JSC "Inter RAO" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLC

26 February 2015

Consolidated statement of financial position

(in millions of RUR)

	Note	31 December 2014	31 December 2013
Assets			
Non-current assets			
Property, plant and equipment	6	298,625	285,789
Intangible assets	7	12,514	9,783
Investments in associates and joint ventures	8	34,407	28,625
Deferred tax assets	9	2,236	3,389
Available-for-sale financial assets	10	7,260	9,149
Other non-current assets	11	10,094	6,100
Total non-current assets		**365,136**	**342,835**
Current assets			
Inventories	12	14,903	13,221
Accounts receivable and prepayments	13	81,703	70,198
Income tax prepaid		946	1,095
Cash and cash equivalents	14	75,599	39,882
Other current assets	16	9,154	3,055
		182,305	**127,451**
Assets classified as held-for-sale	15	38,057	42,280
Total current assets		**220,362**	**169,731**
Total assets		**585,498**	**512,566**
Equity and liabilities			
Equity			
Share capital	17	293,340	293,340
Treasury shares	17	(56,229)	(41,363)
Share premium		69,312	69,312
Hedge reserve	17	38	(64)
Actuarial reserve	17	(34)	(280)
Fair value reserve	17	626	642
Foreign currency translation reserve		8,422	413
Retained earnings		27,426	9,522
Total equity attributable to shareholders of the Company		**342,901**	**331,522**
Non-controlling interest		5,348	3,067
Total equity		**348,249**	**334,589**
Non-current liabilities			
Loans and borrowings	19	64,185	40,198
Deferred tax liabilities	9	15,034	13,399
Other non-current liabilities	21	11,448	8,569
Total non-current liabilities		**90,667**	**62,166**
Current liabilities			
Loans and borrowings	19	42,947	12,553
Accounts payable and accrued liabilities	20	96,836	98,814
Other taxes payable	22	5,872	4,025
Income tax payable		927	419
Total current liabilities		**146,582**	**115,811**
Total liabilities		**237,249**	**177,977**
Total equity and liabilities		**585,498**	**512,566**

Chairman of the Management Board — Kovalchuk B.Yu.

Chief Accountant — Vaynilavichute A.P.

26 February 2015

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

Consolidated statement of comprehensive income

(in millions of RUR)

	Note	For the year 2014	For the year 2013
Revenue	23	741,101	662,321
Other operating income	24	6,829	7,108
Operating expenses, net	25	(727,984)	(687,902)
Operating profit/(loss)		**19,946**	**(18,473)**
Finance income	26	5,068	4,014
Finance expenses	26	(12,308)	(15,891)
Share of profit of associates and joint ventures,net	8	4,292	3,252
Profit/(loss) before income tax		**16,998**	**(27,098)**
Income tax (expense)/benefit	27	(7,224)	3,068
Profit/(loss) for the period		**9,774**	**(24,030)**
Other comprehensive income			
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gain, net of tax	17	261	161
Other comprehensive income/(expense) that will be reclassified subsequently to profit or loss when specific conditions are met			
(Loss)/gain on available-for-sale financial assets, net of tax	10, 17	(16)	3,996
Net gain/(loss) on hedge instruments, net of tax	17	92	(167)
Exchange gain on translation to presentation currency		8,520	2,028
Other comprehensive income, net of tax		**8,857**	**6,018**
Total comprehensive income/(loss) for the period		**18,631**	**(18,012)**
Income/(loss) attributable to:			
Shareholders of the Company		7,837	(23,067)
Non-controlling interest		1,937	(963)
		9,774	**(24,030)**
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		16,178	(17,308)
Non-controlling interest		2,453	(704)
		18,631	**(18,012)**
Basic earnings/(loss) per ordinary share for income/(loss) attributable to the shareholders of the Company	18	**RUR 0.08830**	**RUR (0.26547)**
Diluted earnings/(loss) per ordinary share for income/(loss) attributable to the shareholders of the Company	18	**RUR 0.08830**	**RUR (0.28269)**

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Chief Accountant — Vaynilavichute A.P.

26 February 2015

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

Consolidated statement of cash flows

(in millions of RUR)

	Note	For the year 2014	For the year 2013
Operating activities			
Profit/(loss) before income tax		**16,998**	**(27,098)**
Adjustments to reconcile profit/(loss) before tax to net cash flows from operating activities:			
Depreciation and amortisation	25	21,224	23,733
Provision for impairment of accounts receivable	25	5,467	4,397
Other provisions charge	12, 20, 25	993	3,709
Impairment of available-for-sale financial assets and assets classified as held-for-sale	25	1,356	3,282
Impairment of property, plant and equipment, intangible assets and goodwill	6, 7, 25	5,194	19,704
Share of profit of associates and joint ventures	8	(4,292)	(3,252)
Loss/(income) from electricity derivatives, net	24, 25	104	(223)
Foreign exchange loss, net	26	3,280	541
Interest income	26	(3,754)	(2,748)
Other finance income	26	(353)	(122)
Interest expense	26	5,310	4,034
Other finance expenses	26	1,141	903
Dividend income	26	(961)	(1,144)
(Income)/loss from sale of available-for-sale financial assets and assets classified as held-for-sale	24, 25	(77)	2,397
Shares option plan	32	–	46
Put and call option agreement	26	2,577	10,413
Income on disposal of controlling interest	5, 24	(30)	(129)
Other non-cash operations/items		(19)	(40)
Operating cash flows before working capital adjustments and income tax paid		**54,158**	**38,403**
Increase in inventories		(263)	(432)
Increase in accounts receivable and prepayments		(12,526)	(9,273)
Decrease in value added tax recoverable		1,988	357
(Increase)/decrease in other current assets		(383)	197
Increase/(decrease) in accounts payable and accrued liabilities		18,346	(6,676)
Increase/(decrease) in taxes other than income tax payable/prepaid, net		3,740	(1,020)
Other working capital adjustments		70	309
		65,130	**21,865**
Income tax paid		(4,678)	(2,290)
Net cash flows from operating activities		**60,452**	**19,575**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

Consolidated statement of cash flows (continued)

(in millions of RUR)

	Note	For the year 2014	2013
Investing activities			
Proceeds from disposal of property, plant and equipment		221	174
Purchase of property, plant and equipment and intangible assets		(35,980)	(40,982)
Purchase of controlling interest, net of cash acquired	5	–	(71)
Establishment of subsidiaries	5	–	4
Proceeds from disposal of controlling interest, net of cash disposed		31	–
Proceeds from disposal of associate	8	–	1,115
Proceeds from disposal of available-for-sale financial assets and assets classified as held-for-sale	10, 15	4,846	19,125
Proceeds from repayment of loans issued		963	1,142
Loans issued		(870)	(801)
Bank deposits placed		(20,166)	(4,676)
Bank deposits returned and proceeds from promissory notes repayment		18,274	11,111
Purchase of bonds		(74)	(344)
Dividends received		3,274	1,230
Share increse in the associate		(50)	–
Cash flows from/(used for) other investing activities		443	(117)
Net cash flows used for investing activities		**(29,088)**	**(13,090)**
Financing activities			
Proceeds from loans and borrowings		104,922	59,085
Repayment of loans and borrowings		(66,545)	(69,338)
Repayment of finance leases		(725)	(698)
Interest paid		(3,853)	(3,083)
Dividends paid		(226)	(476)
Purchase of non-controlling interest in subsidiaries	5	–	(13)
Disposal of non-controlling interest in subsidiaries	5	100	–
Execution of the call and put option agreement	17	(31,374)	–
Proceeds from treasury shares sold		7	–
Net cash flows from/(used for) financing activities		**2,306**	**(14,523)**
Effect of exchange rate fluctuations on cash and cash equivalents		2,047	(129)
Net increase/(decrease) in cash and cash equivalents		**35,717**	**(8,167)**
Cash and cash equivalents at the beginning of the period		39,882	48,049
Cash and cash equivalents at the end of the period	14	**75,599**	**39,882**

Chairman of the Management Board — Kovalchuk B.Yu.

Chief Accountant — Vaynilavichute A.P.

26 February 2015

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

Consolidated statement of changes in equity

(in millions of RUR)

		Attributable to shareholders of the Company										
	Note	Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Fair value reserve	Hedge reserve	Actuarial reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2013		293,340	(41,363)	69,312	(1,369)	(3,354)	111	(424)	32,278	348,531	4,658	353,189
Total comprehensive (loss)/income for the year ended 31 December 2013		–	–	–	1,794	3,996	(175)	144	(23,067)	(17,308)	(704)	(18,012)
Dividends to shareholders	17	–	–	–	–	–	–	–	–	–	(486)	(486)
Acquisition of controlling interest in subsidiary	5	–	–	–	–	–	–	–	–	–	(34)	(34)
Acquisition of non-controlling interest in subsidiaries	5	–	–	–	(12)	–	–	–	265	253	(371)	(118)
Recognition of non-controlling interest in established subsidiaries	5	–	–	–	–	–	–	–	–	–	4	4
Shares option plan	32	–	–	–	–	–	–	–	46	46	–	46
Balance at 31 December 2013		293,340	(41,363)	69,312	413	642	(64)	(280)	9,522	331,522	3,067	334,589
Balance at 1 January 2014		293,340	(41,363)	69,312	413	642	(64)	(280)	9,522	331,522	3,067	334,589
Total comprehensive income/(loss) for the year ended 31 December 2014		–	–	–	8,009	(16)	102	246	7,837	16,178	2,453	18,631
Dividends to shareholders	17	–	–	–	–	–	–	–	–	–	(274)	(274)
Undrawn dividends returned	17	–	–	–	–	–	–	–	12	12	27	39
Disposal of non-controlling interest in subsidiaries	5	–	–	–	–	–	–	–	25	25	75	100
Sale of treasury shares	17	–	6	–	–	–	–	–	–	6	–	6
Put and call option agreement	17	–	(14,872)	–	–	–	–	–	10,030	(4,842)	–	(4,842)
Balance at 31 December 2014		293,340	(56,229)	69,312	8,422	626	38	(34)	27,426	342,901	5,348	348,249

Chairman of the Management Board Kovalchuk B.Yu.

Chief Accountant Vaynilavichute A.P.

26 February 2015

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

(in millions of RUR)

1. The Group and its operations

Establishment of the Group

Open Joint Stock Company “Inter RAO UES” (the “Parent Company” or the “Company” or JSC “Inter RAO”) is incorporated and domiciled in the Russian Federation and whose shares are publicly traded.

The Russian Federation is the ultimate controlling party of JSC Inter RAO and has a controlling interest in the Company of over 50%. The main state shareholders of the Parent Company as at 31 December 2014 are JSC ROSNEFTEGAZ (26.37%) and FGC UES Group (14.07%).

The Company has controlling interests in a number of subsidiaries operating in different regions of the Russian Federation and abroad (the Company and its subsidiaries collectively are designated as the “Group”). During the year 2013 the Group incorporated and acquired controlling interest in a number of entities that are engaged in electricity production, supply and other activities as presented in Note 5. The Group’s principal subsidiaries as at 31 December 2014 are presented in Note 33.

The Group is engaged in the following business activities:

- Electricity production, supply and distribution;
- Export and import of electricity;
- Sales of electricity purchased abroad and on the domestic market;
- Engineering services;
- Energy effectiveness research and development.

At 31 December 2014 the number of employees of the Group was 58,479 (31 December 2013: 59,670).

The Company’s registered address is Bolshaya Pirogovskaya street, building 27-2, 119435, Moscow, the Russian Federation. From 29 July 2011 to 15 July 2013 the Company’s registered adress is Bolshaya Pirogovskaya street, building 27-3, 119435, Moscow, the Russian Federation.

The Group’s business environment

The governments of the countries where the Group entities operate directly affect the Group's operations through regulation with respect to energy generation, purchases and sales. Governmental economic, social and other policies in these countries could have a material effect on the operations of the Group.

The Russian Federation, Georgia, Armenia, Moldavia (including Transdniestria Republic), Kazakhstan, Turkey, Lithuania, Latvia and Estonia have been experiencing significant (albeit different) political and economic changes that have affected, and may continue to affect, the activities of the Group entities operating in this environment. Consequently, operations in these jurisdictions involve risks that typically do not exist in other mature markets. These risks include matters arising from the policies of the government, economic conditions, the imposition of or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights. In 2014, the economy of the Russian Federation, primary jurisdiction of the Group, was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian rouble, as well as series of unilateral restrictive political and economic measures imposed on Russian Federation by several countries. In December 2014, the rouble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17%, which subsequently decreased to 15%.The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth in Russian Federation, which could negatively affect the Group’s future financial position, results of operations and business prospects.

The accompanying consolidated financial statements reflect management’s assessment of the impact of the business environment on the operating results and the financial position of the Group in the countries where the Group entities operate. Management is unable to predict all developments which could have an impact on the utilities sector and the wider economy in these countries and consequently, what effect, if any, they could have on the financial position of the Group. Therefore, future business environment may differ from management’s assessment.

(in millions of RUR)

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (the IASB).

Each entity of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the relevant statutory accounting requirements. These financial statements are based on the statutory records and adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as discussed in Note 3.

(b) Functional and presentation currency

The national currencies of the countries where the Group entities operate are usually the individual company's functional currencies, because they generally reflect the economic substance of the underlying transactions and circumstances of those companies.

The Group applies judgment in determination of the functional currencies of certain Group entities. The functional currency determination influences foreign exchange gain/losses recognised in profit and loss and translation differences recognised in other comprehensive income.

The consolidated financial statements are presented in millions of the Russian roubles ("RUR"). The main part of the Group is represented by entities operating in the Russian Federation having RUR as their functional currency. All values are rounded to the nearest million, except when otherwise indicated.

(c) Seasonality

Demand for electricity is to some extent influenced by the season of the year. Revenue is usually higher in the period from October to March than in other months of the year. This seasonality does not impact revenue or cost recognition policies of the Group.

(d) Going concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments that might be necessary should the Group be unable to continue as a going concern.

(e) Critical accounting estimates and judgments

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

Provision for impairment of accounts receivable

The provision for impairment of accounts receivable is based on the Group's assessment of the collectability of specific customer accounts. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates.

If the Group determines that no objective evidence exists that impairment has occurred for an individually assessed accounts receivable, whether significant or not, it includes the accounts receivable in a group of accounts receivable with similar credit risk characteristics and collectively assesses them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of accounts receivable that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management to the extent of which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently (see Note 13).

(in millions of RUR)

2. Basis of preparation (continued)

(e) Critical accounting estimates and judgments (continued)

Useful lives of property, plant and equipment

The estimation of useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and physical environment in which the asset operates. Changes in any of these conditions or estimates may result in adjustments in depreciation rates. Land has an unlimited useful life and therefore is not depreciated.

Estimation of fair value

The Group estimates the fair value of an asset or liability, using assumptions that market participants would use when pricing the asset or liability, assuming that market participants are acting in their own economic interests. In developing those assumptions the Group identifies the common characteristics that distinguish the market participants, having considered the factors specific to the following: (a) an asset or liability; (b) the principal (or most advantageous) market for the asset or liability; and (c) market participants with whom the entity would enter into a transaction in that market. The estimation of the fair value of the acquired businesses and financial instruments where there is not the principal (or most advantageous) market for assets or liabilities is a matter of management judgment based on the application of relevant valuation models. In determining the fair value the valuation models that are based on management best estimates of future cash flows, current market conditions and the choice of analogue the judgment areas (include considerations of inputs such as liquidity risk, credit risk and volatility) are frequently used. Changes in any of these conditions may result in significant adjustment to the fair value of financial instruments and acquired businesses.

Restoration provision

Changes in the measurement of an existing restoration provision that result from changes in the estimated timing or amount of the outflows of economic benefits, or from changes in the discount rate adjust the cost of the related asset and liability. Estimating the amounts and timing of those obligations settlement requires management judgment. This judgment is based on cost and engineering studies using currently available technology and on current environmental regulations. The restoration provision is also subject to change because of updates in laws and regulations, and their interpretation by management.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted as arm's length transaction, for similar assets or at observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the management forecast for the next twenty years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Tax contingencies

The Group entities operate in a number of tax jurisdictions across Europe and the CIS. Where 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 provided for in the consolidated financial statements. Tax contingencies are disclosed in Note 31.

Deferred income tax asset recognition

The Group does not recognize certain deferred income tax assets in respect of certain Group entities located in the Russian Federation, Netherlands, Armenia and Kazakhstan as management believes that it is not probable that the future taxable profit will be available in the respective Group entities against which the Group can utilize the benefits. Unrecognised deferred income tax assets are disclosed in Note 9 (b).

(in millions of RUR)

3. Summary of significant accounting policies

Significant accounting policies applied in the preparation of the consolidated statements are described below. These accounting policies have been consistently applied. In order to enhance the relevance of the financial statements to users, management has changed the presentation and aggregation of certain disclosures, including comparative information.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and;
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to non-controlling interest, even if this results in non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Principles of consolidation

Subsidiaries. Subsidiaries are entities controlled by the Company. Control is presumed to exist when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities. Relevant activities are activities of the investee that significantly affect the investee's return. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest. Non-controlling interest represents the non-controlling shareholders' proportionate share of the equity and results of operations of the Group's subsidiaries. This has been calculated based upon the non-controlling interests' ownership percentage of these subsidiaries. The non-controlling interest has been disclosed as a part of equity.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

The Group applies a policy of treating transactions with non-controlling shareholders as transactions with equity owners of the Group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of a subsidiary is recorded in equity. Differences between consideration received and carrying value of non-controlling interests sold are also recorded in equity.

The Group derecognises non-controlling interest if non-controlling shareholders have received a mandatory offer to purchase their shares. The difference between the amount of the liability recognised in the consolidated statement of financial position over the carrying value of the derecognised non-controlling interests is charged to retained earnings.

Associates entities and joint ventures. Associates are those entities over which the Group has significant influence, the power to participate in the financial and operating policy decisions of the investee but not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown in the statement of profit or loss separately from operating profit and represents profit or loss after tax of the associate or joint venture (include those subsidiaries) to the extent of Group's share in the associate or joint venture for the reporting period. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint operations. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Transactions eliminated on consolidation. Intercompany transactions, balances and unrealised gains in transactions among the Group entities are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Unrealised gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in the investees; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred fair value measured at acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date at fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes of fair value recognised in profit or loss or OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

The acquisitions of entities under common control are accounted for using the predecessor accounting method. In accordance with this method, the consolidated financial statements of the Group are prepared to reflect the combination as if it had occurred from the beginning of the earliest period presented in the consolidated financial statements, or, if occurred later, from the date when the entities had been under common control. Under the predecessor accounting method the assets and liabilities of the combining entities are accounted for at the carrying values determined by the Group in its consolidated financial statements. Comparative information is presented as if the entities had always been consolidated, but not earlier than the common control over these entities was established.

All other acquisitions are accounted for by applying the acquisition method.

Foreign currency

Foreign currency transactions and translation. Transactions in foreign currencies are measured in the respective functional currencies of the Group entities at exchange rates effective at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are remeasured to the entities' functional currencies at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are remeasured to the functional currency at the exchange rate at the date that the fair value was determined. Other non-monetary assets and liabilities measured in a foreign currency are remeasured to the functional currency at the exchange rate at the date of operation. Foreign currency differences arising on remeasurement are recognised in profit and loss.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Foreign currency (continued)

The effect of exchange rate changes on fair value of available-for-sale financial assets, when they are considered non-monetary, is included in the consolidated statement of other comprehensive income.

Assets and liabilities of the Company and its subsidiaries are translated into the Group's presentation currency at the exchange rate prevailing at the end of the reporting period. Profit and loss items of the Company and its subsidiaries are translated at the average exchange rate for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in this case income and expenses are translated at the rate on the dates of the transactions). Components of equity and other comprehensive income are translated at the historical rate with the exception of equity opening balances at the date of transition to IFRS which were translated at the exchange rate at the date of transition. Exchange differences arising on the translation of the net assets of the Company and its subsidiaries are recognised as translation differences in other comprehensive income and included in the foreign currency translation reserve (FCTR) in equity.

Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition or construction after deduction of accumulated depreciation and accumulated impairment. The cost of self-constructed assets includes cost of materials, direct labour and a proportion of production overheads. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment.

Renewals and improvements are capitalised. The costs of regular repair and maintenance are expensed as incurred. Gains and losses arising from the disposal of property, plant and equipment are included in profit and loss as incurred.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised to the carrying amount of the component being written off. Other subsequent expenditure is capitalised only when it increases future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognised in profit and loss as incurred.

Social assets are not capitalized as they are not expected to result in future economic benefits to the Group. Costs associated with fulfilling of the Group's social responsibilities are expensed as incurred.

Prepayments for capital construction and acquisition of property, plant and equipment are included into construction in progress.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation commences from the time an asset is completed and ready for use. The useful lives are reviewed at each financial year-end and, if expectations differ from previous estimates, changes are recognised prospectively. The useful lives, in years, of assets by type of facility are as follows:

Type of facility	*Useful life, years*
Buildings	25-72
Hydro engineering structures	15-33
Transmission facilities and equipment	6-33
Thermal networks	5-19
Power equipment	5-25
Other equipment and fixtures	6-30
Other structures	2-25
Other fixed assets	3-20

Intangible assets

The Group classifies its intangible assets in the following categories:

- goodwill;
- software;
- other intangible assets (which include: capitalized cost to obtain status of "guarantee supplier", costs of projects in the development stage and others).

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Intangible assets (continued)

Goodwill. Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill represents the excess of the cost of investment over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree. Goodwill in respect of subsidiaries is recognized as a separate asset within intangible assets in the consolidated statement of financial position. Goodwill in respect of associates and joint ventures is included in the carrying amount of the investees.

The excess of the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree over the cost of investment is recognized in profit and loss. For associates and joint ventures such excess is recognized in profit and loss as a part of the share of profit/loss of an associates and joint ventures.

Goodwill is measured at cost less accumulated impairment losses and is the subject for impairment test at each reporting period or when an indication of impairment loss exists.

Concession arrangements. Concession arrangements are the contracts when the Group constructs and upgrades infrastructure used to provide services, which it operates and maintains for a specified period of time. These arrangements include operating of a power plant and infrastructure under service concession arrangement for their entire useful life.

The Group applies the financial asset model when the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method.

Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

The Group manages concession arrangements which include the construction of power plant, infrastructure and other facilities followed by a period in which the Group maintains and services the infrastructure. This may also include, in a secondary period, asset replacement or refurbishment. These concession arrangements set out rights and obligations relative the infrastructure and the service to be provided.

For fulfilling those obligations, the Group is entitled to receive consideration from the grantor. The consideration received or receivable is allocated by reference to the relative fair values of the services provided; typically:

- A construction component;
- A service element for operating and maintenance services performed.

The right to consideration gives rise to a financial asset.

Revenue from the concession arrangements earned under the financial asset model consists of the (i) fair value of the amount due from the grantor; and (ii) interest income related to the capital investment in the project.

Software and other intangible assets. Other intangible assets that are acquired or internally created (as part of the cost of development projects) by the Group, which have finite useful lives, are measured at cost less accumulated amortization and impairment losses.

The estimated useful lives of intangible assets are in the range of 2-10 years for software and other intangibles assets.

Amortization. Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Internally generated intangible assets

Costs of projects on development stage are recognized as intangible assets to the extent that such expenditure is expected to generate future economic benefits and demonstrated all of the following: (a) the technical feasibility of completing the intangible asset so that it can be available for use or sale; (b) the Group's intention to complete intangible asset and use or sell it; (c) the Group's ability to use or sell the intangible asset; (d) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; (e) the Group's ability to measure the expenditure attributable to the intangible asset during its development reliably.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Leased assets

Leases in terms of which the Group as a lessee assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding finance lease liability is carried at the present value of future lease payments.

Other leases are operating leases and the leased assets are not recognised on the Group's consolidated statement of financial position. The total lease payments are charged to profit or loss on a straight-line basis over the lease term.

Assets classified as held for sale (HFS)

Non-current assets and disposal groups are classified as HFS if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable within a year from the date of classification, the asset or disposal group is available for immediate sale in its present condition and management has committed to the sale. The extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as HFS if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group). Non-current assets and disposal groups classified as HFS are measured at the lower of their carrying amount and fair value less costs to sell.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on the weighted average basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Provision is made for obsolete or slow-moving inventories, taking into account their expected use and future net realizable value.

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 and have an original maturity of three months or less from the date of acquisition and are subject to insignificant changes in value.

Prepayments

Prepayments made by the Group are carried at cost less provision for impairment. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are recognized in profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of prepayment is written down as impairment loss in profit and loss.

Prepayments made by the Group are classified as non-current assets when the goods or services relating to the prepayment are to be delivered beyond one year period or when they relate to acquisition of property, plant and equipment. Where such prepayments relate to construction contracts, revenue is recognised when the outcome of the contract can be estimated reliably, by reference to the stage of completion of the contract activity.

Value added tax on purchases and sales

Value added tax (VAT) related to sales is payable to tax authorities either upon revenue recognition or at the time of collection of receivables from customers, depending on local statutory regulations in respective jurisdictions in which the Group entities operate. Tax authorities permit settlement of VAT on a net basis. VAT related to sales and purchases which has not been settled at the end of the reporting period (deferred VAT) is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as current asset and liability. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor's balance, including VAT. Related deferred VAT liability is maintained on the consolidated statement of financial position until the debt is recognised for tax purposes. Changes of VAT recoverable related to the purchases of property, plant and equipment and investment property is recognized in the consolidated statement of cash flows in operating activities.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Financial instruments

Financial instruments include cash and cash equivalents, available-for-sale financial assets, derivatives, hedges, accounts receivable, accounts payable and loans and borrowings. Particular recognition and measurement methods are disclosed in the individual policy statements associated with each item. Financial instruments are represented by derivatives and non-derivative financial instruments.

Sale and repurchase agreements

Equity instruments sold under sale and repurchase agreements ('repos') are retained in the consolidated statement of financial position. The difference between sale and repurchase price in treated as other operating income/(expenses) through profit and loss in the consolidated statement of comprehensive income.

Derivative financial instruments

Derivative financial instruments are means to transfer risk inherent in the basic instruments, between the parties of the contract, without transfer of the underlying instruments.

As a part of trading activities, the Group has the following derivative financial instruments:

a) interest rate swap;

b) currency swap;

c) foreign currency forward and option contract: foreign currency forwards and options are initially recognised at fair value on the date a forward/option contract is entered into and are subsequently remeasured at their fair value. Fair value gains and losses on those derivatives are presented as part of other comprehensive income to the extent of effective cash flow hedges and as a part of profit or loss to the extent of ineffective cash flow hedges;

d) electricity futures and forward contracts: electricity derivatives are initially recognized at fair value on the date a contract in entered into and are subsequently remeasured at their fair value. Fair value gains and losses on those derivatives are presented as part of other comprehensive income to the extent of effective cash flow hedges and as a part of profit or loss to the extent of ineffective cash flow hedges or speculative transactions;

e) shares option (call or put): options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. Options purchased by the Group provide the Group with the opportunity to purchase (call options) the underlying asset at an agreed-upon value either on or before the expiration of the option.

Compound financial instruments

Compound (hybrid) financial instrument is divided in accordance with the terms of the contract in the following parts: financial liability/financial asset and equity component. When initial carrying amount of a compound financial instrument is allocated to its equity and asset/liability components, the equity component is assigned to the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the asset/liability component. The sum of the carrying amounts assigned to the asset/liability and equity components at initial recognition equals to the fair value that would be ascribed to the instrument as a whole. The Group presents the asset/liability and equity components separately in its consolidated statement of financial position. On initial recognition, the fair value of the asset/liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status which provide for substantially the same cash flows, on the same terms, but without the conversion option. Changes in the fair value of an equity instrument are not recognized in the consolidated financial statements. On conversion of a convertible instrument at maturity, the Group derecognizes the asset/liability component and recognizes it in equity. The original equity component remains as equity (although it may be transferred from one line item within equity to another). There is no gain or loss on conversion at maturity.

The method of recognising of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge);

(c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Derivative financial instruments (continued)

The Group also documents its assessment, both at the time of the hedges' inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments are disclosed in Note 11, 16, 20, 21. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Non derivative financial assets

The Group classifies its financial assets in the following categories:

(a) financial assets at fair value through profit or loss;

(b) available-for-sale financial assets;

(c) held-to-maturity financial assets.

Management determines the classification of its financial assets at initial recognition and re-assesses this designation thereafter.

(a) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term period or if so designated by management. Assets in this category are classified as current assets if they are expected to be realized within 12 months from the end of the reporting period. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included within the profit and loss in the consolidated statement of comprehensive income in the period in which they arise.

(b) Available-for-sale financial assets (AFS)

Investments intended to be held for an indefinite period of time are classified as AFS; they are classified as other non-current assets unless management has an intention to hold the investment for less than 12 months from the end of the reporting period. Management determines the appropriate categorisation, current or non-current distinction, at the time of purchase and re-assesses it based on maturity at the end of each reporting period.

AFS include non-marketable securities, which are not publicly traded. For these investments, fair value is estimated using a variety of methods including those based on their earnings and those based on the discounted value of estimated future cash flows. In assessing the fair value, management makes assumptions that are based on market conditions existing at the end of each reporting period. Investments in equity securities that are not quoted on a stock exchange and which fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

"Regular way" purchases and sales of investments are initially measured at fair value plus transaction costs and recognised on the settlement date, which is the date when the investment is delivered to or by the Group. AFS are subsequently carried at fair value except for those investments which fair value cannot be reliably estimated. In this case the investments are carried at cost less impairment provision. Gains and losses arising from changes in the fair value are recognised in other comprehensive income and included in the fair value reserve in equity in the period in which they arise. Realised gains and losses from the disposal of AFS are included in profit and loss in the period in which they arise.

(c) Held-to-maturity financial assets

Financial assets with fixed terms and cash flows are classified as held-to-maturity financial assets, provided management intends to keep them for their full terms and is in a position to do so. Management determines the appropriate classification for its investments on their acquisition dates. Held-to-maturity financial assets are carried at amortised cost based on the effective interest method, net of provision for impairment losses. Interest earned on held-to-maturity financial assets is recognised as interest income. All purchases and sales made in accordance with standard market conditions for held-to-maturity financial assets are recognised at the date of settlement.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Loans and accounts receivable

Accounts receivable are recorded inclusive of value added taxes (VAT) and are initially recorded at the amount receivable from the debtor. Trade and other receivables are adjusted for provision made for impairment of these receivables. Such provision for doubtful debtors is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the contract. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, discounted at the market rate of interest adjusted for the credit risk of debtors at the date of origination of the receivables.

Debt is recognised initially at its fair value net of transaction costs incurred. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price. In subsequent periods, debt is stated at amortised cost using the effective yield method; any difference between the amount at initial recognition and the redemption amount is recognised in profit and loss as interest adjustment over the period of the debt obligation existence.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the reporting date.

Fair value of financial instruments

The Group measures financial instruments, such as derivatives, at fair value at each reporting date. Also, fair values of financial instruments, which are measured at amortised cost, are disclosed in Note 19 and Note 28(f).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The principal market (or the most advantageous market in the absence of principle market) must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

To achieve greater consistency and comparability of fair value measurements and related disclosures the fair value hierarchy is followed to define fair value estimation methods and apply relevant observable inputs and minimise the use of unobservable inputs.

Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. The unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value of financial instruments that are actively traded on organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities in the principal market for the asset or liability, at the close of business on the reporting date, with no adjustment made for the transaction costs.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Fair value of financial instruments (continued)

For assets and liabilities where there is no principal (or most advantageous) market, respective fair value is determined using appropriate valuation techniques. Valuation techniques include discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models. If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances can be used to measure at fair value. It is possible to use mid-market pricing conventions that are used by market participants as an expedient for fair value measurement within a bid-ask spread. Certain financial instruments are recorded at fair value using valuation techniques because current market transactions or observable market data are not available. Their fair value is determined using a valuation model that is tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate internal model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (Day 1 profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

For discounted cash flow techniques, estimated future cash flows and discount rates are based on management's best estimates of assumptions that market participants would use when pricing the asset or liability. Cash flows and discount rates used take into account only the factors attributable to the asset or liability being measured. The use of different pricing models and assumptions could produce materially different estimates of fair values.

Fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit plus interest accrued. Fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at prevailing market rates for similar instruments at the recognition date.

If fair value cannot be measured reliably, assets and liablities are measured at cost. An analysis of fair values of financial instruments and further details as of how they are measured are provided in Note 28(f).

Where fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from the principal (or most advantageous) markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity risk, credit risk, and model inputs such as volatility and discount rates, prepayment rates and default rate assumptions for asset-backed securities.

For discounted cash flows analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

Changes in these assumptions affect fair value of financial instruments.

Impairment

Held-to-maturity financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the current effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit and loss.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Impairment (continued)

AFS

Impairment losses are recognised in profit and loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of AFS. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss. The last is reclassified from fair value reserve to profit or loss. Impairment losses on equity investments classified as AFS are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

Non-financial assets

Carrying amounts of the Group’s non-financial assets, other than inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from those of other assets and groups. Impairment losses are recognised in the consolidated statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss previously recognised in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a substantial positive change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Derecognition of financial assets

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

Loans and borrowings

Loans and borrowings are recognised initially at their fair value which is determined using prevailing market rate of interest for a similar instrument, if significantly different from the transaction price, net of transaction costs incurred. In subsequent periods, loans and borrowings are recognised at amortised cost, using effective interest method; any difference between the amount at initial recognition and the redemption amount is recognised in profit and loss as an interest adjustment over the period of the instrument.

Employee benefits

Pension and post-employment benefits. In the normal course of business the Group contributes to various governmental pension schemes on behalf of its employees. Mandatory contributions to governmental pension schemes are expensed in profit and loss when incurred. Costs associated with discretionary pensions and other post-employment benefits are included in wages, benefits and payroll taxes in profit and loss.

Short-term benefits. Short-term employee benefits are measured on an undiscounted basis and are expensed in profit and loss as related service is provided.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Employee benefits (continued)

An expense is recognised in the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by employees, and the obligation can be estimated reliably.

Defined benefit plans. The Company operates defined benefit plans that cover the majority of its employees. Benefit plans define the amount of pension benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the consolidated statement of financial position in respect of defined benefit plans is the present value of defined benefit obligation at the end of the reporting period less the fair value of plan assets. Defined benefit obligations are calculated using the projected unit credit method.

Present value of defined benefit obligations is determined by discounting the estimated future cash outflows using interest rate of government bonds that are denominated in the currency of benefits payment and associated with the operation of the plans, and that have maturity terms approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions of post-employment benefits are recognized in other comprehensive income at the date of occurrence. Other amounts, such as current service cost, any past service cost and gain or loss on settlement, and net interest on net defined benefit liability (asset) are recognized in profit or loss. Remeasurements of other long-term benefits are also recognized in profit or loss.

Share-based payment transactions. The share option programme allows the Group's employees to acquire shares of the Company. The fair value of the options is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the American type options is measured based on the binomial model while fair value of European type options is measured based on the Black-Scholes model taking into account terms and conditions in the options were granted.

Government grants

Grants from government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit and loss on a straight-line basis over the expected lives of the related assets.

Provisions

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of time value of money and risks specific to liability.

Environmental liabilities

Liabilities for environmental remediation are recorded where there is a present obligation (legal or constructive), payment is probable and reliable estimates can be made.

Restoration provision

Restoration provision is recognized if it presents a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The corresponding asset is depreciated through profit and loss in the consolidated statement of comprehensive income on a straight-line basis during the asset's useful life. Restoration provision is calculated based on expected costs and time required to restore land occupied by ash dumps and mines at the end of their useful life to avoid their damaging effect on the environment. Change in provision related to revision of costs, discount rate or other assumptions is accounted for prospectively starting from the date of revision of these estimates.

Shareholder's equity

Dividends

Dividends declared are recognised as a liability and deducted from equity if they are approved by shareholders. Dividends are disclosed when they are declared after the end of the reporting period, but before the consolidated financial statements are authorised for issue.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Shareholder's equity (continued)

Earnings per share

Earnings per share is determined by dividing profit/(loss) attributable to holders of ordinary shares by weighted average number of ordinary shares outstanding during the reporting period, excluding the effect of average number of ordinary shares purchased by the Group (treasury shares).

Diluted earnings per share are calculated by adjusting weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

Share premium

Share premium is determined as a difference between the issue cost of shares and their nominal value at the moment of issue of shares. Share premium is translated into reporting currency using the historical rate as at the date of the transaction and recognised in the consolidated statement of changes in equity.

Treasury shares

The cost of acquisition of the Company's equity instruments by the Company or its subsidiaries, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of.

Treasury shares are recognised at their nominal value, and any differences between nominal value and consideration transferred, including any directly attributable incremental costs, net of income taxes, are recognised within retained earnings.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects is included in equity attributable to the Company's shareholders. Disposal of treasury shares is recognised at nominal value, and any difference between nominal value and consideration received, net of any directly attributable incremental transaction costs and related income tax effects, is recognised in retained earnings. No gain or loss is recognised in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and revenue can be reliably measured, regardless of when the payment is made. Revenue from sale of electricity, capacity and heat is recognised in profit and loss on delivery of electricity, capacity and heat. Where applicable, revenue is based on rates and related restrictions established by law and regulating authorities. The regulatory mechanisms differ from country to country.

Revenue from rendering of construction contracts services is recognised in proportion to the stage of completion of the services. Costs incurred in connection with future activity for a contract are excluded from contract costs in determining the stage of completion. They are presented as a part of amounts due to or due from customers for contract work. Revenue amounts are presented exclusive of VAT.

The Group presents electricity purchases entered into to support delivery of non-regulated bilateral contracts net of revenue.

Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit and loss as incurred.

Research expenditure

Research expenditure is recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period, even if the asset recognition criteria are subsequently met.

Finance income

Finance income comprises interest income on funds invested, accretion income, dividend income and foreign currency gains, net. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the dividends are declared and an inflow of economic benefits is probable.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Finance expenses

Finance expenses primarily include interest expense on borrowings, unwinding of discount on provisions and foreign currency losses, net. All borrowing costs are recognised in the consolidated statement of comprehensive income using the effective interest method unless directly attributable to acquisition of a qualifying asset. Commission fee for opening of credit lines is included into interest expense.

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except it relates to items recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill, initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that the Parent Company is able to control the timing of their reversal and it is probable that they will not reverse in the foreseeable future.

A deferred tax asset for deductible temporary differences and tax losses carry forward is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the end of the reporting period.

New accounting pronouncements and revised standards

The accounting policies adopted in the preparation of the consolidated financial statements for the year ended 31 December 2014 are consistent with those followed in the preparation of the Group's annual financial statements for 2013, except for the adoption of new amendments of the following standards became effective for the Group's consolidated financial statements at 31 December 2014, noted below:

a) The amendments of the following standards became effective for the Group's consolidated financial statements as of 1 January 2014:

- *Offsetting Financial Assets and Financial Liabilities* (amendments to IAS 32), issued in December 2011, added criterion that an entity 'currently has a legally enforceable right to offset the recognized amounts' and criterion that an entity 'intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously'. The Group applied these amendments beginning on 1 January 2014. This amendment did not have material effect on the consolidated financial statements.
- *Investment Entities* (amendments to IFRS 10, IFRS 12 and IAS 27), issued in October 2012 and effective for annual periods beginning 1 January 2014, provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant for the Group, since none of the entities in the Group qualify to be an investment entity.
- *Recoverable Amount Disclosures for Non-Financial Assets* (amendments to IAS 36), issued in May 2013, require the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment did not have any effect on the consolidated financial statements because the Group's policy is to use cost model for accounting for non financial assets.
- *IFRIC 21 Levies.* This interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group applied IFRIC 21 beginning on 1 January 2014. IFRIC 21 did not have any material effect on the consolidated financial statements.
- *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39), issued in June 2013, provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group applied these amendments beginning on 1 January 2014. This amendment did not have any effect on the consolidated financial statements.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

New accounting pronouncements and revised standards (continued)

b) The following IFRSs and amendments to existing IFRSs that have been published are not yet effective:

The following IFRS became effective for the Group's consolidated financial statements from 1 January 2015:

- *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 report 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.

The IASB has published an amendment to IFRS 9 that delays the effective date from annual periods beginning on or after 1 January 2013 to 1 January 2015. This amendment is a result of the Board extending its timeline for completing the remaining phases of its project to replace IAS 39 beyond June 2011. The Group is currently assessing the impact of the standard on the consolidated financial statements. Adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted.

The Group is considering the implication of the new standard and the impact on the Group.

There are other improvements, pronouncements and amendments that are not relevant to the current Group's operations.

The Group plans to adopt new standards and amendments when they become effective.

4. Segment information

Operating segments are components of an enterprise about which separate financial information is available and is evaluated regularly by the Chief Operating Decision Maker ('CODM') in deciding how to allocate resources and in assessing performance. The Management Board of the Parent Company have been determined as the CODM; the operating segment has been defined as a legal entity or a particular business activity of a legal entity. The Management Board analyses the effectiveness of the operating segments based on IFRS financial reporting.

The Management Board considers the Group activities from both geographical (by countries of the Group entities' jurisdiction) and business perspective (generation, trading, supply, distribution, engineering and other) meaning that each operating segment represents a certain type of business activities or legal entities in a certain country.

The following reporting segments have been identified based on the requirements of IFRS 8 *Operating Segments* (taking into consideration aggregation criteria as well as quantitative thresholds on revenue and EBITDA):

- **Supply in the Russian Federation** (represented by JSC Mosenergosbyt (Group of entities), JSC PSK (Group of enities), JSC Tambov Energy Retailing Company, JSC Saratovenergo, JSC Altayenergosbyt, LLC INTER RAO Orlovskii energosbit and their management company JSC United Energy Retailing Company (before 14 March 2013), JSC Industrial Energetics, LLC RN-Energo, JSC Tomskenergosbyt (since the end of September 2013), LLC RT – Energy Trading (equity accounted investee).

(in millions of RUR)

4. Segment information (continued)

- **Generation in the Russian Federation** represented by the following reporting sub-segments:
  - ***Electric Power Generation*** represented by:
    - *INTER RAO – Electricity Generation Group* (represented by generating divisions of the Parent Company before December 2013 and JSC INTER RAO – Electric Power Plants), and
  - ***Thermal Power Generation*** represented by:
    - *TGK-11* (represented by Group TGK-11).
    - *Bashkir Generation* (represented by Group Bashkir Generation Company)
- **Trading in the Russian Federation and Europe** (represented by the trading activities of the Parent Company, RAO Nordic Oy, AB INTER RAO Lietuva, SIA INTER RAO Latvia, INTER RAO Eesti OU, Inter Green Renewables and Trading AB, JSC Eastern Energy Company and LLC Payments implementation center (since April 2014).
- **Georgia** (represented by JSC Telasi, LLC Mtkvari Energy, JSC Khramhesi I and Khramhesi II).
- **Armenia** (represented by JSC Elektricheskiye seti Armenii, JSC RazTec).
- **Moldavia** (represented by CJSC Moldavskaya GRES).
- **Kazakhstan** (represented by JSC Stantsiya Ekibastuzskaya GRES-2 (equity accounted investee) and LLP INTER RAO Central Asia).
- **Turkey** (represented by Group Trakya, TGR Elektrik Energy Toptan Ticaret A.S. (before 23 September 2013) and Inter Rao Turkey Energy Holding A.S.).
- **Engineering in the Russian Federation** (represented by LLC INTER RAO Engineering, LLC Quartz Novie Tekhnologii (equity accounted investee), LLC Quartz Group (equity accounted investee before 5 August 2013, subsidiary since 5 August 2013), LLC InterRAO-WorleyParsons (equity accounted investee till 1 April 2014), LLC Power Efficiency Centre INTER RAO UES (equity accounted investee), LLC CP Energy Union (till 31 December 2013), LLC INTER RAO – Export and Energy beyond borders Non-for-profit Fund, LLC TCC “Energy beyond borders”).
- Other.

The CODM evaluates performance of the operating segments based on EBITDA, which is calculated as profit/(loss) for the period before finance income and finance expenses, income tax expense, depreciation and amortisation of property, plant and equipment and intangible assets, impairment of property, plant and equipment and investment property, impairment of goodwill and provisions for doubtful debts and for inventory obsolescence, share in profit/(loss) of associates and acquisition effects such as excess of the acquired share in the fair value of the identifiable assets and liabilities over the cost of investment and some other. The Group’s definition of EBITDA may differ from that of other companies. Information about depreciation and amortisation of property, plant and equipment and intangible assets, interest income and interest expenses is disclosed in segment information as it is regularly reviewed by the CODM.

Revenue of each segment is mainly represented by sales of electricity and capacity and heat-power allocated to the reporting segments.

The CODM analyses leverage of the Group’s subsidiaries, joint ventures (equity accounted investees) on a regular basis; loans and borrowings are allocated to the reporting segments excluding inter-segment balances.

Joint ventures (equity accounted investees) are reviewed by the CODM in terms of the Group’s share in their profit/(loss) and loan and borrowings.

“Unallocated and Eliminations” includes elimination of transactions among the reporting segments (“Eliminations”) and management expenses, interest income and interest expense of the Parent Company as well as loans and borrowings, obtained by the Parent Company or other subsidiaries, which cannot be allocated to a specific reporting segment on a reasonable basis (“Unallocated”).

(in millions of RUR)

4. Segment information (continued)

Year ended 31 December 2014

	Supply – *The Russian Federation*	*Generation* – *The Russian Federation* – *Electric Power Generation* – *Inter RAO – Electricity Generation Group*	*Generation* – *The Russian Federation* – *Thermal Power Generation* – *TGK-11*	*Generation* – *The Russian Federation* – *Thermal Power Generation* – *Bashkir Generation*	*Trading* – *The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldavia*	*Kazakhstan*	*Turkey*	*Engineering* – *The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Total revenue	**450,864**	**147,553**	**27,240**	**49,400**	**56,679**	**14,687**	**6,803**	**6,929**	**109**	**14,708**	**6,746**	**1,987**	**(42,604)**	**741,101**
Revenue from external customers	450,030	121,005	24,408	44,642	55,178	14,687	6,803	6,929	109	14,708	2,070	532	–	**741,101**
Inter-segment revenue	834	26,548	2,832	4,758	1,501	–	–	–	–	–	4,676	1,455	(42,604)	**–**
Operating expenses, including:														
Purchased electricity and capacity	(246,788)	(7,837)	(2,493)	(3,635)	(46,434)	(7,465)	(720)	–	(64)	–	–	(152)	36,403	**(279,185)**
Transmission fees	(177,820)	–	—	(44)	(3,991)	(629)	(555)	(45)	(40)	–	–	(1)	–	**(183,125)**
Fuel expenses	–	(82,172)	(12,743)	(28,869)	–	(2,418)	(1,930)	(4,074)	–	(12,796)	–	–	–	**(145,002)**
Share in profit/(loss) of joint ventures	19	2,325	–	–	–	–	–	–	1,101	–	(10)	178	–	**3,613**
EBITDA	**10,071**	**30,265**	**3,217**	**6,855**	**4,388**	**969**	**1,668**	**1,692**	**1,108**	**869**	**(270)**	**761**	**(3,830)**	**57,763**
Depreciation and amortization	(1,311)	(10,566)	(1,655)	(4,434)	(56)	(603)	(425)	(146)	(3)	(937)	(161)	(490)	(437)	**(21,224)**
Interest income	1,393	458	–	78	124	24	63	–	–	9	216	487	902	**3,754**
Interest expenses	(504)	(3,280)	(1,047)	(85)	(111)	(626)	(176)	(221)	–	(338)	(74)	(1,131)	2,283	**(5,310)**

(in millions of RUR)

4. Segment information (continued)

Year ended 31 December 2013

	Supply	*Generation*			*Trading*						*Engineering*			
		The Russian Federation												
		Electric Power Generation	*Thermal Power Generation*											
	The Russian Federation	***InterRAO – Electricity Generation Group***	***TGK-11***	***Bashkir Generation***	***The Russian Federation and Europe***	***Armenia***	***Georgia***	***Moldavia***	***Kazakhstan***	***Turkey***	***The Russian Federation***	***Other***	***Unallocated and eliminations***	***Total***
Total revenue	**404,290**	**138,612**	**24,885**	**42,908**	**47,484**	**10,332**	**5,364**	**4,655**	**79**	**14,304**	**2,712**	**1,149**	**(34,453)**	**662,321**
Revenue from external customers	404,041	113,409	24,479	38,321	46,202	10,332	5,364	4,655	79	14,304	802	333	–	**662,321**
Inter-segment revenue	249	25,203	406	4,587	1,282	–	–	–	–	–	1,910	816	(34,453)	**–**
Operating expenses, including:														
Purchased electricity and capacity	(218,851)	(7,821)	(1,765)	(3,248)	(38,989)	(5,842)	(663)	–	(45)	–	–	(23)	31,709	**(245,538)**
Transmission fees	(163,522)	–	–	(69)	(4,654)	(308)	(393)	(47)	(29)	–	–	–	–	**(169,022)**
Fuel expenses	(31)	(79,623)	(11,575)	(27,688)	–	(1,345)	(1,173)	(3,087)	–	(12,600)	–	–	–	**(137,122)**
Share in profit/(loss) of jointly-controlled entities	58	1,014	–	–	–	–	–	–	1,890	–	7	(5)	–	**2,964**
EBITDA	**7,060**	**23,745**	**2,930**	**3,998**	**2,930**	**325**	**1,539**	**534**	**1,898**	**664**	**(113)**	**502**	**(6,825)**	**39,187**
Depreciation and amortization	(1,185)	(13,301)	(1,495)	(4,628)	(56)	(477)	(428)	(482)	(3)	(772)	(66)	(426)	(414)	**(23,733)**
Interest income	865	826	–	120	46	21	68	–	2	6	153	1,279	(638)	**2,748**
Interest expenses	(350)	(1,492)	(630)	(52)	(21)	(445)	(143)	(157)	–	(328)	(32)	(471)	87	**(4,034)**

(in millions of RUR)

4. Segment information (continued)

As at 31 December 2014

	Supply	*Generation*			*Trading*						*Engineering*			
		The Russian Federation												
		Electric Power Generation	*Thermal Power Generation*											
	The Russian Federation	*Inter RAO – Electricity Generation Group*	*TGK-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldavia*	*Kazakhstan*	*Turkey*	*The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Loans and borrowings, including:	**(967)**	**(58,699)**	**(8,182)**	**(437)**	**(1,671)**	**(7,416)**	**(1,659)**	**–**	**(9,119)**	**(10,100)**	**(740)**	**(1,834)**	**(16,399)**	**(117,223)**
Share in loans and borrowings of joint ventures	–	–	–	–	–	–	–	–	(9,119)	–	(736)	(386)	150	**(10,091)**

As at 31 December 2013

	Supply	*Generation*			*Trading*						*Engineering*			
		The Russian Federation												
		Electric Power Generation	*Thermal Power Generation*											
	The Russian Federation	*Inter RAO – Electricity Generation Group*	*TGK-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldavia*	*Kazakhstan*	*Turkey*	*The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Loans and borrowings, including:	**(2,131)**	**(15,715)**	**(8,217)**	**(1,598)**	**(123)**	**(4,673)**	**(1,138)**	**–**	**(6,185)**	**(6,799)**	**(525)**	**(1,420)**	**(11,066)**	**(59,590)**
Share in loans and borrowings of joint ventures	–	–	–	–	–	–	–	–	(6,185)	–	(517)	(312)	175	**(6,839)**

(in millions of RUR)

4. Segment information (continued)

The reconciliation between EBITDA of the reporting segments and net profit/(loss) for the reporting period in the consolidated statement of comprehensive income is presented below:

	For the year ended 31 December 2014	*For the year ended 31 December 2013*
EBITDA of the reportable segments	**57,763**	**39,187**
Depreciation and amortization (Note 25)	(21,224)	(23,733)
Interest income (Note 26)	3,754	2,748
Interest expenses (Note 26)	(5,310)	(4,034)
Put and Call option agreement (Note 26)	(2,577)	(10,413)
Foreign currency exchange loss, net (Note 26)	(3,280)	(541)
Other finance income (Note 26)	173	363
Provisions charge, including (Note 25):	(13,010)	(31,092)
impairment of property, plant and equipment	(4,850)	(19,554)
impairment of available-for-sale financial assets	(1,176)	(3,282)
impairment of assets classified as held-for-sale	(180)	–
other provisions charge	(993)	(3,709)
impairment of account receivables	(5,467)	(4,397)
impairment of intangible assets	–	(93)
impairment of goodwill (Note 7)	(344)	(57)
Income from disposal of controlling interest	30	129
Share of profit of associates (Note 8)	679	288
Income tax (expense)/benefit (Note 27)	(7,224)	3,068
Profit/(loss) for the reporting period in the consolidated statement of comprehensive income	**9,774**	**(24,030)**

The reconciliation between loans and borrowings of the reportable segments and loans and borrowings for the reporting period in the consolidated statement of financial position is presented below:

	As at 31 December 2014	*As at 31 December 2013*
Loans and borrowings of the reportable segments	**(117,223)**	**(59,590)**
Less:		
Share in loans an borrowings of joint ventures	10,091	6,839
Loans and borrowings in the consolidated statement of financial position	**(107,132)**	**(52,751)**

(in millions of RUR)

4. Segment information (continued)

Information about geographical areas

The Management Board also considers revenue of the Group entities generated in their countries of jurisdiction and abroad as well as non-current assets (property, plant and equipment, investment property, investments in associates and jointly controlled entities and intangible assets, including goodwill) based on location of assets.

	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Revenue in the Group entity's jurisdiction[1]	Revenue in countries other than Group entity's jurisdiction	Total revenue based on location of customers	Revenue in the Group entity's jurisdiction	Revenue in countries other than Group entity's jurisdiction	Total revenue based on location of customers
Russian Federation	663,696	167	**663,863**	593,008	125	**593,133**
Turkey	14,708	–	**14,708**	14,304	–	**14,304**
Armenia	14,416	–	**14,416**	10,074	–	**10,074**
Lithuania	9,501	–	**9,501**	6,789	–	**6,789**
Georgia	6,803	1,778	**8,581**	5,364	906	**6,270**
Moldavia (incl. Transdniestria Republic)	736	6,193	**6,929**	308	4,187	**4,495**
China	–	6,705	**6,705**	–	5,699	**5,699**
Finland	5,961	370	**6,331**	7,646	280	**7,926**
Kazakhstan	109	3,153	**3,262**	79	2,594	**2,673**
Belarus	–	2,871	**2,871**	–	6,980	**6,980**
Latvia	1,088	445	**1,533**	1,038	406	**1,444**
Mongolia	–	1,134	**1,134**	–	961	**961**
Estonia	324	–	**324**	26	831	**857**
Ukraine	–	426	**426**	–	55	**55**
Other	132	385	**517**	–	661	**661**
Total	**717,474**	**23,627**	**741,101**	**638,636**	**23,685**	**662,321**

	Total non-current assets based on location of assets[2]	
	As at 31 December 2014	As at 31 December 2013
Russian Federation	312,851	303,524
Armenia	13,093	8,723
Georgia	9,188	5,452
Turkey	6,184	4,395
Moldavia (incl. Transdniestria Republic)	2,619	959
Lithuania	1,569	1,113
Other	42	31
Total	**345,546**	**324,197**

1 Revenues are attributable to countries on the basis of the customer's location.

2 Total non-current assets based on location of assets excludes deferred tax assets, available-for-sale financial assets and other non-current assets.

(in millions of RUR)

5. Acquisitions and disposals

During the years 2013 and 2014 the Group made several acquisitions and disposals. Details are presented below:

Acquisition of LLC Kvarz Group

As at 31 December 2012 the Group's share in LLC Kvarz Group was 50.10% (Note 8).

On 5 August 2013 the Group additionally acquired a 49.90% share in LLC Kvarz Group from third parties for the total cash consideration equivalent to RUR 280 million, increasing the Group's ownership interest to 100%.

Fair value of the Group's 50.10% share in LLC Kvarz Group at 5 August 2013 amounted to RUR 81 million.

The fair values of assets and liabilities arising from the acquisition were as follows (RUR million):

	Fair values
Property, plant and equipment	1,013
Intangible assets	7
Deferred tax assets	80
Other non-current assets	4
Accounts receivable	1,564
Inventory	524
Cash and cash equivalents	268
Loans and borrowings	(652)
Accounts payable and accrued charges	(2,244)
Taxes payable	(247)
Fair value of acquired interest in net assets	**317**
Goodwill, arising from the acquisition	44
Total consideration	**361**

Goodwill arising on the acquisition of LLC Kvarz Group amounted to RUR 44 million. The key reason of the acquisition was the Group's further expansion of engineering activities on the territory of Russian Federation.

Acquisition of JSC Tomskenergosbyt

As at 31 December 2012 the Group's share in JSC Tomskenergosbyt was 31.27%.

At the end of September 2013 the Group acquired an additional stake of 27.91% in JSC Tomskenergosbyt from third parties for the total cash consideration equivalent to RUR 200 million. As a result, the Group increased its membership in the investee's Board of Directors to the majority and obtained control over the investee.

Fair value of the Group's 31.27% share in JSC Tomskenergosbyt at the date of acquisition amounted to RUR 89 million.

The fair values of assets and liabilities arising from the acquisition were as follows (RUR million):

	Fair values
Property, plant and equipment	224
Intangible assets	2
Deferred tax assets	416
Other non-current assets	35
Accounts receivable	934
Inventory	10
Cash and cash equivalents	22
Other current assets	15
Loans and borrowings	(850)
Accounts payable and accrued charges	(873)
Taxes payable	(11)
Fair value of net assets acquired	**(76)**
Non-controling interest	34
Fair value of acquired interest in net assets	**(42)**
Goodwill, arising from the acquisition	331
Total consideration	**289**

(in millions of RUR)

5. Acquisitions and disposals (continued)

Acquisition of JSC Tomskenergosbyt (continued)

Goodwill which arose on the acquisition of JSC Tomskenergosbyt amounted to RUR 331 million. The main purpose of the acquisition was the Group's further expansion of supply activities on the territory of the Russian Federation.

Acquisition and disposal of controlling interest

In May 2013, the Group has acquired the remaining 10% interest in Trakya Elektrik Uretim ve Ticaret A.S. from third parties for a cash consideration of RUR 118 million (USD 3.75 million). As a result, the Group became the 100% shareholder of Trakya Elektrik Uretim ve Ticaret A.S.

During the year 2013 the Group liquidated a number of subsidiaries. The income from the liquidation of RUR 129 million was recognized in the consolidated statement of comprehensive income.

During the year 2013 the Group has established a number of individually insignificant subsidiaries with a respective recognition of non-controlling interest in the amount of RUR 4 million through equity.

During the year ended 31 December 2014 the Group liquidated a number of individually insignificant subsidiaries. The income from the liquidation of RUR 30 million was recognized in the consolidated statement of comprehensive income.

In June 2014, the Group has decreased its control in the share capital of one of its subsidiary as a result of the additional issue of shares in one of the subsidiaries of JSC Mosenergosbyt (Group of companies). An increase of non-controlling interest in the amount of RUR 100 million was recognized in the consolidated statement of changes in equity.

(in millions of RUR)

6. Property, plant and equipment

	Land and buildings	*Infra-structure assets*	*Plant and equipment*	*Other*	*Const-ruction in progress*	*Total*
Cost						
Balance at 1 January 2013	**88,484**	**77,437**	**161,435**	**6,185**	**72,406**	**405,947**
Reclassification	(1,206)	(441)	(415)	(160)	2,222	**–**
Additions	22	89	19	11	43,050	**43,191**
Disposals	(105)	(159)	(358)	(181)	(680)	**(1,483)**
Transfers	4,725	5,577	25,878	1,761	(37,941)	**–**
Transfer to/(from) Other Accounts	(91)	(619)	(140)	(20)	722	**(148)**
Acquisition of controlling interest	848	16	205	184	6	**1,259**
Disposal of controlling interest	(293)	(14)	(261)	(69)	–	**(637)**
Translation difference	459	1,209	1,350	103	70	**3,191**
Balance at 31 December 2013	**92,843**	**83,095**	**187,713**	**7,814**	**79,855**	**451,320**
Including finance leases	*–*	*236*	*1,265*	*1,733*	*–*	***3,234***
Balance at 31 December 2013	**92,843**	**83,095**	**187,713**	**7,814**	**79,855**	**451,320**
Reclassification	(61)	19	25	19	(2)	**–**
Additions	3	6	3	11	31,684	**31,707**
Disposals	(406)	(399)	(847)	(185)	(349)	**(2,186)**
Transfers	9,555	10,811	41,459	644	(62,469)	**–**
Transfer to/(from) other balance accounts	177	(47)	43	220	(2,945)	**(2,552)**
Disposal of controlling interest	–	–	(1)	(11)	–	**(12)**
Translation difference	4,915	12,229	12,400	1,117	717	**31,378**
Balance at 31 December 2014	**107,026**	**105,714**	**240,795**	**9,629**	**46,491**	**509,655**
Including finance leases	*–*	*236*	*1,265*	*1,705*	*530*	***3,736***
Depreciation and impairment losses						
Balance at 1 January 2013	**(18,038)**	**(26,506)**	**(69,744)**	**(2,066)**	**(6,832)**	**(123,186)**
Reclassification	647	70	329	3	(1,049)	**–**
Depreciation charge	(2,961)	(4,445)	(14,047)	(803)	–	**(22,256)**
Impairment loss charge	(6,858)	(3,372)	(7,221)	(267)	(1,891)	**(19,609)**
Impairment loss reversal	–	55	–	–	–	**55**
Disposals	20	123	362	116	1	**622**
Transfers	(1,054)	(755)	(5,605)	(1)	7,415	**–**
Transfer to/(from) other balance accounts	81	398	54	44	(2)	**575**
Disposal of controlling interest	43	5	114	33	–	**195**
Translation difference	(132)	(912)	(825)	(58)	–	**(1,927)**
Balance at 31 December 2013	**(28,252)**	**(35,339)**	**(96,583)**	**(2,999)**	**(2,358)**	**(165,531)**
Including finance leases	*–*	*(236)*	*(1,265)*	*(159)*	*–*	***(1,660)***
Balance at 31 December 2013	**(28,252)**	**(35,339)**	**(96,583)**	**(2,999)**	**(2,358)**	**(165,531)**
Reclassification	22	(16)	(6)	–	–	–
Depreciation charge	(2,383)	(3,803)	(12,253)	(876)	–	**(19,315)**
Impairment loss charge	(581)	(579)	(1,937)	(13)	(1,792)	**(4,902)**
Impairment loss reversal	–	52	–	–	–	**52**
Disposals	21	143	722	108	2	**996**
Transfers	(76)	(289)	(649)	(6)	1,020	**–**
Transfer to/(from) other balance accounts	(141)	(13)	(125)	(214)	405	**(88)**
Disposal of controlling interest	–	–	1	11	–	**12**
Translation difference	(3,840)	(8,519)	(8,980)	(771)	(144)	**(22,254)**
Balance at 31 December 2014	**(35,230)**	**(48,363)**	**(119,810)**	**(4,760)**	**(2,867)**	**(211,030)**
Including finance leases	*–*	*(236)*	*(1,264)*	*(270)*	*–*	***(1,770)***
Net book value						
Balance at 1 January 2013	**70,446**	**50,931**	**91,691**	**4,119**	**65,574**	**282,761**
Balance at 31 December 2013	**64,591**	**47,756**	**91,130**	**4,815**	**77,497**	**285,789**
Balance at 31 December 2014	**71,796**	**57,351**	**120,985**	**4,869**	**43,624**	**298,625**

(in millions of RUR)

6. Property, plant and equipment (continued)

The category Land and buildings includes land in the amount of RUR 671 million (31 December 2013: RUR 520 million).

Construction in progress is represented by property, plant and equipment that has not yet been ready for operation and advances to suppliers of property, plant and equipment. Such advances amounted to RUR 5,671 million as at 31 December 2014 (31 December 2013: RUR 9,570 million).

Interest capitalized (capitalization rate is 11.7% during the year ended 31 December 2014) amounted to RUR 587 million (the year ended 31 December 2013: RUR 667 million).

(a) Impairment

The Group performed the impairment tests of property, plant and equipment by cash generating units and the material impairment charges and reversals were included in the Consolidated statement of comprehensive income in the line "Operating expenses" are discussed below:

Cherepetskaya GRES (separate power plant included into the operating segment – "Generation in the Russian Federation")

The impairment for the year ended 31 December 2014 in the amount of RUR 4,895 million was recognized after the impairment test as at 31 December 2014 due to unfavourable change in estimates of capacity tariffs and rise in the cost of construction of new capacity compared to previous estimates. The recoverable amount was measured as value in use using the discount rate of 13.5% as at 31 December 2014.

Various other minor impairment charges and reversals in the net amount of RUR 45 million gain were recognized during the year ended 31 December 2014.

It is reasonably possible, on the basis of existing knowledge, that outcomes within the next accounting period that are different from the assumptions used as at 31 December 2014 could require a material adjustment to the carrying amount of certain cash generating units.

During the year ended 31 December 2013 the Group recognized impairment loss, net of reversal, in the total amount of RUR 19,554 million in respect of following CGU's: Moldavskaya GRES (RUR 4,858 million), Pechorskaya GRES (RUR 3,585 million), Urengoiskaya GRES (RUR 983 million), Gusinoozerskaya GRES (RUR 2,586 million), Ivanovskie PGU (RUR 2,000 million), Severo-Zapadnaya TEC (RUR 3,387 million), JCS Telasi (RUR 1,210 million), Mtkvari Energy LLC (RUR 565 million) and other minor impairment charges (RUR 380 million).

(b) Pledge

Properties as at 31 December 2014 with carrying amount of RUR 47 million (31 December 2013: RUR 31 million) are pledged by CJSC Elektricheskiye seti Armenii as collateral for several loans.

(in millions of RUR)

7. Intangible assets

	Goodwill	*Software*	*Other*	*Total*
Cost				
Balance at 1 January 2013	**2,650**	**2,438**	**6,869**	**11,957**
Reclassification	–	70	(70)	**–**
Acquisition of controlling interest	375	1	9	**385**
Additions	–	528	1,607	**2,135**
Disposals	–	(245)	(457)	**(702)**
Disposal of controlling interest	–	(3)	(7)	**(10)**
Translation difference	87	16	427	**530**
Balance at 31 December 2013	**3,112**	**2,805**	**8,378**	**14,295**
Balance at 31 December 2013	**3,112**	**2,805**	**8,378**	**14,295**
Reclassification	–	12	(6)	**6**
Additions	–	1,212	159	**1,371**
Disposals	–	(248)	(36)	**(284)**
Translation difference	871	189	4,006	**5,066**
Balance at 31 December 2014	**3,983**	**3,970**	**12,501**	**20,454**
Amortisation and impairment				
Balance at 1 January 2013	**(1,108)**	**(1,295)**	**(690)**	**(3,093)**
Reclassification	–	10	(10)	**–**
Amortisation charge	–	(517)	(960)	**(1,477)**
Impairment losses	(57)	–	(93)	**(150)**
Disposals	–	233	29	**262**
Disposal of controlling interest	–	2	4	**6**
Translation difference	(14)	(7)	(39)	**(60)**
Balance at 31 December 2013	**(1,179)**	**(1,574)**	**(1,759)**	**(4,512)**
Balance at 31 December 2013	**(1,179)**	**(1,574)**	**(1,759)**	**(4,512)**
Reclassification	–	(7)	1	**(6)**
Amortisation charge	–	(648)	(1,261)	**(1,909)**
Impairment losses	(344)	–	–	**(344)**
Disposals	–	259	5	**264**
Translation difference	(165)	(117)	(1,151)	**(1,433)**
Balance at 31 December 2014	**(1,688)**	**(2,087)**	**(4,165)**	**(7,940)**
Net book value				
At 1 January 2013	**1,542**	**1,143**	**6,179**	**8,864**
At 31 December 2013	**1,933**	**1,231**	**6,619**	**9,783**
At 31 December 2014	**2,295**	**1,883**	**8,336**	**12,514**

Amortisation charge is included in operating expenses in the consolidated statement of comprehensive income.

31 December 2013

UAB Vydmantai Wind Park

As a result of impairment tests performed as at 31 December 2013, goodwill which arose on the acquisition of UAB Vydmantai Wind Park originated in July 2011 was fully impaired in the consolidated statement of comprehensive income for the year ended 31 December 2013 in the amount of RUR 57 million. The impairment of other intangible assets for the year ended 31 December 2013 in the amount of RUR 93 million was recognized due to unfavourable change in forecasts of energy generation volumes, decrease of income from sale of quotes and change in discount rate compared to previous period. The recoverable amount was measured as value in use using the discount rate of 12.8% as at 31 December 2013.

(in millions of RUR)

7. Intangible assets (continued)

31 December 2014

UAB INTER RAO Lietuva

As at 31 December 2014 the Group carried out an impairment test for goodwill related to acquisition of UAB INTER RAO Lietuva. For the purpose of impairment testing goodwill is allocated to UAB INTER RAO Lietuva as an individual cash-generating unit in the amount of RUR 1,883 million. The recoverable amount was measured as value in use. The impairment test was based on the following key assumptions:

- According to electricity demand projections, the demand would increase annually at average rate of 2% and would reach approximately 11.8 GWth by the year 2022, from the current level of approximately 10.0 GWth. It is expected that starting from the year 2015 till the year 2022 annual volume of electricity imported to Lithuania will grow to 9 GWth, 67% of that volume will be covered by deliveries carried out by UAB INTER RAO Lietuva;
- Volume of deliveries is assumed to provide gross margin of 6.5%, as the above mentioned volume allows UAB INTER RAO Lietuva to carry out electricity sales in peak periods, when higher profitability is achieved;
- The discount factor used for the impairment test performed by management was 16% for cash-flows estimations in presentation currency as at 31 December 2014.

Based on the discounted cash flow model, management concluded that goodwill for UAB Inter RAO Leituva is not impaired as of 31 December 2014.

JSC Saint-Petersburg Sale company (JSC PSK)

As at 1 April 2014 the Group completed the reorganization of one of JSC Saint-Petersburg Sale company (JSC PSK) subsidiaries in the form of merger with JSC PSK. As a result, goodwill which arose on the acquisition of that subsidiary, was fully impaired in the consolidated statement of comprehensive income for the year ended 31 December 2014 in the amount of RUR 344 million.

Other

Included in other intangible assets RUR 6,178 million (USD 110 million) represents carrying value of identifiable intangible assets of Trakya Elektrik Uretim ve Ticaret A.S acquired in a business combination in December 2012 (31 December 2013: RUR 4,392 million or USD 134 million). This intangible asset represents the Group’s right to operate the electricity power plant facilities in accordance with the Buy-Operate-Transfer (“BOT”) agreement. As at 31 December 2014 the remaining intangible assets’ useful life was 5 years.

Included in other intangible assets RUR 748 million represents capitalised cost to obtain status of “guarantee supplier” acquired in December 2013 (31 December 2013: RUR 872 million). This intangible assets represent the right of LLC INTER RAO Orlovskii energosbit and JSC PSK to perform functions of guaranteed supplier on the territory of Orel and Omsk regions of the Russian Federation. As at 31 December 2014 the remaining intangible assets’ useful life was 6 years.

Included in other intangible assets RUR 359 million (31 December 2013: RUR 432 million) represents capitalised cost to obtain status of “guarantee supplier” recognised on the acquisition of a subsidiary by one of the Group’s entity. As at 31 December other intangible assets’ remaining useful life was 5 years.

(in millions of RUR)

8. Investments in associates and joint ventures

Details of the associates and joint ventures, together with movements in the carrying values of these investments, are set at below:

			Voting share		
	Status	**Country**	**31 December 2014**	**31 December 2013**	**31 December 2012**
NVGRES Holding Limited	Joint venture	The Russian Federation	75.00%	75.00%	75.00%
CJSC Nizhnevartovskaya GRES	Joint venture	The Russian Federation	75.00%	75.00%	75.00%
JSC Stantsiya Ekibastuzskaya GRES-2	Joint venture	The Republic of Kazakhstan	50.00%	50.00%	50.00%
LLC Kvarz Noviye Technologii	Joint venture	The Russian Federation	50.10%	50.10%	50.10%
LLC Kvarz Group	Joint venture	The Russian Federation	–	–	50.10%
JSC Kambarata HPP-1	Joint venture	The Kyrgyz Republic	50.00%	50.00%	50.00%
CJSC Industrial Power Company	Joint venture	The Russian Federation	–	–	50.00%
LLC Power Efficiency Centre INTER RAO UES	Joint venture	The Russian Federation	50.00%	50.00%	50.00%
LLC InterRAO-WorleyParsons	Joint venture	The Russian Federation	–	51.00%	51.00%
SOOO ENERGOCONNECT	Joint venture	Belorussia	50.00%	50.00%	50.00%
CJSC INTER RAO LED-Systems	Joint venture	The Russian Federation	35.17%	35.17%	35.17%
LLC RT – Energy Trading	Joint venture	The Russian Federation	50.00%	50.00%	50.00%
Inter RAO GenCo B.V.	Joint venture	The Netherlands	50.00%	–	–
LLC Cosy house	Joint venture	The Russian Federation	50.00%	–	–
UAB Alproka	Associate	Lithuania	49.99%	49.99%	49.99%
JSC Rusia Petroleum	Associate	The Russian Federation	–	–	25.00%
RUS Gas Turbines Holding B.V.	Associate	The Netherlands	25.00%	25.00%	25.00%
JSC Kaskad	Associate	The Russian Federation	25.00%	25.00%	–
LLC IC Gas-Turbine Technologies	Associate	The Russian Federation	53.94%	45.27%	–
LLC RCASM	Associate	The Russian Federation	30.00%	–	–
JSC EIRTS LO	Associate	The Russian Federation	49.00%	–	–
JSC Akkuyu NPP	Associate	Turkey	–	–	3.47%

(in millions of RUR)

8. Investments in associates and joint ventures (continued)

	Joint ventures (note 8 (a))				*Associates (note 8 (b))*			
	NVGRES Holding Limited	***JSC Stantsiya Ekibas-tuzskaya GRES-2***	***CJSC INTER RAO LED-Systems***	***Other joint ventures***	***RUS Gas Turbines Holding B.V.***	***JSC Akkuyu NPP***	***Other associates***	***Total***
Carrying value at 1 January 2013	**16,701**	**5,983**	**525**	**604**	**1,074**	**848**	**895**	**26,630**
Additions	–	–	–	–	–	–	230	**230**
Disposals	–	–	–	(90)	–	(848)	(1,115)	**(2,053)**
Unrealized gain	–	–	–	27	–	–	–	**27**
Share of profit after tax	1,014	1,890	6	63	44	–	250	**3,267**
Change in ownership structure	–	–	(9)	–	–	–	(6)	**(15)**
Increase of share capital	–	–	–	213	–	–	–	**213**
Recognized actuarial loss and past service cost	21	–	–	–	–	–	–	**21**
Dividends received	–	–	(3)	(41)	–	–	(9)	**(53)**
Translation difference	–	357	–	1	–	–	–	**358**
Carrying value at 31 December 2013	**17,736**	**8,230**	**519**	**777**	**1,118**	**–**	**245**	**28,625**
Carrying value at 31 December 2013	**17,736**	**8,230**	**519**	**777**	**1,118**	**–**	**245**	**28,625**
Additions	–	–	–	208	–	–	50	**258**
Disposals	–	–	–	(9)	–	–	–	**(9)**
Unrealized gain	–	–	–	25	–	–	–	**25**
Share of profit/(loss) after tax	2,325	1,101	(74)	225	422	–	192	**4,191**
Change in ownership structure	–	–	36	–	–	–	65	**101**
Recognized actuarial gain and past service cost	23	–	–	–	–	–	–	**23**
Dividends received	(2,454)	(275)	–	(56)	–	–	(6)	**(2,791)**
Translation difference	–	3,970	–	11	–	–	3	**3,984**
Carrying value at 31 December 2014	**17,630**	**13,026**	**481**	**1,181**	**1,540**	–	**549**	**34,407**

(in millions of RUR)

8. Investments in associates and joint ventures (continued)

(a) Joint ventures

NVGRES Holding Limited and CJSC Nizhnevartovskaya GRES

The Group holds a 75% interest in NVGRES Holding Limited, including its wholly-owned subsidiary CJSC Nizhnevartovskaya GRES accounted for using the equity method. In accordance with the terms of the Shareholders Agreement between the Group and OJSC Rosneft, control over NVGRES Holding Limited is jointly exercised.The following is the summarized financial information in respect of NVGRES Holding Limited and its subsidiary CJSC Nizhnevartovskaya GRES:

	31 December 2014	*31 December 2013*
Non-current assets	21,692	22,031
Current assets (including cash and cash equivalents – 31 December 2014: RUR 2,094 million, 31 December 2013: RUR 2,005 million)	4,004	3,592
Non-current liabilities, including:	**(1,210)**	**(1,033)**
Non-current financial liabilities (excluding trade and other payables and provisions)	–	(87)
Current liabilities, including:	**(979)**	**(942)**
Current financial liabilities (excluding trade and other payables and provisions)	–	–
Equity	**23,507**	**23,648**
Proportion of the Group's ownership	75.00%	75.00%
Carrying value of the investment	**17,630**	**17,736**

	Year ended 31 December 2014	*Year ended 31 December 2013*
Revenue	16,056	13,176
Depreciation and amortisation	(1,004)	(354)
Interest income	167	174
Interest expense	(4)	(8)
Income tax expense	(307)	(606)
Profit from continuing operations	3,100	1,352
Other comprehensive income	30	28
Total comprehensive income for the period	**3,130**	**1,380**
Proportion of the Group's ownership	75.00%	75.00%
Group's share of total comprehensive income	**2,348**	**1,035**

JSC Stantsiya Ekibastuzskaya GRES-2

The Group holds a 50% interest in a joint venture – JSC Stantsiya Ekibastuzskaya GRES-2 accounted for using the equity method. The Group exercises joint control over JSC Stantsiya Ekibastuzskaya GRES-2 with AO "Samruk-Energo", which is ultimately controlled by the Government of the Republic of Kazakhstan.

The following is the summarized financial information in respect of JSC Stantsiya Ekibastuzskaya GRES-2:

	31 December 2014	*31 December 2013*
Non-current assets	44,366	28,230
Current assets (including cash and cash equivalents – 31 December 2014: RUR 207 million, 31 December 2013: RUR 302 million)	3,289	2,364
Non-current liabilities, including:	**(18,285)**	**(2,008)**
Non-current financial liabilities (excluding trade and other payables and provisions)	(16,460)	(800)
Current liabilities, including:	**(3,319)**	**(12,126)**
Current financial liabilities (excluding trade and other payables and provisions)	(2,703)	(11,571)
Equity	**26,051**	**16,460**
Proportion of the Group's ownership	50.00%	50.00%
Carrying value of the investment	**13,026**	**8,230**

(in millions of RUR)

8. Investments in associates and joint ventures (continued)

(a) Joint ventures (continued)

	Year ended 31 December 2014	*Year ended 31 December 2013*
Revenue	7,668	9,092
Depreciation and amortisation	(576)	(530)
Interest income	3	5
Interest expense	(101)	(86)
Income tax expense	(796)	(1,023)
Profit from continuing operations	2,201	3,779
Total comprehensive income for the period	**2,201**	**3,779**
Proportion of the Group's ownership	50.00%	50.00%
Group's share of total comprehensive income	**1,101**	**1,890**

JSC INTER RAO LED-Systems

Effective Group's share as of 31 December 2014 is 27.90 % (31 December 2013: 26.10%). The following is the summarized financial information in respect of JSC INTER RAO LED-Systems:

	31 December 2014	*31 December 2013*
Non-current assets	1,815	1,843
Current assets (including cash and cash equivalents – 31 December 2014: RUR 6 million, 31 December 2013: RUR 64 million)	1,415	2,037
Non-current liabilities, including:	**(899)**	**(630)**
Non-current financial liabilities (excluding trade and other payables and provisions)	(503)	(245)
Current liabilities, including:	**(644)**	**(1,260)**
Current financial liabilities (excluding trade and other payables and provisions)	(244)	(560)
Equity	**1,723**	**1,990**
Group's share	27.90%	26.10%
Carrying value of the investment	**481**	**519**

	Year ended 31 December 2014	*Year ended 31 December 2013*
Revenue	1,158	1,732
Depreciation and amortisation	(225)	(214)
Interest expense	(73)	(59)
Income tax benefit	48	64
(Loss)/profit from continuing operations	(266)	24
Total comprehensive (loss)/imcome for the period	**(266)**	**24**
Proportion of the Group's ownership	27.90%	26.10%
Group's share of total comprehensive (loss)/income	**(74)**	**6**

Other joint ventures

The Group holds a 51% interest in a joint venture – LLC InterRAO-WorleyParsons. On 1 April 2014 the Group reclassified the investment to assets classified as held-for-sale due to commitment of management to sell this investment (Note 15).

In December 2014, the Group established joint venture LLC Cosy house with ownership interest 50.00% of the shares. As at 31 December 2014 the carrying value of investment was recognized in the amount of RUR 431 million.The excess of fair value of non-monetary assets contributed by the Group in exchange for an equity interest in the LLC Cosy house over the cost of the investment was recognised as income in the consolidated statement of comprehensive income within share of profit/(loss) of associates and joint ventures – in amount of RUR 223 million.

(in millions of RUR)

8. Investments in associates and joint ventures (continued)

(b) Associates

RUS Gas Turbines Holding B.V.

The Group's share in the entity is 25%. The ownership in the entity's equity allows the Group to participate in construction of production facilities, production and sales of high-performance industrial gas turbines in the Russian Federation.

The following is the summarized financial information in respect of RUS Gas Turbines Holding B.V.

	31 December 2014	***31 December 2013***
Non-current assets	3,844	1,892
Current assets	5,012	2,946
Current liabilities	(2,697)	(368)
Equity	**6,159**	**4,470**
Proportion of the Group's ownership	25.00%	25.00%
Carrying value of the investment	**1,540**	**1,118**

	Year ended 31 December 2014	***Year ended 31 December 2013***
Profit from continuing operations	1,687	176
Total comprehensive income for the period	**1,687**	**176**
Proportion of the Group's ownership	25.00%	25.00%
Group's share of total comprehensive income	**422**	**44**

Other associates

Additions

On 9 August 2013, the Group acquired 46.27% of the shares of JSC Kaskad, an entity based in the Russian Federation, specializing in the production and distribution of electric meters. Total cash consideration paid by the Group for the stake acquired was RUR 100 million. In December 2013, the Group's share was diluted to 25% after JSC Kaskad's additional issue of shares was fully bought-out by other shareholders.

On 26 December 2013, the Group acquired 45.27% of the shares of LLC IC Gas-Turbine Technologies, an entity based in the Russian Federation, specializing in the development and production of high-performance industrial gas turbines. In December 2014 the Group additionally acquired 8.67% of the shares of LLC IC Gas-Turbine Technologies.The excess of fair value of non-monetary assets contributed by the Group in exchange for an equity interest in the LLC IC Gas-Turbine Technologies over the cost of the investment was recognised as income in the consolidated statement of comprehensive income within share of profit/(loss) of associates and joint ventures – in amount of RUR 257 million. Although the Group's share in equity of LLC IC Gas-Turbine Technologies as at 31 Decemeber 2014 exceeded 50% the agreement with other shareholders does not provide for the ability to control the entity.

In December 2014, the Group participated in the foundation of LLC RCASM with 30.00% share in its equity and acquired 49.00% share in JSC EIRTS LO. Both entities are based in the Russian Federation. Total cash consideration paid by the Group amounted to RUR 50 million.

Disposals

The Group recognized reversal of previousely recognized impairment loss related to the investment in JSC Rusia Petroleum in the amount of RUR 1,115 million (including RUR 232 million for 2013) and represented by the fair value of cash receivable. In 2013 JSC Rusia Petroleum was liquidated and on 19 August 2013 the Group received a cash distribution of RUR 1,115 million.

(in millions of RUR)

9. Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Differences between IFRS base and relevant tax bases give rise to temporary differences between carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes. Deferred tax assets and liabilities are measured at the rate expected to be applicable when the temporary differences will reverse, based on rates and legislation enacted or substantively enacted by end of the reporting period.

Deferred tax assets and liabilities are attributable to the following:

	Deferred tax assets		***Deferred tax liabilities***	
	31 December 2014	***31 December 2013***	***31 December 2014***	***31 December 2013***
Property, plant and equipment	1,402	1,879	(13,888)	(13,158)
Investments in associates and joint ventures	18	15	(3,376)	(2,609)
Trade and other receivables	1,948	1,618	–	–
Tax loss carry-forwards	1,101	2,987	–	–
Investments in available-for-sale financial assets and assets classified as held-for-sale	–	–	(368)	(351)
Accounts payable and long-term loans and borrowings	1,692	1,320	(343)	(489)
Other items	653	653	(1,637)	(1,875)
Tax assets/(liabilities)	6,814	**8,472**	(19,612)	**(18,482)**
Set off of tax	(4,578)	(5,083)	4,578	5,083
	2,236	**3,389**	**(15,034)**	**(13,399)**

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of some of the Group entities located in Armenia, the Russian Federation, Netherlands and Kazakhstan and relate to the following deductible temporary differences:

	31 December 2014	***31 December 2013***
Available-for-sale financial assets	3,841	483
Assets classified as held-for-sale	15,967	22,660
Put and Call options	–	23,955
Other	2,726	2,189
	22,534	**49,287**

Deductible temporary differences as at 31 December 2014 mainly relate to available-for-sale financial assets and assets classified as held-for-sale (mainly relates to JSC Irkutskenergo). Deferred tax assets have not been recognised in respect of these items because in management's opinion it is not probable that future taxable profit will be available in the respective Group's entities against which the Group can utilize respective tax loss. Unrecognized temporary differences can be realized within the next 7-10 years.

(in millions of RUR)

9. Deferred tax assets and liabilities (continued)

(c) Movement in tax effects of temporary differences, after offsetting, during the period

Deferred tax assets:

	1 January 2013	*Acquisition of controlling interest*	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*31 December 2013*
Property, plant and equipment	1,793	(101)	(179)	157	–	1,670
Trade and other receivables	194	550	338	80	–	1,162
Accounts payable and long-term loans and borrowings	104	(109)	382	(33)	(23)	321
Other items	(873)	68	223	22	(108)	(668)
Tax loss carry-forwards	756	92	(12)	68	–	904
	1,974	**500**	**752**	**294**	**(131)**	**3,389**

	31 December 2013	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*31 December 2014*
Property, plant and equipment	1,670	(2,161)	(70)	–	(561)
Trade and other receivables	1,162	208	(21)	–	1,349
Accounts payable and long-term loans and borrowings	321	899	1	(24)	1,197
Other items	(668)	697	62	–	91
Tax loss carry-forwards	904	(699)	(45)	–	160
	3,389	**(1,056)**	**(73)**	**(24)**	**2,236**

Deferred tax liabilities:

	1 January 2013	*Acquisition of controlling interest*	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*31 December 2013*
Property, plant and equipment	(15,798)	22	2,855	(28)	–	(12,949)
Investments in associates and joint ventures	(2,038)	–	(499)	(72)	–	(2,609)
Investments in available-for-sale financial assets and assets classified as held-for-sale	(3,666)	–	4,046	–	(729)	(349)
Accounts payable and long-term loans and borrowings	(1)	(17)	504	24	–	510
Other items	4,084	–	(1,937)	(208)	59	1,998
	(17,419)	**5**	**4,969**	**(284)**	**(670)**	**(13,399)**

	31 December 2013	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*31 December 2014*
Property, plant and equipment	(12,949)	771	308	–	(11,870)
Investments in associates and joint ventures	(2,609)	28	(796)	–	(3,377)
Investments in available-for-sale financial assets and assets classified as held-for-sale	(349)	27	1	(45)	(366)
Accounts payable and long-term loans and borrowings	510	(236)	(104)	(19)	151
Other items	1,998	(1,366)	(204)	-	428
	(13,399)	**(776)**	**(795)**	**(64)**	**(15,034)**

The Group recognised temporary differences on property, plant and equipment which relate to differences between the accounting and tax depreciation rates, carrying values and tax base of property, plant and equipment.

(in millions of RUR)

9. Deferred tax assets and liabilities (continued)

(c) Movement in tax effects of temporary differences, after offsetting, during the period (continued)

Deferred tax liability in the amount of RUR 45 million was recognised through other comprehensive income in relation to revaluation of available-for-sale financial assets for the year ended 31 December 2014 (for the year ended 31 December 2013: RUR 837 million).

The Group has not recognised deferred tax liabilities in respect of temporary differences associated with investments in subsidiaries, associates and joint ventures in the amount of RUR 169,700 million (31 December 2013: RUR 151,481 million) because the Group is able to control timing of the reversal of temporary differences and does not intend to realise them in the foreseeable future.

10. Available-for-sale financial assets

As at 31 December 2014 available-for-sale financial assets in the total amount of RUR 7,260 million (31 December 2013: RUR 9,149 million) included investments in quoted shares in the total amount of RUR 5,806 million (31 December 2013: RUR 7,670 million) and investment in unquoted shares in the total amount of RUR 1,454 million (31 December 2013: RUR 1,479 million).

Investments in quoted shares

For the year ended 31 December 2014 the amount of RUR 1,176 million was recognised as impairment loss on available-for-sale financial assets through profit and loss in the consolidated statement of comprehensive income (for the year ended 31 December 2013: RUR 3,282 million) (Note 25).

For the year ended 31 December 2014 the amount of RUR 336 million, net of tax RUR 45 million was recognised as a gain from revaluation of available-for-sale financial assets through other comprehensive income in the consolidated statement of comprehensive income (for the year ended 31 December 2013: RUR 1,899 million, net of tax RUR 837 million) (Note 9, 17) and the amount of RUR 149 million was recognised as a disposal of accumulated revaluation loss of available-for-sale financial assets through other comprehensive income in the consolidated statement of comprehensive income due to sale of quoted shares (for the year ended 31 December 2013: nil).

	31 December 2014		*31 December 2013*	
	% share capital	***Carrying value***	***% share capital***	***Carrying value***
JSC RusHydro	1.85%	2,906	1.85%	3,046
JSC Mosenergo	4.97%	1,264	5.05%	1,756
Plug Power	2.34%	404	11.80%	226
JSC OGK-2	4.17%	398	5.70%	859
JSC TGK-1	1.97%	345	1.97%	503
JSC FGC UES	0.37%	211	0.37%	416
JSC Quadra	2.25%	146	2.25%	130
JSC Irkutskenergo	0.29%	81	0.29%	103
JSC TGK-2	1.38%	18	1.38%	20
JSC TGK-14	0.60%	14	0.60%	13
JSC Yaroslavl Power Sale Company	0.47%	8	0.85%	14
JSC IDGC of Centre	0.07%	8	0.07%	7
JSC TGK-9	–	–	2.48%	575
Other	–	3	–	2
Total		**5,806**		**7,670**

In 2014 the Group sold 2.48% of ordinary shares of JSC TGK-9, 0.08% of ordinary shares of JSC Mosenergo, 1.53% of ordinary shares of JSC OGK-2, 9.46% of ordinary shares of Plug Power and 0.38% of ordinary shares of JSC Yaroslavl Power Sale Company to the third parties for a total cash consideration of RUR 1,148 million.

(in millions of RUR)

10. Available-for-sale financial assets (continued)

Investments in unquoted shares

As at 1 January 2013 the investment in JSC Akkuyu NPP was reclassified from investment in associates to available-for-sale financial assets due to the limitation of opportunities for the Group to affect operating and strategic decisions of JSC Akkuyu NPP. As at 31 December 2014 the Group's share in JSC Akkuyu NPP was deluted from 1.75% to 0.82% due to increase share capital of JSC Akkuyu NPP.

	31 December 2014		*31 December 2013*	
	% share capital	***Carrying value***	***% share capital***	***Carrying value***
JSC Akkuyu NPP	0.82%	848	1.75%	848
JSC BESC	1.46%	404	1.46%	404
JSC Sangtudinskaya GES-1	14.87%	161	14.87%	161
Other	–	41	–	66
Total		**1,454**		**1,479**

The carrying value of investments in unquoted shares as at 31 December 2014 and 31 December 2013 reflectred impairment of investment in JSC Sangtudinskaya GES-1 in the amount of RUR 530 million.

The Group did not identify any further impairment in respect of available-for-sale investments in unquoted shares for the year ended 31 December 2014.

11. Other non-current assets

		31 December 2014	*31 December 2013*
Financial non-current assets		***8,247***	***3,652***
Non-current trade receivables		1,860	1,396
	Less impairment provision	*(467)*	*(395)*
Non-current trade receivables – net		**1,393**	**1,001**
Other non-current receivables		5,457	1,858
	Less impairment provision	*(114)*	*(243)*
Other non-current receivables – net		**5,343**	**1,615**
Non-current loans issued (including interest)		150	–
Long-term derivative financial instruments – assets		1,292	1,013
Long-term bank deposits		69	23
		1,511	**1,036**
Non-financial non-current assets		***1,847***	***2,448***
Non-current advances to suppliers and prepayments		1,007	1,626
	Less impairment provision	*(7)*	*(84)*
Non-current advances to suppliers and prepayments – net		**1,000**	**1,542**
VAT recoverable		105	529
Other		742	377
		10,094	**6,100**

Included in Other non-current receivables RUR 1,865 million represents a financial asset recognized by the Group in relation to the concession arrangement by one of the Group's subsidiary, Trakya Elektrik Uretim ve Ticaret A.S. ("Operator") (31 December 2013: RUR 1,061 million). In accordance with the arrangement, the Operator constructs, commissions and operates a natural gas-fired combined cycle power station on a BOT basis under the terms of Implementation Contract between the Operator and the Ministry of Energy and Natural Resources of the Republic of Turkey ("MENR"). The concession arrangement period includes initial period of up to 2019 with an option of the MENR to extend the operating period up to 2046. At the end of the concession arrangement period, the power plant shall be transferred to an enterprise nominated by MENR. Certain state owned domiciled entities in Turkey are currently obliged to purchase on a "take-or-pay" basis minimum quantities of electricity made available by Trakya Elektrik Uretim ve Ticaret A.S. for initial period. The electricity selling price is calculated as the sum of fixed capacity price, variable capacity price and also depends on natural gas price.

(in millions of RUR)

11. Other non-current assets (continued)

As at 31 December 2014 long-term derivative financial instruments included fair value of electricity derivatives in the amount of RUR 1,292 million (31 December 2013: RUR 1,004 million) at RAO Nordic Oy which are held for the purposes of hedging future sales (Note 16, 20, 21).

As at 31 December 2014 other non-current receivables in the amount of RUR 3,120 million are represented by advances to suppliers of property, plant and equipment which have been reclassified from construction in progress due to the agreement termination with one of the contractors.

Movements in the provision for impairment of other non-current assets are as follows:

	Non-current trade receivables	*Non-current advances to suppliers and prepayments*	*Non-current loans issued incl. interest*	*Other non-current receivables*	*Total provision*
At 31 December 2013	**(395)**	**(84)**	–	**(243)**	**(722)**
Release/(accrual) of provision for receivables impairment	3	(1)	–	113	**115**
Receivables written off as uncollectible	4	77	–	–	**81**
Accrual of discount effect	(156)	–	–	(6)	**(162)**
Unwinding of discount	119	1	–	31	**151**
Reclassification of short-term portion	22	–	–	(9)	**13**
Translation difference	(64)	–	–	–	**(64)**
At 31 December 2014	**(467)**	**(7)**	**–**	**(114)**	**(588)**

	Non-current trade receivables	*Non-current advances to suppliers and prepayments*	*Non-current loans issued incl. interest*	*Other non-current receivables*	*Total provision*
At 1 January 2013	**(375)**	**–**	**(7)**	**(279)**	**(661)**
(Accrual)/release of provision for receivables impairment	(30)	43	–	31	**44**
Receivables written off as uncollectible	(71)	–	8	–	**(63)**
Accrual of discount effect	(116)	(6)	–	–	**(122)**
Unwinding of discount	88	–	–	(25)	**63**
Reclassification of short-term portion	105	(120)	–	30	**15**
Translation difference	4	(1)	(1)	–	**2**
At 31 December 2013	**(395)**	**(84)**	**–**	**(243)**	**(722)**

12. Inventories

	31 December 2014	*31 December 2013*
Fuel	7,485	7,434
Spare parts	3,276	2,493
Materials and consumables	3,577	3,063
Other	565	231
	14,903	**13,221**

As at 31 December 2014 provision for inventory obsolescence amounted to RUR 439 million (31 December 2013: RUR 569 million) and included foreign currency translation loss in the amount of RUR 17 million (31 December 2013: nill). The release of provision for the year ended 31 December 2014 in the amount of RUR 147 million (for the year ended 31 December 2013: charge of provision in the amount of RUR 158 million) was recognised in Other provisions within Operating expenses, net in consolidated statement of comprehensive income.

As at 31 December 2014 the Group has a technological inventory in the amount RUR 4,952 million, mostly represented by fuel and spare parts (31 December 2013: RUR 4,015 million).

(in millions of RUR)

13. Accounts receivable and prepayments

		31 December 2014	*31 December 2013*
Financial assets		***63,504***	***54,686***
Trade receivables		80,639	69,470
	Less impairment provision	*(24,589)*	*(19,654)*
Trade receivables – net		**56,050**	**49,816**
Other receivables		8,984	6,927
	Less impairment provision	*(2,888)*	*(2,517)*
Other receivables – net		**6,096**	**4,410**
Short-term loans issued (including interest)		434	621
	Less impairment provision	*(284)*	*(271)*
Short-term loans issued (including interest) – net		**150**	**350**
Short-term outstanding interest on bank deposits		249	45
	Less impairment provision	*(10)*	*(10)*
Short-term outstanding interest on bank deposits – net		**239**	**35**
Short-term receivables on construction contracts		485	67
Dividends receivable		484	8
Non-financial assets		***18,199***	***15,512***
Advances to suppliers and prepayments		11,131	7,968
	Less impairment provision	*(627)*	*(652)*
Advances to suppliers and prepayments – net		**10,504**	**7,316**
Short-term VAT recoverable		4,902	3,260
Taxes prepaid		2,793	4,936
		81,703	**70,198**

As at 31 December 2014 short-term VAT recoverable included RUR 1,099 million of VAT for construction of Verkhnetagilskaya GRES, Permskaya GRES and Cherepetskaya GRES (31 December 2013: RUR 1,114 million), and RUR 381 million of VAT recoverable on export operations (31 December 2013: RUR 479 million).

Movements in the provision for impairment of receivables are as follows:

	Trade receivables	*Advances to suppliers and prepayments*	*Short-term loans issued (incl. interest)*	*Short-term outstanding interest on bank deposits*	*Other receivables*	*Total provision*
At 31 December 2013	**(19,654)**	**(652)**	**(271)**	**(10)**	**(2,517)**	**(23,104)**
(Accrual)/release of provision	(5,372)	9	–	–	(257)	**(5,620)**
Accrual of discount effect	(5)	–	–	–	–	**(5)**
Unwinding of discount	54	–	–	–	–	**54**
Receivables written off as uncollectible (provided for at the beginning of the year)	1,286	46	–	–	312	**1,644**
Reclassification, other	331	(5)	–	–	(326)	**–**
Reclassification of long-term portion	(22)	–	–	–	9	**(13)**
Disposal of controlling interest	–	–	–	–	21	**21**
Translation difference	(1,207)	(25)	(13)	–	(130)	**(1,375)**
At 31 December 2014	**(24,589)**	**(627)**	**(284)**	**(10)**	**(2,888)**	**(28,398)**

(in millions of RUR)

13. Accounts receivable and prepayments (continued)

	Trade receivables	*Advances to suppliers and prepayments*	*Short-term loans issued (incl. interest)*	*Short-term outstanding interest on bank deposits*	*Other receivables*	*Total provision*
At 1 January 2013	**(16,604)**	**(738)**	**(252)**	**–**	**(1,830)**	**(19,424)**
Accrual of provision	(3,793)	(27)	–	(10)	(553)	**(4,383)**
Accrual of provision for loans issued	–	–	(21)	–	–	**(21)**
Accrual of discount effect	(8)	–	–	–	–	**(8)**
Unwinding of discount	9	–	–	–	–	**9**
Receivables written off as uncollectible (provided as at the beginning of the year)	838	9	2	–	(41)	**808**
Reclassification, other	73	(13)	–	–	(60)	**–**
Reclassification of long-term portion	(105)	120	–	–	(30)	**(15)**
Disposal of controlling interest	5	–	–	–	–	**5**
Translation difference	(69)	(3)	–	–	(3)	**(75)**
At 31 December 2013	**(19,654)**	**(652)**	**(271)**	**(10)**	**(2,517)**	**(23,104)**

Nominal value of financial assets included in accounts receivable are presented as follows:

At 31 December 2014	*Trade receivables*	*Short-term loans issued (including interest)*	*Other receivables*	*Dividends receivable*	*Short-term outstanding interest on bank deposits*	*Short-term receivables on construction contracts*	*Total*
Not past due not impaired	38,197	151	4,212	484	239	485	**43,768**
Past due but not impaired	11,635	–	588	–	–	–	**12,223**
Past due and impaired	30,807	283	4,184	–	10	–	**35,284**
Total	**80,639**	**434**	**8,984**	**484**	**249**	**485**	**91,275**

At 31 December 2013	*Trade receivables*	*Short-term loans issued (including interest)*	*Other receivables*	*Dividends receivable*	*Short-term outstanding interest on bank deposits*	*Short-term receivables on construction contracts*	*Total*
Not past due not impaired	31,906	250	2,148	8	45	67	**34,424**
Past due but not impaired	9,821	350	842	–	–	–	**11,013**
Past due and impaired	27,743	21	3,937	–	–	–	**31,701**
Total	**69,470**	**621**	**6,927**	**8**	**45**	**67**	**77,138**

As at 31 December 2014 accounts receivable in the amount of RUR 12,223 million (31 December 2013: RUR 11,013 million) were past due but not impaired. These relate to a number of independent counterparties without past instances of default as well as none expected. The ageing analysis of these receivables is as follows:

Past due but not impaired	***31 December 2014***	***31 December 2013***
Up to 3 month	8,881	7,390
3 to 6 month	1,650	1,534
6 to 12 month	1,049	1,585
Over 12 months	643	504
Total	**12,223**	**11,013**

The past due and impaired accounts receivable mainly comprise amounts due from wholesalers, population and other retail customers. The ageing of these receivables is as follows:

Past due and impaired	***31 December 2014***	***31 December 2013***
Up to 3 month	7,517	6,440
3 to 6 month	1,882	2,700
6 to 12 month	4,304	6,455
Over 12 months	21,581	16,106
Total	**35,284**	**31,701**

The Group does not hold any collateral as a security.

(in millions of RUR)

14. Cash and cash equivalents

	31 December 2014	31 December 2013
Cash at bank and in hand, national currency	25,100	16,974
Cash at bank and in hand, foreign currency	10,566	7,156
Bank deposits with maturity of three months or less	39,933	15,752
Total	**75,599**	**39,882**

As at 31 December 2014 bank deposits with maturity of three months or less in the amount of RUR 33,118 million are nominated in RUR (31 December 2013: RUR 14,027 million), in US dollars – RUR 6,723 million (31 December 2013: RUR 1,496 million), in euro – RUR 88 million (31 December 2013: RUR 27 million) and in Georgian lari – RUR 4 million (31 December 2013: RUR 202 million).

15. Assets classified as held-for-sale

	31 December 2013	Revaluation	Impairment	Disposal of fair value reserve	Disposal	Reclassification	31 December 2014
JSC Irkutskenergo	38,048	–	–	–	–	–	38,048
JSC Volga TGC	4,232	100	(180)	(601)	(3,551)	–	–
LLC InterRAO-WorleyParsons	–	–	–	–	–	9	9
Total	**42,280**	**100**	**(180)**	**(601)**	**(3,551)**	**9**	**38,057**

	1 January 2013	Revaluation	Impairment	Disposal of fair value reserve	Disposal	Reclassification	31 December 2013
JSC Irkutskenergo	38,048	–	–	–	–	–	38,048
JSC Volga TGC	–	551	–	2,037	(19,875)	21,519	4,232
JSC TGC-6	–	(378)	–	(113)	(1,647)	2,138	–
Total	**38,048**	**173**	–	**1,924**	**(21,522)**	**23,657**	**42,280**

In the 1st half 2011, JSC Inter RAO acquired 40.00% of ordinary shares of JSC Irkutskenergo. On the date of acquisition the Group classified the investment as asset held-for-sale in the amount of RUR 38,048 million being the cost of consideration given. Up to 31 December 2014 the Group has been still negotiating sale of the stake.

On 23 August 2013 the Group sold 33.87% of Volga TGK shares and 27.71% of TGK-6 shares to third parties.

On 13 May 2014 the Group sold 7.50% of JSC Volga TGC for a cash consideration of RUR 3,698 million to third parties.

As at 1 April 2014 the Group reclassified the investment in joint venture LLC InterRAO-WorleyParsons with ownership interest 51% to assets classified as held-for-sale due to commitment of management to sell this investment (Note 8).

16. Other current assets

	31 December 2014	31 December 2013
Restricted cash	838	456
Bank deposits with maturity of 3-12 months	6,098	1,545
Short-term derivative financial instruments	1,389	484
Other	829	570
Total	**9,154**	**3,055**

As at 31 December 2014 restricted cash balances include cash deposited in Otkritie FC Bank (held as collateral of the payments to the third parties for the shares in JSC Tomskenergosbyt) in the amount of RUR 200 million (as at 31 December 2013: nil), in OKO Bank (held as collateral in favour of Fingrid), Nordea (held as collateral in favour of NASDAQ OMX AB), Saxo bank and Deutsche bank in the aggregate amount of RUR 134 million (as at 31 December 2013: RUR 118 million), cash deposited in VTB Bank Armenia (security interest in favour of European Bank for Reconstruction and Development (EBRD) according to the loan agreement) in the amount of RUR 112 million (as at 31 December 2013: RUR 121 million) and cash deposited in the total amount of RUR 392 million held by Group Trakya, JSC Telasi, Inter RAO Lietuva, Inter RAO Latvia, JSC Tomskenergosbyt and other companies (as at 31 December 2013: RUR 217 million).

(in millions of RUR)

16. Other current assets (continued)

As at 31 December 2014 short-term derivative financial instruments included fair value of electricity derivatives in the amount of RUR 990 million (31 December 2013: RUR 416 million) at RAO Nordic Oy which are held for the purposes of hedging future sales (Note 11, 20, 21).

As at 31 December 2014 short-term derivative financial instruments included foreign currency forward contracts and foreign currency swaps in the total amount of RUR 399 million (31 December 2013: RUR 68 million) (Note 17).

As at 31 December 2014 other current assets included bonds issued by financial institutions held by LLC INTER RAO Invest and CJSC Inter RAO UES Capital with total carrying value of RUR 302 million (as at 31 December 2013: RUR 219 million).

As at 31 December 2013 other current assets included three short-term promissory notes held by LLC Bashkir Generation Company issued by Gazprombank JSC with total carrying value of RUR 118 million, that had been paid as at 31 December 2014.

17. Equity

Share capital

	31 December 2014	*31 December 2013*
Number of ordinary shares issued and fully paid (in units)	10,440,000,000,000	10,440,000,997,683
Par value (in RUR)	0.02809767	0.02809767
Share capital (in million RUR)	293,340	293,340

Movements in outstanding and treasury shares

	Issued shares		*Treasury shares*		*Total*	
	thousand units	*million RUR*	*thousand units*	*million RUR*	*thousand units*	*million RUR*
31 December 2013	**10,440,000,998**	**293,340**	**(1,472,103,383)**	**(41,363)**	**8,967,897,615**	**251,977**
Cancellation of treasury shares	(998)	–	998	–	**–**	**–**
Put and call option agreement	–	–	(529,303,483)	(14,872)	**(529,303,483)**	**(14,872)**
Sale of treasury shares, net	–	–	212,026	6	**212,026**	**6**
31 December 2014	**10,440,000,000**	**293,340**	**(2,001,193,842)**	**(56,229)**	**8,438,806,158**	**237,111**

Put and call option

On 10 July 2014 the Group received put notice from SC Vnesheconombank under Put and Call option agreement to exercise the Put option with respect to 529,303,482,587 of option shares of JSC Inter RAO.

On 8 October 2014 the Group exercised put option in the amount of RUR 31,374 million and became the owner of 5.07% of ordinary shares of the Parent Company with nominal value of RUR 14,872 million and market value of RUR 4,842 million at the date of transaction.

The difference between market value and nominal value of ordinary shares for the total amount of RUR 10,030 million was recognized as retained earnings in the consolidated statement of changes in equity for the year ended 31 December 2014.

Dividends

30 June 2014 the Board of Directors approved the dividend policy of the Parent Company. In accordance with the policy the Parent Company aims at gradual growth of dividend payments to shareholders. The Board of Directors shall recommend dividend payments up to 25% of the net profit determined on the basis of the consolidated financial statements prepared in accordance with IFRS. The amount of recommended dividend payments should be in compliance with the requirements of the Russian legislation.

Dividends to non-controlling shareholders were declared by the Group's subsidiaries in the amount of RUR 274 million for the year ended 31 December 2014 (for the year ended 31 December 2013: RUR 486 million).

During the year 2014 the Group recieved the undrawn dividends related to previous years from non-controlling shareholders in the amount of RUR 27 million.

(in millions of RUR)

17. Equity (continued)

Cash flow hedge reserve

The Parent Company had an interest rate swap agreement in respect of future payments of USD 109 million for the period from 13 May 2009 till 12 November 2013 to hedge future interest payments to State Corporation Vnesheconombank. The payment period according to the agreement was six months; the first repayment date was 12 November 2009. The swap agreement expired in November 2013.

During the years 2013 and 2014 the Parent Company entered into a number of foreign currency forward and option contracts in order to hedge cash flows related to foreign currency sales denominated in euro.

During the years 2013 and 2014 RAO Nordic Oy entered into a number of electricity forward contracts in order to hedge cash flows associated with electricity sales.

For the year ended 31 December 2014 net gain on hedge transactions was recognized in other comprehensive income in the amount of RUR 102 million related to shareholders of the Company and net loss related to non-controlling interest in the amount of RUR 10 million.

For the year ended 31 December 2013 net loss on hedge transactions was recognized in other comprehensive income in the amount of RUR 175 million related to shareholders of the Company and net gain related to non-controlling interest in the amount of RUR 8 million.

The overall effect of above agreements are provided in the table below:

	Interest rate swap	*Foreign currency forward and option contacts*	*Electricity forward contracts*	*Total*
1 January 2013	**(47)**	**94**	**64**	**111**
Gain/(loss) arising on change in fair value of hedge instruments, net	59	(259)	(20)	**(220)**
Deferred income tax related to gains/(losses) recognised in other comprehensive income	(12)	52	5	**45**
31 December 2013	**–**	**(113)**	**49**	**(64)**
31 December 2013	**–**	**(113)**	**49**	**(64)**
Gain arising on change in fair value of hedge instruments, net	–	123	3	**126**
Deferred income tax related to gains recognised in other comprehensive income	–	(24)	–	**(24)**
31 December 2014	**–**	**(14)**	**52**	**38**

Fair value reserve

	Fair value reserve
1 January 2013	**(3,354)**
Gain arising on change in fair value of available-for-sale financial assets	4,833
Deferred income tax related to losses recognised in other comprehensive income	(837)
31 December 2013	**642**
31 December 2013	**642**
Gain arising on change in fair value of available-for-sale financial assets (Note 10, 15)	29
Deferred income tax related to gains recognised in other comprehensive income	(45)
31 December 2014	**626**

(in millions of RUR)

17. Equity (continued)

Actuarial reserve

	Related to shareholders of the Company	*Related to non-controlling shareholders*	*Total*
1 January 2013	**(424)**	**(16)**	**(440)**
Gain arising on change in pension liabilities	156	17	**173**
Deferred income tax related to losses recognised in other comprehensive income	(12)	–	**(12)**
31 December 2013	**(280)**	**1**	**(279)**
31 December 2013	**(280)**	**1**	**(279)**
Gain arising on change in pension liabilities	265	15	**280**
Deferred income tax related to gains recognised in other comprehensive income	(19)	–	**(19)**
31 December 2014	**(34)**	**16**	**(18)**

18. Earnings per share

The calculation of earnings per share is based on profit or loss for the period and weighted average number of ordinary shares outstanding during the period, calculated as shown below. Earnings per share calculations for the years ended 31 December 2013 and 2014 reflect the result of the share consolidation performed by the Group in January 2015 (see Note 34).

As at 31 December 2013 and 31 December 2014 the anti-dilutive effects of the recognition of call option signed with JSC Mejregionenergostroy (see Note 19 (iv)) and share-based option programme (see Note 32 (b)) are not included in calculation of diluted earnings/(loss) per share.

	Year ended 31 December 2014
Weighted average number of shares – basic and diluted	**88,751,976,703**
Income attributable to the shareholders of the Company	**7,837**
Income per ordinary share (RUR) – basic and diluted	0.08830

	Year ended 31 December 2013 restated
Weighted average number of shares – basic	**86,892,469,380**
Effect of dilution:	
Put option with SC Vnesheconombank	(5,293,034,826)
Weighted average number of shares – diluted	**81,599,434,554**
Loss attributable to the shareholders of the Company	**(23,067)**
Loss per ordinary share (RUR) – basic	(0.26547)
Loss per ordinary share (RUR) – diluted	(0.28269)

(in millions of RUR)

19. Loans and borrowings

This note provides information about the Group's loans and borrowings. Certain loan agreements include financial and non-financial covenants.

Loans and borrowings	*Currency*	*31 December 2014*	*31 December 2013*
VTB Bank (Deutschland) AG (x)	RUR	20,770	–
EBRD (iii), (x)	RUR	17,861	–
Mejregionenergostroy JSC, VTB Factoring LLC (iv)	RUR	16,687	15,345
ROSSIYA JSC (x)	RUR	8,881	2,757
Raiffeisenbank CJSC	RUR	2,000	2,000
Gazprombank JSC	RUR	323	4,219
Sberbank JSC	RUR	–	1,695
Other	RUR	–	699
Total in RUR	RUR	**66,522**	**26,715**
Vnesheconombank SC (ii)	USD	9,166	5,323
ING Bank NV (viii)	USD	7,930	5,327
Vakifbank (ix)	USD	5,450	3,699
EBRD (v)	USD	1,054	715
Other	USD	1,250	814
Total in USD	USD	**24,850**	**15,878**
ING Bank NV (xi)	EUR	1,614	–
EBRD (vi)	EUR	1,450	1,171
SWEDBANK AB	EUR	1,394	1,069
Vnesheconombank SC (vii)	EUR	777	627
Gazprombank JSC	EUR	–	180
Total in EUR	EUR	**5,235**	**3,047**
Government of Armenia (i)	JPY	872	591
Government of Georgia	JPY	464	324
Total in JPY	JPY	**1,336**	**915**
Total in AMD	AMD	**146**	**97**
Total in GEL	GEL	**117**	**83**
Finance leases			
Financial lease	USD	1,541	1,296
Financial lease	RUR	649	386
Financial lease	LTL	54	37
Financial lease	EUR	6	1
Total long-term loans and borrowings		**100,456**	**48,455**
Less: current portion of long-term loans and borrowings and long-term finance leases		(36,271)	(8,257)
		64,185	**40,198**

Effective interest rates

	31 December 2014	*31 December 2013*
Loans and borrowings at fixed interest rate		
RUR	8.75-14.00%	8.89-10.30%
USD	10.00-15.40%	10.00-15.40%
JPY	8.00-19.00%	8.00-19.00%
GEL	19.00%	19.00%
Loans and borrowings at variable interest rate		
RUR	11.18-15.06%	–
USD	2.43-4.85%	2.47-5.04%
EUR	0.92-5.34%	2.78-6.75%
Finance leases		
RUR	12.50-28.05%	10.50-13.30%
USD	6.48-14.81%	6.49-14.81%
EUR	4.00-4.90%	4.90%
LTL	4.80%	4.80%

(in millions of RUR)

19. Loans and borrowings (continued

Effective interest rates (continued)

As at 31 December 2014 fair value of loans and borrowings is RUR 98,454 million (31 December 2013: RUR 44,829 million), which is estimated by discounting of contractual future cash flows at the prevailing current market interest rates available to the Group for similar financial instruments.

31 December 2014	*Fair value*	*Method of valuation*	*Ranges*
Financial liabilities at amortised cost			
Total loans and borrowings		**discounted cash flows**	
Loans denominated in RUR	65,207	discounted cash flows	8.89-28.05%
Loans denominated in USD	26,374	discounted cash flows	2.47-15.40%
Loans denominated in EUR	5,251	discounted cash flows	1.05-5.41%
Loans denominated in JPY	1,282	discounted cash flows	8.00-19.00%
Loans denominated in AMD	142	discounted cash flows	12.00-14.00%
Loans denominated in GEL	142	discounted cash flows	19.00%
Loans denominated in LTL	56	discounted cash flows	4.80%

(i) The credit line of JPY 3,877 million at nominal interest rate of 1.8% was obtained for the purposes of financing the Armenian power system programme “Transmission and distribution of electricity network”. The loan is to be repaid from 10 February 2009 to 10 February 2039.

Since the interest rate stipulated by this loan was significantly lower than the market rates, initially the loan has been recognised at discounted amounts using market rates prevailing at initial recognition (8%). Further to initial recognition, the loan is carried at amortised cost, using the discount rate applied at initial recognition.

(ii) As at 31 December 2014 the Group had a loan in the amount of USD 163 million at effective interest rate of 3.85% (for 2013 – 4.85%), which was obtained to finance acquisition of 49% share in CJSC Moldavskaya GRES. The loan is payable on 11 November 2015.

(iii) In 2014 the Group obtained RUR 8,5 billion under the credit line with EBRD at floating interest rate MosPrime + 1.85% for the purpose construction of the forth power generation block Verkhnetagilskaya GRES JSC INTER RAO – Electric Power Plants. The Parent Company acts as a guarantor under this agreement. The credit limit is RUR 12 billion.

(iv) Direct financing received from JSC Mejregionenergostroy for construction of the second power generation block Kaliningradskaya TEC-2 was novated into long-term loan agreement with the contractual interest rate of 0.83%. The loan and interest are payable in 2015. All obligations related to loan were transferred to one of the Group entities, CJSC Inter RAO UES Capital. The Parent Company acts as a guarantor under the agreement. The Group signed an addendum to the long-term loan agreement and entered into a call option with JSC Mejregionenergostroy. The loan was discounted using effective interest rate of 9% (Note 26). On 17 June 2014 JSC Mejregionenergostroy signed the cession agreement with VTB Factoring LLC and conceded the rigths of money requirement from the Group in the amount of RUR 13,000 million.

(v) In February 2011 JSC Telasi obtained a loan from EBRD amounting to USD 25 million at floating interest rate Libor + Margin. The Margin varies from 3.5% to 5.0%. The loan was obtained for financing of the investment programme to rehabilitate electricity distribution low-voltage network system in Georgia. The loan is payable on 4 November 2020. The Parent Company acts as a guarantor under this agreement.

(vi) On 30 April 2009 CJSC Elektricheskie seti Armenii obtained a loan from EBRD amounting to EUR 42 million at floating interest rate Libor + Margin for the purposes of financing the investment programme on rehabilitation and upgrading of the electricity distribution network system. The margin varies from 3.5% to 5.0%. The loan is payable in October 2018. The Parent Company acts as a guarantor under this agreement.

(vii) On 17 June 2009 CJSC Elektricheskie seti Armenii obtained a loan from SC Vnesheconombank amounting to EUR 22.5 million at floating interest rate Euribor + 7.0% for the purpose of financing the investment programme on rehabilitation and upgrading of the electricity distribution network system. In the first half of 2011, in accordance with terms of agreement, the margin was changed to 5.0%. The loan is payable in October 2018. On 15 October 2009 the Parent Company issued financial guarantee for the joint liability under the above loan agreement.

(viii) On 23 September 2011 INTER RAO Credit B.V. obtained a loan from ING Bank N.V. in the amount of USD 74 million at nominal interest rate of 2.43%, for the purposes of financing an acquisition of JSC Khramhesi GES I and JSC Khramhesi GES II. The loan is payable in September 2016. The Parent Company and JSC INTER RAO – Electric Power Plants act as guarantors under this agreement.

(ix) On 10 December 2012 INTER RAO Turkey Enerji Holding A.S. obtained a loan from ING Bank N.V. in the amount of USD 89 million with variable interest rate Libor + 3.75%, with the purposes of financing acquisition of Trakya Elektrik Uretim ve Ticaret A.S. The loan is payable in December 2017. Parent Company and JSC INTER RAO – Electric Power Plants act as guarantors under this agreement.

(in millions of RUR)

19. Loans and borrowings (continued)

Effective interest rates (continued)

(x) With the acquisition of controlling interest in Trakya Elektrik Uretim ve Ticaret A.S., the Group assumed liability under two loans from Vakifbank with variable interest rate Libor + 4.15%, in the amount of USD 97 million as at 31 December 2014. The loans are payable in June 2019.

(xi) As at 31 December 2014 the Group held RUR 9.6 billion under long-term credit line from EBRD within the agreement signed 31 July 2012 with an interest rate 3M MosPrime + 1.5%, 1 billion under long-term credit line from ROSSIYA JSC within the agreement signed 31 July 2014 with an interest rate 12.5 % and RUR 21 billion under long-term credit from VTB Bank (Deutschland) AG with an interest rate MosPrime+2.3% to repay obligations under Put and Call option agreement with SC Vnesheconombank (see Note 17). The Parent Company acts as a guarantor under this agreements.

(xii) In April 2014 the Group obtained EUR 29 million under the credit line with ING Bank N.V. at floating interest rate EURIBOR + 0.74% for the purpose construction of the forth power generation block Permskaya GRES JSC INTER RAO – Electric Power Plants. The Parent Company acts as a guarantor under this agreement.

JSC Stantsiya Ekibastuzskaya GRES-2, joint venture, recognizes liability under two credit lines in the amount of USD 385 million and RUR 12,000 million from Eurasian Development Bank and SC Vnesheconombank, accordingly, maturing in 2025. Shareholders of JSC Stantsiya Ekibastuzskaya GRES-2 issued guarantees to the banks at the amount of 50% of two loans value and pledged shares of JSC Stantsiya Ekibastuzskaya GRES-2 as a collateral. The Parent Company's liability under the guarantee and collateral is limited by 50% of the two loans in the amount of RUR 9,119 million as at 31 December 2014 (as at 31 December 2013: RUR 6,178 million); another 50% of the loans were guaranteed and collateralised by AO Samruk-Energo.

Gross finance lease liabilities – minimum lease payments:

	31 December 2014	*31 December 2013*
Less than one year	1,035	689
Between one and five years	1,503	1,232
After five years	52	23
	2,590	**1,944**
Future finance charges on finance leases	(340)	(224)
Present value of finance lease liabilities	**2,250**	**1,720**

Present value of finance lease liabilities is as follows:

	31 December 2014	*31 December 2013*
Less than one year	858	572
Between one and five years	1,349	1,119
After five years	43	29
	2,250	**1,720**

Changes in interest rates impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Parent Company has a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. At the time of raising new loans or borrowings management applies the policy to determine whether a fixed or variable rate would be more favourable to the Company over the expected period until maturity. As for other entities of the Group, following the corporate regulative documents, the decisions on raising new loans and borrowings on the subsidiaries level are subject for approval by the Parent Company. Management applies the same policy in making decisions in respect of the conditions of raising loans and borrowings on the subsidiary level.

Current loans and borrowings and current portion of non-current loans and borrowings:

	31 December 2014	*31 December 2013*
Current loans and borrowings	5,937	4,189
Current portion of non-current loans and borrowings	35,413	7,685
Current portion of finance lease liability	858	572
Interest payable	739	107
Total	**42,947**	**12,553**

(in millions of RUR)

19. Loans and borrowings (continued)

Effective interest rates (continued)

The Group has the following undrawn borrowing facilities:

	31 December 2014	*31 December 2013*
Floating rate		
Expiring within one year	5,570	1,600
Expiring beyond one year	27,626	74,359
	33,196	**75,959**
Fixed rate		
Expiring within one year	30,106	10,817
Expiring beyond one year	22,032	28,015
	52,138	**38,832**
Total	**85,334**	**114,791**

20. Accounts payable and accrued liabilities

	31 December 2014	*31 December 2013*
Financial liabilities		
Trade payables	51,527	40,155
Short-term derivative financial instruments	2,359	24,558
Dividends payable	128	170
Other payables and accrued expenses	5,396	6,166
Total	**59,410**	**71,049**
Non-financial liabilities		
Advances received	28,288	17,911
Staff payables	6,506	5,845
Provisions, short-term	2,632	4,009
Total	**37,426**	**27,765**
	96,836	**98,814**

As at 31 December 2014 short-term derivative financial instruments include fair value of open electricity derivatives of RAO Nordic Oy held for the purposes of hedging future electricity purchases equaled to RUR 967 million (31 December 2013: RUR 322 million), RUR 1,370 million of foreign currency forward of the Parent Company and Eastern Energy Company JSC (31 December 2013: RUR 246 million) and RUR 22 million of short-term portion of interest rate swap of Vydmantai Wind Park UAB (31 December 2013: RUR 14 million).

As at 31 December 2013 short-term derivative financial instruments include Put and Call option agreement with SC Vnesheconombank signed by the Parent Company in the amount of RUR 23,955 million and exercised by the Group in October 2014 (see Note 17).

As at 31 December 2013 short-term derivative financial instruments include fair value of foreign currency swap contracts of RAO Nordic Oy in the total amount of RUR 21 million held for the purposes of hedging risks related to EUR/RUR exchange rate.

As at 31 December 2014 other payables and accrued expenses included RUR 1,531 million of VAT on advances given by JSC INTER RAO – Electric Power Plants (31 December 2013: RUR 1,567 million) and RUR 444 million of the Group’s liability for the contribution to the additional paid-in-capital of RUS Gas Turbines Holding B.V. (31 December 2013: RUR 585 million).

As at 31 December 2014 advances received included RUR 4,523 million of advances received by the Parent Company from buyers of equipment in Ecuador and Venezuela (31 December 2013: RUR 4,602 million) (see Note 30), RUR 15,105 million of advances received for electricity sales from customers of JSC Mosenergosbyt (Group of companies), JSC PSK, LLC RN-Energo and Group Bashkir Generation Company (31 December 2013: RUR 11,396 million), RUR 2,180 million of advances received for construction from customers of LLC INTER RAO Engineering (31 December 2013: nill).

As at 31 December 2014 provisions short-term included other provisions related to JSC INTER RAO – Electric Power Plants penalties on delay of fulfillment of power delivery construction contracts in the amount of RUR 327 million (31 December 2013: RUR 370 million), RUR 712 million related to litigation against one of the Company's subsidiaries for non-compliance with the Russian legislation on competition (31 December 2013: RUR 721 million).

(in millions of RUR)

20. Accounts payable and accrued liabilities (continued)

Movements in short-term provisions are as follows:

	Provision for legal claims	*Provision for taxes*	*Provision for income tax*	*Other provisions*	*Total*
Balance at 1 January 2013	**756**	**108**	–	**1,713**	**2,577**
Additions	2,134	693	–	1,182	**4,009**
Provision used during the period	(740)	(37)	–	(1,376)	**(2,153)**
Release of provision	(365)	(74)	–	(19)	**(458)**
Acquisition of controlling interest	–	–	–	19	**19**
Reclassification	–	–	–	4	**4**
Translation difference	7	–	–	4	**11**
Balance at 31 December 2013	**1,792**	**690**	–	**1,527**	**4,009**
Balance at 31 December 2013	**1,792**	**690**	–	**1,527**	**4,009**
Additions	1,206	104	158	1,413	**2,881**
Provision used during the period	(1,214)	(505)	–	(1,109)	**(2,828)**
Release of provision	(1,084)	(224)	–	(280)	**(1,588)**
Reclassification	–	–	–	55	**55**
Unwind of discount	–	–	–	3	**3**
Translation difference	66	–	–	34	**100**
Balance at 31 December 2014	**766**	**65**	**158**	**1,643**	**2,632**

Additional provision (net of release) for the year ended 31 December 2014 in the amount of RUR 1,293 million (for the year ended 31 December 2013: RUR 3,551 million) included additional provisions related to JSC INTER RAO – Electric Power Plants penalties on delay of fulfilment of power delivery contracts in the amount of RUR 981 million (for the year ended 31 December 2013: RUR 982 million). Additional provision (net of release) was recognised in Other provisions within Operating expenses, net in the consolidated statement of comprehensive income.

Additional provision for income tax for the year ended 31 December 2014 in the amount of RUR 158 million was recognised within Income tax expense in the consolidated statement of comprehensive income and related to JSC Mosenergosbyt.

21. Other non-current liabilities

	31 December 2014	*31 December 2013*
Financial liabilities		
Long-term derivative financial instruments	1,249	1,097
Other long-term liabilities	217	855
Total financial liabilities	**1,466**	**1,952**
Non-financial liabilities		
Pensions liabilities	3,668	3,797
Advances received	5,053	1,538
Restoration provision	586	826
Government grants	645	454
Other long-term liabilities	30	2
Total non-financial liabilities	**9,982**	**6,617**
Total	**11,448**	**8,569**

Long-term derivative financial instruments as at 31 December 2014 in the total amount of RUR 1,249 million (31 December 2013: RUR 1,097 million) are represented by the fair value of derivatives of RAO Nordic Oy held for the purposes of hedging future electricity purchases in the amount RUR 1,216 million (31 December 2013: RUR 1,077 million) in RAO Nordic Oy (Note 20) and RUR 33 million of long-term portion of interest rate swap of Vydmantai Wind Park UAB (31 December 2013: RUR 5 million).

As at 31 December 2013 long-term derivative financial instruments included foreign currency forward contract of the Parent Company in the amount of RUR 15 million.

(in millions of RUR)

21. Other non-current liabilities (continued)

As at 31 December 2014 advances received were represented by the amounts received by the Parent Company from buyers of equipment in Ecuador and Venezuela in the amount of RUR 11 million (31 December 2013: RUR 402 million) (Note 30) and advances received by Inter RAO Export for construction of power station in Ecuador in the amount of RUR 5,042 million (31 December 2013: RUR 1,136 million).

As at 31 December 2014 other long-term liabilities represented by provision for contractual repair and maintenance services in the amount of RUR 30 million (as at 31 December 2013: nill). Additional provision in the amount of RUR 5 million was recognised in Other provisions within Operating expenses, net in the consolidated statement of comprehensive income.

Government grants relate to loan arrangements with the Government of Armenia (see Note 19, (vi) and (vii)).

Restoration provision relates to rehabilitation of land plots used for ash dumps by coal powered plants of the Group. The Group has recognized an obligation to restore the disturbed plots occupied by ash dumps on expiration of their useful lives.

Restoration provision 1 January 2013	**896**
Unwinding of discount	62
Changes in estimates of existing obligations	(128)
Reclass of short-term portion	(4)
Restoration provision at 31 December 2013	**826**
Restoration provision at 31 December 2013	**826**
Unwinding of discount	60
Changes in estimates of existing obligations	(245)
Reclass of short-term portion	(55)
Restoration provision at 31 December 2014	**586**

Discount rates used to calculate net present value of future cash outflows for land rehabilitation are in the range from 6.40-9.25% per annum in 2014 (from 6.40% to 8.34% per annum in 2013).

Post employment benefits

The Group provides certain post-employment benefits to their employees in accordance with labour agreements. Post employment benefits consist of pension benefits via non state fund, lump sum payments at retirement and towards, employees' jubilees, pension benefits to non-working pensioners-veterans and funeral compensation.

These benefits generally depend on the years of service, terminal salary and amount of benefits provided under labour agreements. The Group pays post employment benefits when they fall due.

The tables below provide information about liabilities related to pension and other post-employment benefits, plan assets and actuarial assumptions used for current and previous reporting periods.

Amounts recognised in the consolidated statement of financial position:

	31 December 2014	*31 December 2013*	*1 January 2013*
Present value of defined benefit obligations	3,668	3,797	3,725
Less: Fair value of plan assets	–	–	–
Deficit in plan	**3,668**	**3,797**	**3,725**
Pension liabilities in the consolidated statement of financial position	**3,668**	**3,797**	**3,725**

(in millions of RUR)

21. Other non-current liabilities (continued)

Post employment benefits (continued)

Amounts recognised in the consolidated statement of comprehensive income:

	Year ended 31 December 2014	*Year ended 31 December 2013*
Current service cost	146	177
Interest cost	255	247
Recognised actuarial gain	(105)	(107)
Recognised past service cost	10	(27)
Total	**306**	**290**
Curtailment and settlement gain	(165)	(59)
Other	72	56
Total	**213**	**287**

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

	31 December 2014	*31 December 2013*
Present value of defined benefit obligations as at the beginning of the period	3,797	**3,725**
Current service cost	71	177
Interest cost	255	247
Actuarial gain	(198)	(174)
Past service cost	10	(27)
Benefits paid	(215)	(199)
Curtailment and settlement gain	(158)	(59)
Increase in liabilities as a result of acquisitions of controlling interest	–	107
Other	106	–
Present value of defined benefit obligations as at the end of the period	**3,668**	**3,797**

Plan assets:

	31 December 2014	*31 December 2013*
Employer contributions	215	199
Benefits paid	(215)	(199)
Fair value of plan assets as at the end of the period	–	–

Changes in the pension liabilities are as follows:

	31 December 2014	*31 December 2013*
Pension liabilities at the beginning of the year	3,797	**3,725**
Net expense recognised in the consolidated statement of comprehensive income	213	287
Benefits paid	(215)	(199)
Increase in liabilities as a result of acquisitions of controlling interest	–	107
Other income	(127)	(123)
Pension liabilities at end of period	**3,668**	**3,797**

Principal actuarial assumptions are as follows:

	31 December 2014	*31 December 2013*	*1 January 2013*
Discount rate	10.00%	7.70%	8.50%
Salary increase	8.00%	7.00%	7.50%
Inflation	6.00%	5.50%	6.00%
Mortality	RUS 2011 mortality reduced by 20%	RUS 2011 mortality reduced by 20%	Russian population mortality table 2009

(in millions of RUR)

21. Other non-current liabilities (continued)

Post employment benefits (continued)

Staff turnover was assessed using an experience-based model.

The Group's best estimate of contributions to be paid in next year-long period is RUR 193 million (31 December 2013: RUR 152 million).

Sensitivity analysis as of 31 December 2014 on principal actuarial assumptions is presented below:

	Change in assumption	***Effect on defined benefit obligation***
Discount rate	+ / - 0.75% p.a.	242
Salary increase	+ / - 0.75% p.a.	76
Inflation	+ / - 0.75% p.a.	101
Staff turnover	+ / - 1.5% p.a.	127

Funded status of the pension and other post employment and long-term obligations as well as gains arising from experience adjustments is as follows:

	31 December 2014	***31 December 2013***
Defined benefit obligation	3,668	3,797
Deficit in plan	3,668	3,797
Experience adjustments on plan liabilities, gain/(loss)	(7)	60

22. Other taxes payable

	31 December 2014	***31 December 2013***
Value added tax (VAT)	4,339	2,318
Property tax	657	808
Social tax	382	442
Personal income tax	227	215
Other taxes	267	242
	5,872	**4,025**

23. Revenue

	Year ended 31 December 2014	***Year ended 31 December 2013***
Electricity and capacity	689,184	625,309
Thermal energy sales	34,388	29,092
Other revenue	17,529	7,920
	741,101	**662,321**

Other revenue for the year ended 2014 included received reimbursement from the government of the Russian Federation in the amount of RUR 7,495 million as a compensation for the difference between tariffs set for electricity supply companies in some regions of the country and the Group's cost of electricity purchases.

24. Other operating income

	Year ended 31 December 2014	***Year ended 31 December 2013***
Penalties and fines receivable	1,773	2,398
Income from sale of available-for-sale financial assets and assets classified as held for sale	77	–
Electricity derivatives	808	1,481
Rental income	450	461
Gain from disposal of controlling interest	30	129
Other	3,691	2,639
	6,829	**7,108**

(in millions of RUR)

24. Other operating income (continued)

Other operating income for the year ended 31 December 2014 included: income from insurance compensation in the amount of RUR 354 million (for the year ended 31 December 2013: RUR 712 million); compensation of losses related to JSC INTER RAO – Electric Power Plants penalties on fulfilment of power delivery contracts in amount of RUR 126 million (for the year ended 31 December 2013: nill); income from sale of equipment to Venezuela and Ecuador in the amount of RUR 277 million (for the year ended 31 December 2013: RUR 312 million); income from reassessment of property tax for previous periods in the amount of RUR 890 million (for the year ended 31 December 2013: RUR 20 million); extra income from sale of shares of JSC Enel OGK-5 in the amount of RUR 346 million (for the year ended 31 December 2013: nill); income from sale and write-off of property, plant and equipment in the amount of RUR 151 million (for the year ended 31 December 2013: RUR 251 million).

25. Operating expenses, net

	Year ended 31 December 2014	*Year ended 31 December 2013*
Purchased electricity and capacity	279,185	245,538
Electricity transmission fees	183,125	169,022
Fuel expense	145,002	137,122
Employee benefit expenses and payroll taxes	42,890	39,082
Depreciation and amortization (Note 6, 7)	21,224	23,733
Provision for impairment of account receivables, net	5,467	4,397
Other materials for production purposes	5,077	4,941
Impairment of property, plant and equipment – charge (Note 6)	4,850	19,554
Agency fees	4,261	3,920
Taxes other than income tax	3,669	3,907
Repairs and maintenance	2,864	3,099
Water supply expenses	2,606	2,478
Operating lease expenses	1,686	1,625
Transportation expenses	1,599	1,364
Thermal power transmission expenses	1,427	1,189
Impairment of available-for-sale financial assets (Note 11)	1,176	3,282
Consulting, legal and auditing services	1,065	1,393
Other provisions charge (Note 12, 20, 21)	993	3,709
Loss from electricity derivatives	912	1,258
Impairment of goodwill (Note 7)	344	57
Impairment of assets classified as held-for-sale	180	–
Loss on sale or write-off of inventory	29	–
Cost of equipment sold	3	17
Loss from sale of assets classified as held for sale (Note 15)	–	2,397
Impairment of intangible assets (Note 7)	–	93
Other	18,350	14,725
	727,984	**687,902**

26. Finance income and expense

	Year ended 31 December 2014	*Year ended 31 December 2013*
Finance income		
Interest income	3,754	2,748
Dividend income	961	1,144
Other finance income	353	122
	5,068	**4,014**

	Year ended 31 December 2014	*Year ended 31 December 2013*
Finance expenses		
Interest expense	5,310	4,034
Foreign currency exchange loss, net	3,280	541
Put and Call option agreement	2,577	10,413
Other finance expenses	1,141	903
	12,308	**15,891**

(in millions of RUR)

26. Finance income and expense (continued)

In June 2014 the Group received dividend income from JSC Irkutskenergo in the amount of RUR 787 million (for the year 2013) and in June 2013 in the amount of RUR 1,017 million (for the year 2012).

The amount of RUR 2,577 million for the year ended 31 December 2014 (for the year ended 31 December 2013: RUR 10,413 million) included in Put and Call option agreement, is related to recognition of fair value change of the Put and Call option agreement with SC Vnesheconombank signed in June 2010 till the date of derecognition in October 2014 (see Note 17, 20).

For the year ended 31 December 2014 the unwinding of discount of the long-term loan from JSC Mejregionenergostroy, LLC VTB factoring (see Note 19 (iv)) in the amount of RUR 1,342 million (for the year ended 31 December 2013: RUR 1,264 million) was recognized within interest expense.

For the year ended 31 December 2014 the Group recognized expenses from Parent Company's foreign currency forward and option contracts in the amount of RUR 797 million within other finance expenses (for the year ended 31 December 2013: income RUR 91 million).

For the year ended 31 December 2013 the Group recognized the unwinding of discount for promissory notes issued by Parent Company in favour of JSC Systema-Invest for acquisition of JSC Bashenergoactive with final settlement in September 2013 in the amount of RUR 388 million within other finance expenses.

27. Income tax expense

	Year ended 31 December 2014	*Year ended 31 December 2013*
Current tax expense	5,243	2,611
Deferred tax expense:	1,832	(5,721)
Amended tax declaration	(9)	42
Provision for income tax	158	–
Income tax expense/(benefit)	**7,224**	**(3,068)**

The Parent Company's applicable tax rate is the corporate income tax rate of 20% (31 December 2013: 20%). The corporate income tax rate in Finland is 20% (31 December 2013: 26%), in Georgia is 15% (31 December 2013: 15%), in Lithuania is 15% (31 December 2013: 15%) in Armenia is 20% (31 December 2013: 20%), in Kazakhstan 20% (31 December 2013: 20%). The tax system in Transdniestria Republic, Moldavia, where Moldavskaya GRES operates, is based on revenue at a rate of 7.0% (31 December: 5.77%).

In accordance with tax legislation, tax losses in various Group entities in the countries where they operate may not be offset against taxable profit of other Group entities. Accordingly, profit tax may be accrued even where there is a net consolidated tax loss.

(Profit)/loss before tax for financial reporting purposes is reconciled to income tax expense/(benefit) as follows:

	Year ended 31 December 2014	*Year ended 31 December 2013*
(Profit)/loss before tax	(16,998)	27,098
Theoretical profit tax charge at 20% – expense/(benefit)	3,400	(5,420)
Effect of different tax rates	(407)	740
Effect of different tax base	380	504
Tax effect on remeasurement of Put and Call options and option programme	514	2,113
Utilisation of previously unrecognised tax losses	–	(1,336)
Tax effect of items which are not deductible or assessable for taxation purposes, net	2,758	2,453
Recognition of previously unrecognised temporary differences	164	229
Effect from disposal of controlling interest	(3)	6
Provision for income tax	158	–
Effect of change in unrecognized tax losses related to disposal of assets classified as available-for-sale financial assets and assets classified as held for sale	–	(2,298)
Other	260	(59)
Income tax expense/(benefit)	**7,224**	**(3,068)**

(in millions of RUR)

28. Financial instruments and financial risk factors

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, interest rates risk), credit risk and liquidity risk. Risk management is carried out in accordance with risk policy approved by the Management Board.

This risk policy provides principles of overall risk management and policies for specific areas, such as foreign exchange risk, and credit risk. Management considers these measures to be sufficient to control the risks within the Group's business activities.

Information on financial instruments in terms of categories is presented below:

As at 31 December 2014	*Note*	*Loans and receivables, held to maturity investments*	*Derivatives used for hedging*	*Available for sale financial assets*	*Total*
Assets as per consolidated statement of financial position					
Available-for-sale financial assets	10	–	–	7,260	**7,260**
Derivative financial instruments	11, 16	–	2,681	–	**2,681**
Trade and other receivables excluding prepayments	11, 13	70,390	–	–	**70,390**
Restricted cash	16	838	–	–	**838**
Bank deposits with maturity exceeding 3 months	11, 16	6,167	–	–	**6,167**
Bonds	16	302	–	–	**302**
Cash and cash equivalents	14	75,599	–	–	**75,599**
Total assets		**153,296**	**2,681**	**7,260**	**163,237**

As at 31 December 2014	*Note*	*Liabilities at fair value through profit and loss*	*Other financial liabilities at amortised cost*	*Finance lease liabilities*	*Total*
Liabilities as per consolidated statement of financial position					
Loans and borrowings (excluding finance lease liabilities)	19	–	104,882	–	**104,882**
Finance lease liabilities	19	–	–	2,250	**2,250**
Derivative financial instruments	20, 21	3,608	–	–	**3,608**
Trade and other payables excluding taxes	20, 21	–	57,268	–	**57,268**
Total liabilities		**3,608**	**162,150**	**2,250**	**168,008**

As at 31 December 2013	*Note*	*Loans and receivables, held to maturity investments*	*Derivatives used for hedging*	*Available for sale financial assets*	*Total*
Assets as per consolidated statement of financial position					
Available-for-sale financial assets	10	–	–	9,149	**9,149**
Assets classified as held-for-sale	15	–	–	4,232	**4,232**
Derivative financial instruments	11, 16	–	1,497	–	**1,497**
Trade and other receivables excluding prepayments	11, 13	57,302	–	–	**57,302**
Restricted cash	16	456	–	–	**456**
Bank deposits with maturity exceeding 3 months	11, 16	1,568	–	–	**1,568**
Bonds and promissory notes	16	337	–	–	**337**
Cash and cash equivalents	14	39,882	–	–	**39,882**
Total assets		**99,545**	**1,497**	**13,381**	**114,423**

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

As at 31 December 2013	*Note*	*Liabilities at fair value through profit and loss*	*Other financial liabilities at amortised cost*	*Finance lease liabilities*	*Total*
Liabilities as per consolidated statement of financial position					
Loans and borrowings (excluding finance lease liabilities)	19	–	51,031	–	**51,031**
Finance lease liabilities	19		–	1,720	**1,720**
Derivative financial instruments	20, 21	25,655	–	–	**25,655**
Trade and other payables excluding taxes	20, 21	–	47,346	–	**47,346**
Total liabilities		**25,655**	**98,377**	**1,720**	**125,752**

(a) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will not be able to pay amounts in full when due. Credit risk is managed on the Group basis, as well as at the level of a particular Group entity. Financial assets which are potentially subject to credit risk are presented in the tables below net of provision for impairment and consist principally of trade and other receivables.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group's current arrangements include assessing customers' financial position, past experience and other relevant factors. Carrying amount of trade and other receivables, net of provision for impairment, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic and other factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment already recorded.

Cash is placed in financial institutions, which are considered to have minimal risk of default. Despite the fact that certain banks do not have international credit ratings they are considered as reliable counterparties that have stable positions in the financial market of the Russian Federation or other countries in which the Group entities operate.

As at 31 December 2014 receivables potentially involving credit risks for the Group consisted mainly of trade receivables in the amount of RUR 57,443 million (31 December 2013: RUR 50,817 million), and other receivables in the amount of RUR 12,947 million (31 December 2013: RUR 6,485 million). Total carrying value of receivables as at 31 December 2014 was RUR 70,390 million (as at 31 December 2013: RUR 57,302 million).

The Group's general objective in managing credit risk is to ensure continuous revenue collection and stable cash inflow as well as efficient financial assets utilization.

Being mainly linked to trade receivables, the Group's exposure to credit risk is generally affected by quality of debtors. It is considered, that business activities among the diverse entities within the Group differ. Consequently, credit risks are specific for different types of trade receivables (residential sector, wholesale trading, etc.).

Due to impracticability of determining independent credit ratings for each customer and trade partner, as well as taking into account dissimilarity among different groups of them, the Group assesses credit risks allied with trade receivables based upon particular precedent experience and business relationship supported by other factors.

In order to obtain better credit risk monitoring the Group classifies receivables according to understanding of their credit risk rate. The Group makes sure that provision for impairment of accounts receivable reflects the credit risk classification in order to consistently grade and treat different groups of receivables in a similar manner.

As at 31 December 2014	*Nominal value*	*Provision for impairment*	*Carrying amount*	*Share in total, %*
A	62,149	–	62,149	**63%**
B'	5,079	(358)	4,721	**5%**
B''	2,435	(646)	1,789	**2%**
B'''	4,736	(3,038)	1,698	**5%**
C	24,343	(24,310)	33	**25%**
Total	**98,742**	**(28,352)**	**70,390**	**100%**

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

As at 31 December 2013	*Nominal value*	*Provision for impairment*	*Carrying amount*	*Share in total, %*
A	47,401	–	47,401	**59%**
B’	6,034	(591)	5,443	**7%**
B’’	2,969	(907)	2,062	**4%**
B’’’	5,351	(3,309)	2,042	**7%**
C	18,637	(18,283)	354	**23%**
Total	**80,392**	**(23,090)**	**57,302**	**100%**

The Group applies three main Credit risk Classes – A (premium), B (medium), C (low-grade).

Class A – parties with stable financial performance who have rarely allowed delayed settlement or defaulted on their financial obligations towards the Group. The credit risk related to those entities and individuals is considered minimal. No provision is applied for such receivables.

Class B – parties, whose capacity to clear their financial obligations towards the Group is to some extent affected by credit risk. This group is sequentially divided into three sub-classes:

- Class B’ – parties with satisfactory creditworthiness, where any delaying of payments has been only short-term and temporary in character, related agreements are put in place accordingly, credit risk related to those entities and individuals is considered low.
- Class B’’ – parties with poor creditworthiness, reasonably frequent delays in payments happen from time to time, there is reasonable uncertainty regarding their capacity to clear their financial obligations towards the Group. The credit risk related to those entities and individuals is considered acceptable.
- Class B’’’ – parties with unsatisfactory creditworthiness, frequent delay in payments happen or/and have systematic grounds (reasons), there is significant uncertainty regarding their capacity to clear their financial obligations towards the Group. The credit risk related to those entities and individuals is considered moderate.

The main reason behind dividing Class B into the three sub-classes is to develop a tool for more precise monitoring of the status of receivables and the outcome of credit risk-management measures employed.

Class C – parties with uncertain capacity to meet their financial obligations towards the Group. The credit risk related to those entities and individuals, mainly residential subscribers in the Russian Federation and Georgia, is considered high. The Group cannot switch off the debtors from electricity supply or reject potential debtors of this class due to social and political reasons.

Policies and procedures to address credit risk-management include participation in financial claims and court proceedings. Group entities also use a wide range of proactive credit risk-management procedures where they consider the rules of national energy markets. Such procedures include preliminary credit risk-assessment before setting up a contract or a deal.

(b) Market risk

(i) Foreign exchange risk

Individual subsidiaries and the Group as a whole are exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than their functional currency. The currencies giving rise to this risk are primarily USD and EUR. Since 2010 the Group uses forward contracts to manage the Group’s foreign currency risks (see Notes 16, 17, 20 and 21).

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

The Group has the following foreign-currency denominated financial assets and liabilities (these are disclosed on stand-alone basis inclusive of intercompany balances and exclusive receivables considered as net investments and liabilities related to those assets):

At 31 December 2014	*EUR*	*USD*	*Other*	*Total*
Trade and other receivables (excluding prepayments)	7,149	19,884	639	**27,672**
Long-term bank deposits	69	–	–	**69**
Bank deposits with maturity of 3-12 months	–	3,094	–	**3,094**
Cash and cash equivalents	596	15,745	5	**16,346**
Restricted cash	112	108	–	**220**
Derivative financial instruments (assets)	389	–	–	**389**
Loans and borrowings (excluding finance lease liabilities)	(11,088)	(34,939)	(1,346)	**(47,373)**
Finance lease liabilities	(218)	(1,541)	–	**(1,759)**
Derivative financial instruments (liabilities)	(1,284)	(141)	–	**(1,425)**
Trade and other payables (excluding taxes)	(1,352)	(1,923)	(113)	**(3,388)**
Net foreign currency position	**(5,627)**	**287**	**(815)**	**(6,155)**

At 31 December 2013	*EUR*	*USD*	*Other*	*Total*
Trade and other receivables (excluding prepayments)	2,916	11,494	96	**14,506**
Long-term bank deposits	23	–	–	**23**
Bank deposits with maturity of 3-12 months	–	95	–	**95**
Cash and cash equivalents	1,164	7,127	2	**8,293**
Restricted cash	125	67	–	**192**
Derivative financial instruments (assets)	77	–	–	**77**
Loans and borrowings (excluding finance lease liabilities)	(5,389)	(20,507)	(921)	**(26,817)**
Finance lease liabilities	(382)	(1,296)	–	**(1,678)**
Derivative financial instruments (liabilities)	(281)	–	–	**(281)**
Trade and other payables (excluding taxes)	(763)	(1,073)	(172)	**(2,008)**
Net foreign currency position	**(2,510)**	**(4,093)**	**(995)**	**(7,598)**

For sensitivity analysis, management estimated the reasonably possible changes in currency exchange rates based on expectations on their volatility. If currency exchange rates had weakened/strengthened within the estimated levels (see table below), with all other variables held constant, the hypothetical effect on income/(loss) and equity for the year ended 31 December 2014 would have been increase of income by RUR 5,392 million or decrease of income by RUR 4,406 million (for the the year ended 31 December 2013: decrease of loss RUR 784 million or increase of loss by RUR 810 million) in accordance with positive and negative scenario, respectively.

At 31 December 2014	*USD/EUR*	*RUR/USD*	*RUR/EUR*	*AMD/USD*	*AMD/EUR*	*AMD/JPY*	*GEL/USD*	*GEL/EUR*
Upper level	1.96%	(26.64)%	(27.53)%	18.35%	20.67%	14.07%	(10.38)%	(8.62)%
Lower level	(1.96)%	26.64%	27.53%	(18.35)%	(19.95)%	(15.16)%	10.38%	8.22%

At 31 December 2013	*USD/EUR*	*RUR/USD*	*RUR/EUR*	*AMD/USD*	*AMD/EUR*	*AMD/JPY*	*GEL/USD*	*GEL/EUR*
Upper level	2.62%	(8.25)%	(5.84)%	4.49%	7.23%	(8.36)%	(3.09)%	(0.56)%
Lower level	(2.62)%	8.47%	5.64%	(4.49)%	(6.99)%	11.09%	3.09%	0.40%

Expected deviations are based on possible changes in exchange rates based on an analysis of recent trends.

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

(ii) Interest rate risk

The Group's income/(loss) and operating cash flows are substantially independent of changes in market interest rates. Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group has formal policy to determine how much of the Group's exposure is attributable to fixed or variable rates.

Variable rate debt	***31 December 2014***	***31 December 2013***
MosPrime	38,632	–
Libor	23,600	15,064
EURIBOR	5,235	2,867

The hypothetical effect on income/(loss) for the period due to change in basic points (bp) in the floating interest rates, with all other variables held constant:

	Deviation of LIBOR	
Hypothetical effect on income for the year ended 31 December 2014	4 bp decrease	5 bp increase
	7	(9)
Hypothetical effect on lossfor the year ended 31 December 2013	3 bp decrease	9 bp increase
	3	(11)

	Deviation of EURIBOR		***Deviation of MosPrime***	
Hypothetical effect on income for the year ended 31 December 2014	5 bp increase	5 bp increase	925 bp decrease	1110 bp increase
	2	(2)	2,859	(3,431)
Hypothetical effect on loss for the year ended 31 December 2013	6 bp decrease	3 bp increase	–	–
	1	(1)	–	–

(c) Liquidity risk

The Group's approach to manage liquidity is to ensure, as far as possible, that it has sufficient liquidity to satisfy its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking to damage the Group's reputation. The Group adopts prudent approach to liquidity risk management which implies holding a reasonable level of cash and maintaining funding available through an adequate amount of committed borrowing facilities (Note 19).

The table below analyses the Group's financial liabilities allocated to relevant maturity groupings based on remaining contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows:

At 31 December 2014	***Less than 1 year***	***Between 1 and 2 years***	***Between 2 and 5 years***	***Between 5 and 20 years***	***Over 20 years***	***Total***
Loans and borrowings	50,595	34,334	40,142	3,912	4,050	**133,033**
Trade and other payables	56,955	933	6	7	26	**57,927**
Finance lease payables	1,035	647	856	52	–	**2,590**
Derivative financial liabilities	2,360	590	613	46	–	**3,609**
Total	**110,945**	**36,504**	**41,617**	**4,017**	**4,076**	**197,159**

At 31 December 2013	***Less than 1 year***	***Between 1 and 2 years***	***Between 2 and 5 years***	***Between 5 and 20 years***	***Over 20 years***	***Total***
Loans and borrowings	11,849	28,245	16,639	1,335	2,188	**60,256**
Payable on demand	1,799	–	–	–	–	**1,799**
Trade and other payables	46,491	653	490	9	17	**47,660**
Finance lease payables	689	559	673	23	–	**1,944**
Derivative financial liabilities	24,558	1,097	–	–	–	**25,655**
Total	**85,386**	**30,554**	**17,802**	**1,367**	**2,205**	**137,314**

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

(d) Capital management

The Group's objective in managing capital is to safeguard the Group's ability to continue operations on a going concern basis and to provide returns to shareholders as well as to maintain a strong capital base to provide creditor's and the market with confidence in operating with the Group.

The Company monitors capital based on ratios calculated based on the statutory financial statements of JSC "Inter RAO and management accounts of its subsidiaries prepared according to local statutory requirements. The Group analyses equity and debt financing (see Notes 17 and 19 respectively). As at 31 December 2014 the Group was in compliance with the gearing ratios imposed by loan agreements held with certain banks.

Group entities registered in the Russian Federation are individually subject to the following externally imposed capital requirements that are relevant for joint stock companies only:

- share capital cannot be lower than 1,000 minimum wages at the date of the company registration;
- if share capital is greater than its net assets, then share capital must be reduced to a value not exceeding net assets;
- if minimum allowed share capital is greater than net assets, then a liquidation procedure shall follow.

As at 31 December 2014, the Group entities registered in the Russian Federation were in compliance with the above capital requirements.

(e) Electricity derivatives

The Group is exposed to financial risk in relation to electricity derivative instruments traded on NASDAQ OMX[1] by RAO Nordic Oy. The Group has a risk policy in place to ensure that gains and losses on those derivatives are within acceptable limits. The Group accepts the risk related to open electricity derivatives with an aggregate amount of 80% of defined risk capital of EUR 15 million. The Group holds "stop loss" positions to limit potential losses to EUR 6 million. If limits are reached, all open risk positions are closed and loss or profit is realised. Other procedures applied within for risk management measures are set up of maximum volume of open positions in electricity derivatives and use of valuation techniques such as stress-test, Value-at-Risk, etc. to form trading portfolio.

(f) Fair values

Fair value is determined either by reference to market or by discounting relevant cash flows using market interest rates for similar instruments. As a result of this exercise management believes that fair value of its financial assets and liabilities approximates their carrying amounts except for loans and borrowings. Fair value of loans and borrowings is disclosed in Note 19.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by observable current market transactions and assets and liabilities for which pricing is obtained via pricing services. In case prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable. Non market observable inputs mean that fair values are determined in whole or partly using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions with the same instrument nor they are based on available market data. Main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, whereby allow situations in which there is little, if any, market activity for the financial instrument at the measurement date. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing of the financial instrument (including risk assumptions). These inputs are developed based on the best information available, which might include the Group's own data.

Determination of fair value and fair values hierarchy

The Group uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

[1] Previously Nord Pool

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

The following table shows an analysis of financial instruments by level of the fair value hierarchy:

			Fair value hierarchy		
At 31 December 2014	***Note***	***Total fairvalue***	***Level 1***	***Level 2***	***Level 3***
Financial assets					
Derivative financial instruments					
Forward foreign exchange contracts	16	**317**	317	–	–
Foreign exchange SWAP	16	**82**	–	82	–
Electricity derivatives	11, 16	**2,282**	2,282	–	–
Available-for-sale financial assets					
Quoted investment securities	10	**5,806**	5,806	–	–
Held to maturity financial assets					
Long-term bank deposits	11	**69**	–	–	69
Bonds issued by financial institutions	16	**302**	302	–	–
Total financial assets		**8,858**	**8,707**	**82**	**69**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	20, 21	**2,183**	2,183	–	–
Interest rate SWAP	20, 21	**55**	–	55	–
Forward foreign exchange contracts	20	**1,370**	1,370	–	–
Financial liabilities at amortised cost					
Loans and borrowings	19	**98,454**	–	98,454	–
Total financial liabilities		**102,062**	**3,553**	**98,509**	**–**

			Fair value hierarchy		
At 31 December 2013	***Note***	***Total fairvalue***	***Level 1***	***Level 2***	***Level 3***
Financial assets					
Derivative financial instruments					
Forward foreign exchange contracts	11, 16	**77**	77	–	–
Electricity derivatives	11, 16	**1,420**	1,420	–	–
Available-for-sale financial assets					
Quoted investment securities	10	**7,670**	7,670	–	–
Assets classified as held-for-sale					
Quoted investment securities	15	**4,232**	4,232	–	–
Held to maturity financial assets					
Long-term bank deposits	11	**23**	–	–	23
Bonds issued by financial institutions	16	**219**	219	–	–
Promissory notes received	16	**118**	–	–	118
Total financial assets		**13,759**	**13,618**	**–**	**141**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	20, 21	**1,399**	1,399	–	**–**
Foreign exchange SWAPs	20	**21**	–	21	**–**
Interest rate SWAP	20, 21	**19**		19	
Forward foreign exchange contracts	20, 21	**261**	261	–	**–**
Financial liabilities designated at fair value through profit or loss					
Put and Call option agreement	20	**23,955**	–	23,955	**–**
Financial liabilities at amortised cost					
Loans and borrowings	19	**44,829**	–	44,829	**–**
Total financial liabilities		**70,484**	**1,660**	**68,824**	**–**

The following is a description of determination of fair value of financial instruments within Level 2, using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

Derivatives

As at 31 December 2013 derivative instruments valued using a valuation technique with market observable inputs (Level 2) are represented by Put and Call option described in Note 17, 20. Applied valuation techniques include Monte-Carlo simulation in the Black-Scholes framework, where underlying stock price follows Geometric Brownian Motion process with the drift corresponding to risk-free rates term structure. The model incorporates various inputs including stock pricing as at valuation dates, volatilities of shares and risk free rates.

During the year ended 31 December 2014 the loss on Put and Call option in the amount of RUR 2,577 million was recognized in in the consolidated statement of comprehensive income and related to fair value change till the date of derecognition in October 2014 (during the year ended 31 December 2013: RUR 10,413 million).

29. Operating leases

Non-cancellable operating leases are payable as follows:

	31 December 2014	*31 December 2013*
Less than one year	1,202	1,240
Between one and five years	2,744	2,501
Over five years	11,137	11,118
Total	**15,083**	**14,859**

The above table includes the Group's lease agreements relating to land plots owned by local governments. Land lease payments are determined by lease agreements. Lease agreements are concluded for different periods. Part of the lease contracts are concluded annually with the right of future prolongation.

During the year ended 31 December 2014 operating lease expenses were recognised in the amount of RUR 1,686 million in the consolidated statement of comprehensive income (for the year ended 31 December 2013: RUR 1,625 million).

30. Commitments

Investment and capital commitments

In accordance with the memorandum signed between the Group and the Government of Georgia in March 2013, the Group has to invest in realisation of projects aimed to improve the electricity network which belongs to the Group entity JSC Telasi. In accordance with memorandum the investment commitments as at 31 December 2014 are as follows:

Year	*Investments, GEL million*
2015	18
2016-2018	47
2019-2021	57
2022-2024	68
2025	25

As at 31 December 2014 realisation of investment commitments was in line with schedule for the year 2014. Exchange rate for Georgian lari to Russian ruble as at 31 December 2014 is set by National Bank of Georgia at GEL 3.2879 for RUR 100.

As at 31 December 2014 JSC Stantsiya Ekibastuzskaya GRES-2 has contracted its capital commitments for construction of block 3 in the amount of RUR 9,325 million.

As at 31 December 2014 capital commitments of subsidiaries of the Company, are as follows:

Subsidiary	*RUR, million*
JSC INTER RAO – Electric Power Plants	13,483
JSC TGK-11	1,115
LLC Bashkir Generation Company	57
Total	**14,655**

(in millions of RUR)

30. Commitments (continued)

Investment and capital commitments (continued)

Capital commitments of JSC TGK-11 mainly comprise of contractual obligation to JSC Power Machines on purchase of gas turbine and to JSC Stroytransgaz on reconstruction of ash dump.

Capital commitments of LLC Bashkir Generation Company included contractual liabilities in favour of JSC Power Machines on purchase of energy blocks.

Capital commitments of JSC INTER RAO – Electric Power Plants mainly comprise of contractual obligation to several companies for construction, for gas turbines and other equipments for Verkhnetagilskaya GRES (block 12), to CJSC Atomstroyexport for construction of energy complex of Yuzhno-Uralskaya GRES-2 (block 1, 2), to LLC Interenergo for supply of equipments for Permskaya GRES, to JSC Power Machines for gas turbines for Kostromskaya GRES, to JSC Technopromexport and CJSC Intercapstroy for construction of energy complex of Cherepetskaya GRES (block 8, 9).

As at 31 December 2014 capital commitments of power generating units of JSC INTER RAO – Electric Power Plants are as follows:

Power generating units	***RUR, million***
Verkhnetagilskaya GRES	10,848
Yuzhno-Uralskaya GRES-2	1,548
Permskaya GRES	396
Kostromskaya GRES	325
Cherepetskaya GRES	251
Other	115
Total	**13,483**

Guarantees

The Group has the following guarantees as at 31 December 2014:

- Counter-guarantee to Banco PICHINCHA C.A. In October 2010 the Group entered into Purchase and Installation Contract between HIDROTOAPI EP (“Buyer”) and JSC Inter RAO (“Seller”) for the purpose of sale, purchase and installation of 7 Turbine Generator Blocks for hydroelectric project “Toachi-Pilation” in Ecuador. The total amount of the contract is USD 145 million (or RUR 8,157 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2014) with an advance payment of 20% of total contract value or USD 29 million (or RUR 1,631 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2014) against the seller’s letter of guarantee of advance payment. As a security for the due performance of Seller’s obligations under the Contract Banco PICHINCHA C.A. issued the letter of Guarantee in the amount of 5% of total contract value or USD 7.25 million (or RUR 408 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2014). Both letters of guarantee issued by Banco PICHINCHA C.A. in favour of the Buyer. These guarantees have been issued with the participation of Nordea Bank. In connection with letters of Guarantee JSC Inter RAO entered into counter-guarantee agreement with Nordea Bank (hereafter referred to as “Nordea”) in favour of Banco PICHINCHA C.A. These guarantees expire in April-May 2015.
- In May 2014 one of the Group entities RAO Nordic Oy has entered into the bank guarantee agreement with ING Bank (Eurasia) to maintain its financial trading operations on the NASDAQ OMX exchange. As at 31 December 2014 the amount of the used bank guarantee was EUR 50 million (or RUR 3,417 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2014) at 0.925% rate per annum. The Parent Company acted as guarantor under this agreement. The guarantee expires in June 2015.
- In August 2014, a Group company entered into an bank guarantee agreement with Deutsche Bank AG for their financial support of trading on the stock exchange NASDAQ OMX. As at 31 December 2014 the guarantee amounted to EUR 10 million (or RUR 683 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2014) with an interest rate of 0.9% per annum. The parent company became a guarantor under this agreement. This warranty expires in June 2015.
- In December 2010 the Group established together with General Electric and State Corporation Russian Technologies an associate entity, RUS Gas Turbines Holding B.V. The Group’s share in the entity is 25%. The entity was established to participate in production and sales of high-performance industrial gas turbines in the Russian Federation. The Group carries certain financial obligations to finance the associate.

(in millions of RUR)

30. Commitments (continued)

Guarantees (continued)

By the order of the Parent Company VTB Bank JSC issued a StandBy Letter of Credit in favour of GE ENERGY HOLDINGS VOSTOK B.V. (Beneficiary) to the maximum aggregate amount of EUR 50 million in order to fulfill the Group's investment obligations related to the associate at annual interest rate of 0.45%.

As at 31 December 2014 the financial guarantee outstanding amount was EUR 32 million, or RUR 2,187 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2014 (as at 31 December 2013: EUR 28 million (or RUR 1,259 million at the Central Bank of the Russian Federation as of 31 December 2013)).

The guarantee expires in August 2020.

- Guarantees of the Group's share of the joint ventures contingent liabilities in the amount of RUR 3,954 million which are to be incurred jointly with other investors.

Guarantees given under certain loans and borrowings agreements are disclosed in Note 19.

31. Contingencies

(a) Political environment

The operations and earnings of Group entities continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russia, Georgia, Armenia, Moldavia (including Transdniestria Republic), Lithuania and Kazakhstan.

In 2014, the United States, European Union and other countries have introduced a series of unilateral restrictive political and economic actions against the Russian Federation and a number of Russian and Ukrainian individuals and organizations. These official actions, particularly in the case of a further escalation, may result in reduction of economic cooperation between business of before mentioned countries and Russian companies on the international capital markets, as well as other economic consequences. The impact of these events on the future results of operations and financial position of the Company at this time is difficult to determine.

(b) Insurance

The unified corporate standards are established in the Group for insurance coverage, for insurance companies reliability requirements and insurance coverage procedures developed by Parent Company.

There are two types of insurance undertaken by the Group: obligatory (as required by the law or by agreement between parties) and voluntary.

Obligatory insurance includes public liability insurance of owners of dangerous facilities and public liability insurance of car owners. The Group is obligated to insure different types of property plant and equipment under loan agreements provisions.

Voluntary insurance includes property insurance against certain risks and equipment breakdown insurance, vehicles insurance, insurance against construction and assembly risks, voluntary public liability insurance of owners of dangerous facilities against social and environmental harm risks. The Group also undertakes insurance of directors' and officials' of certain Group entities responsibilities to cover financial losses of third parties.

The Groups' assets are insured for its replacement value which is set by valuation reports for insurance purposes considering technical risks. Obligatory condition of the property insurance of foreign subsidiaries is the availability of reliable reinsurance protection, which is done by transferring part of the risk to the foreign reinsurers with high reliability ratings.

In order to optimize insurance protection management performs regular appraisal of efficiency of Group's insurance terms and rationale for new insurance products acquired.

(in millions of RUR)

31. Contingencies (continued)

(c) Litigation

Legal proceedings

In the normal course of business the Group is a party to legal actions and consequently had received a number of legal claims from customers with the likelihood of negative outcome for the Group as not probable, but only possible, and, consequently, no provision has been made in these financial statements:

	31 December 2014	*31 December 2013*
Subcontractors claims	637	288
Customer's complaints	79	71
	716	**359**

Other than those litigations which have been accrued in the provisions (Note 20) and disclosed above, management of the Group is unaware of any actual, pending or threatened claims as at the date of approval of these consolidated financial statements, which would have a material impact on the Group.

(d) Tax contingencies

The taxation systems in the Russian Federation and in other countries in which the Group operates are relatively new and 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 three to five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

In addition, tax and other legislation do not address specifically all the aspects of the Group's reorganisation related to reforming of the electric utilities industry in the Russian Federation. 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.

These circumstances may create tax risks in the Russian Federation and in the other countries in which the Group operates. Management believes that it has adequately provided for tax liabilities based on its interpretations of applicable relevant tax legislation, official pronouncements and court decisions.

However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The Parent Company and subsidiaries in the countries where they operate have various transactions with related parties. The pricing policy could give rise to transfer pricing risks. In management's opinion, the Group is in substantial compliance with the tax laws of the countries where Group entities operate. However, relevant authorities could take different positions with regard to interpretive issues or court practice could develop adversely with respect to the positions taken by the Group and the effect could be significant.

The Group includes a number of operating and investment companies located in a number of different tax jurisdictions across Europe and the CIS. Those entities are subject to a complex variety of tax regimes and the nature of current and past trading and investment activities exposes them to areas of tax legislation involving considerable judgement and, consequently, uncertainty. The Group estimates that possible claims in respect of certain open tax positions of Group entities as at 31 December 2014 would be successfully challenged in the amount of RUR 417 million (as at 31 December 2013: RUR 301 million).

The new Russian transfer pricing legislation, which came into force on 1 January 2012, allows the tax Russian authority to apply transfer pricing adjustments and impose additional profits tax liabilities in respect of all "controlled" transactions if the transaction price differs from the market level of prices. The list of "controlled" transactions includes transactions performed with related parties and certain types of cross-border transactions. For domestic transactions the transfer pricing rules apply only if the amount of all transaction with related party exceeds RUR 1 billion in 2014 and RUR 2 billion in 2013. In cases where the domestic transaction resulted in an accrual of additional tax liabilities for one party, another party could correspondingly adjust its profit tax liabilities according to the special notification issued by the authorized body in due course.

The current Russian transfer pricing rules have considerably increased the compliance burden for the taxpayers compared to the transfer pricing rules which were in effect before 2012 due to, inter alia, shifting the burden of proof from the Russian tax authorities to the taxpayers. These rules are applicable not only to the transactions taking place in 2012 but also to the prior transactions with related parties if related income and expenses were recognized in 2012. Special transfer pricing rules apply to transactions with securities and derivatives.

(in millions of RUR)

31. Contingencies (continued)

(d) Tax contingencies (continued)

In 2014 the Group determined its tax liabilities arising from “controlled” transactions using actual transaction prices [or making appropriate transfer pricing adjustments (where applicable).

Due to the uncertainty and absence of current practice of application of the current Russian transfer pricing legislation the Russian tax authorities may challenge the level of prices applied by the Company under the “controlled” transactions and assess additional tax liabilities unless the Company is able to demonstrate the use of market prices with respect to the “controlled” transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation.

Environmental matters

Group entities operate in the electric power industry in the Russian Federation, Georgia, Armenia, Kazakhstan and Moldavia. The enforcement of environmental regulations in these countries is evolving and position of government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage beyond those recognized through restoration provision.

Restoration provision liabilities relate to reclamation of land plots, used for ash dumps by generating entities, which use coal for production purposes (see Note 21).

(e) Ownership of land

The current legislation in Georgia is unclear in relation to ownership issues with regard to land over which the Company's equipment for the transmission of electricity is located. On further clarification of the law, it is possible that the Company may be required to acquire ownership to certain land plots or to pay rentals to other parties for their use. At the date of approval of these financial statements, management considers that it is not possible to quantify any additional expense, if any, which JSC Telasi might incur and consequently, no provision has been made against such potential liabilities in these financial statements.

32. Related party transactions

(a) Parent Company and control relationships

The Russian Federation is the ultimate controlling party of JSC Inter RAO and has a controlling interest in the Company of over 50%. Details of operations with entities controlled by the Russian Federation are provided in the Note 32 (d).

(b) Transactions with key management personnel

The members of the Management Board own 0.0063% of ordinary shares of JSC Inter RAO as at 31 December 2014 (31 December 2013: 0.0063%).

Compensation paid to key management and members of the Board of Directors for their service in that capacity is made up of contractual salary and performance bonuses. Key management and members of the Board of Directors received the following remuneration during the period, which is included in employee benefit expenses and payroll taxes (Note 25):

	Year ended 31 December 2014	***Year ended 31 December 2013***
Salaries and bonuses	605	559

Employee's Share Option Programme. In December 2010 the Company's Board of Directors approved Share Option Programme (hereinafter referred to as “the Programme”) in which members of the Management Board and other key employees of the Group were to be participants (hereinafter referred to as “the Programme participants”).

(in millions of RUR)

32. Related party transactions (continued)

(b) Transactions with key management personnel (continued)

The number of shares, which the Programme participants may purchase within the framework of the Programme, is calculated proportionally based on the number of days worked prior to terminating the employment provided that termination meets certain conditions of Labour Code or in full amount based on decision of Chairman of the Board. In the case of breaching certain defined provisions of the labour agreement and terminating employment at the initiative of the Group the Programme participants will lose their right to purchase the shares.

Participation in the Programme and the exact number of shares in the participants' individual share option agreements are determined by decision of the Company's Board of Directors. In 2011 the Company's Board of Directors approved the final form and conditions of the Programme. These stipulated exact number of shares to which Programme participants were entitled and their fixed exercise price.

The Programme participants could exercise the share option at any time during 2013-2015.

Changes in the amounts of options granted are described in the table below:

	All options granted under the Programme	*Attributed to members of the Management Board*
Number of options outstanding as at 1 January 2013	**126,763,437,501**	**65,583,000,000**
Options agreement signed in 2013	–	–
Number of options outstanding as at 31 December 2013	**126,763,437,501**	**65,583,000,000**
Options exercised during the year ended 31 December 2014	(48,580,000)	–
Number of options outstanding as at 31 December 2014	**126,714,857,501**	**65,583,000,000**

Fair value of services received in return for share options granted to employees is measured by reference to fair value of the share options granted. The estimate of the fair value of the services received is measured based on the Binomial model.

	31 December 2014	*31 December 2013*
Weighted average price (RUR)	0.0092	0.0112
Expected volatility	40.00%	40.00%
Option life, years	3.9	3.9
Risk-free interest rate	6.6%	6.6%
Fair value of the option at measurement date (in RUR)	0.013601241	0.013601241

To determine volatility the Group used the historical volatility of the market prices of the Company's publicly traded shares. No loss was recognized for the year ended 31 December 2014 within employee benefit expenses in the consolidated statement of comprehensive income related to fair value of the options agreements signed (for the year ended 31 December 2013 the Group recognised a loss in the amount of RUR 46 million).

To implement the Share Option Programme the Company issued interest-free loans to key-management; as at 31 December 2014 discounted amount of the loans equals to RUR 40 million (31 December 2013: RUR 35 million).

(in millions of RUR)

32. Related party transactions (continued)

(c) Transactions with associates and joint ventures

Detailed list of the Group's joint ventures and associates is disclosed in Note 8. Sales to and purchases from joint ventures and associates are made at terms equivalent to those that prevail in arm's length transactions.

The Group's transactions with associates and joint ventures are disclosed below.

	Year ended 31 December 2014	*Year ended 31 December 2013*
Revenue		
Joint ventures	1,160	844
Other operating income		
Joint ventures	25	10
Associates	4	–
Interest income		
Joint ventures	43	42
Dividend income		
Joint ventures	341	44
	1,573	**940**
Purchased power		
Joint ventures	68	47
Purchased capacity		
Joint venture	801	382
Other expenses		
Joint venture	425	1,548
Interest expenses		
Joint venture	10	–
	1,304	**1,977**
Capital expenditures		
Joint ventures	1,487	7,721

	31 December 2014	*31 December 2013*
Accounts receivable		
Joint ventures	149	542
Loans issued		
Joint ventures	300	350
Accounts payable		
Joint ventures	253	365

(in millions of RUR)

32. Related party transactions (continued)

(d) Transactions with entities controlled by the Russian Federation

Sales to and purchases from entities controlled by the Russian Federation are made at terms equivalent to those that prevail in arm's length transactions.

Information on transactions with entities controlled by the Russian Federation is presented below:

	Year ended 31 December 2014	*Year ended 31 December 2013*
Revenue		
Electricity and capacity	230,485	202,505
Other revenues	9,722	1,703
Other operating income	1,209	1,293
	241,416	**205,501**
Operating expenses		
Purchased power and capacity	66,317	61,212
Transmission fees	175,177	157,272
Fuel expense (gas)	47,435	42,515
Fuel expense (coal)	968	1,015
Other purchases	80	157
Other expenses	11,857	5,960
	301,834	**268,131**
Capital expenditures	**6,021**	**7,629**

	Year ended 31 December 2014	*Year ended 31 December 2013*
Finance income/(expenses)		
Interest income	857	1,180
Other finance income	10	–
Interest expenses	(1,833)	(1,837)
Put and Call option agreements (Note 26)	(2,577)	(10,413)
	(3,543)	**(11,070)**

	31 December 2014	*31 December 2013*
Other current assets and liabilities		
Short-term derivative financial instruments – liabilities (Note 20)	–	23,955

	31 December 2014	*31 December 2013*
Long-term accounts receivable		
Other account receivables	53	56
Less impairment provision	(38)	(46)
Other receivables – net	**15**	**10**
Short-term accounts receivable		
Trade accounts receivable, gross	24,092	19,356
Less impairment provision	(9,202)	(6,442)
Trade receivables – net	**14,890**	**12,914**
Advances issued	1,437	839
Advances issued for capital construction	301	13
Other receivables	1,073	1,399
	17,701	**15,165**

	31 December 2014	*31 December 2013*
Accounts payable		
Trade accounts payable	25,148	20,043
Payables for capital construction	1,466	3,052
Other accounts payable	1,028	732
Advances received	7,271	3,069
	34,913	**26,896**

(in millions of RUR)

32. Related party transactions (continued)

(d) Transactions with entities controlled by the Russian Federation (continued)

	31 December 2014	*31 December 2013*
Loans and borrowings		
Short-term loans and borrowings	27,627	2,548
Long-term loans and borrowings	837	21,174
Interest on loans and borrowings	22	55
	28,486	**23,777**

	31 December 2014	*31 December 2013*
Cash and cash equivalents	**9,327**	**5,622**

	31 December 2014	*31 December 2013*
Other current assets (bank deposits)	**16,997**	**8,293**

	Year ended 31 December 2014	*Year ended 31 December 2013*
Financial transactions		
Loans and borrowings received	8,203	4,984
Loans and borrowings repaid	(10,269)	(11,754)
	(2,066)	**(6,770)**

In July 2011 subsidiary of JSC Inter RAO entered into an agreement with a state-controlled company for sale of electric power under the “take-or-pay” arrangement through 30 June 2026. The sales to and purchases from enterprises controlled by the Russian Federation are made at terms equivalent to those that prevail in arm’s length transactions.

(e) Transactions with other related parties

Sales to and purchases from other related parties are made at terms equivalent to those that prevail in arm’s length transactions. Amounts of transactions with other related parties (except for those controlled by the Russian Federation, associates and joint ventures), for each of the reporting periods are provided below:

	Year ended 31 December 2014	*Year ended 31 December 2013*
Revenue		
Electricity and capacity	3,214	2,271
Dividends received	787	1,017
	4,001	**3,288**
Operating expenses		
Purchased electricity and capacity	3,130	324

	31 December 2014	*31 December 2013*
Short-term accounts receivable		
Trade and other accounts receivable	248	45
Short-term accounts payable		
Trade and other accounts payable	134	40

	31 December 2014	*31 December 2013*
Loans and borrowings payable		
Long-term loans and borrowings	9,033	2,033
Short-term loans and borrowings	3,560	724
	12,593	**2,757**

(in millions of RUR)

32. Related party transactions (continued)

(e) Transactions with other related parties (continued)

	31 December 2014	*31 December 2013*
Cash and cash equivalents		
Cash in bank	13,910	5,892
Short-term bank deposits	7,788	830
	21,698	**6,722**

	Year ended 31 December 2014	*Year ended 31 December 2013*
Income and expenses		
Interest income	1,087	489
Interest expenses	(510)	(312)

33. Significant subsidiaries

Significant subsidiaries consolidated in the Group's consolidated financial statements are disclosed in the table below:

	Country of incorporation	*31 December 2014 ownership/voting*	*31 December 2013 ownership/voting*
Trading entities			
RAO Nordic Oy[1]	Finland	100.00%	100.00%
UAB INTER RAO Lietuva[1]	Lithuania	51.00%	51.00%
Distributing entities			
JSC Telasi	Georgia	75.11%	75.11%
CJSC Elektricheskiye seti Armenii	Armenia	100.00%	100.00%
Supply entities			
JSC Mosenergosbyt (group of companies)	The Russian Federation	50.92%	50.92%
JSC PSK	The Russian Federation	100.00%	100.00%
JSC Tambov Energy Retailing Company	The Russian Federation	59.38%	59.38%
JSC Saratovenergo	The Russian Federation	56.97%	56.97%
JSC Altayenergosbyt	The Russian Federation	100.00%	100.00%
LLC RN – Energo	The Russian Federation	100.00%	100.00%
JSC Tomskenergosbyt[2] (Note 5)	The Russian Federation	59.18%[2]	59.18%[2]
Generating entities			
Mtkvari Energy LLC	Georgia	100.00%	100.00%
CJSC Moldavskaya GRES	Moldavia, Transdniestria Republic	100.00%	100.00%
JSC INTER RAO – Electric Power Plants	The Russian Federation	100.00%	100.00%
JSC Khramhesi GES I	Georgia	100.00%	100.00%
JSC Khramhesi GES II	Georgia	100.00%	100.00%
JSC TGK-11 (group of companies)	The Russian Federation	100.00%	100.00%
LLC Bashkir Generation Company	The Russian Federation	100.00%	100.00%
LLC Bashkir Heat Distribution Grid	The Russian Federation	100.00%	100.00%
JSC RazTES	Armenia	100.00%	100.00%
Trakya Elektrik Uterim Ve Ticaret A.S. (Note 5)	Turkey	100.00%	100.00%
Other entities			
CJSC INTER RAO UES Capital	The Russian Federation	100.00%	100.00%
LLC INTER RAO – Procurement Centre	The Russian Federation	100.00%	100.00%
JSC Eastern energy company	The Russian Federation	100.00%	100.00%
JSC Electrolutch	The Russian Federation	100.00%	100.00%
LLC Kvarz Group (Note 5)	The Russian Federation	100.00%	100.00%
INTER RAO Credit B.V.	Netherlands	100.00%	100.00%

[1] RAO Nordic Oy and UAB INTER RAO Lietuva also act as holding companies for certain Group entities.
[2] included 24.8% shares sold under sale and repurchase agreements ('repos')

(in millions of RUR)

33. Significant subsidiaries (continued)

Non-controlling interests in subsidiaries

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations for the year ended 31 December 2014, including amounts related to both shareholders and non-controlling interest:

	JSC Mosenergosbyt (group of companies)	*UAB INTER RAO Lietuva*	*JSC Telasi*	*JSC Tambov Energy Retailing Company*	*JSC Saratovenergo*	*Tomsk-energosbyt JSC*	*Other individually immaterial subsidiaries*	*Total*
Non-controlling interest (percentage)	**49.08%**	**49.00%**	**24.89%**	**40.62%**	**43.03%**	**40.82%**		
Non-current assets	6,658	854	4,928	171	73	881	1,751	**15,316**
Current assets	32,515	1,928	3,051	496	1,870	1,381	898	**42,139**
Non-current liabilities	(617)	–	(1,160)	(20)	(143)	–	(1,249)	**(3,189)**
Current liabilities	(30,945)	(1,603)	(3,371)	(473)	(2,713)	(2,268)	(942)	**(42,315)**
Net assets	**7,611**	**1,179**	**3,448**	**174**	**(913)**	**(6)**	**458**	**11,951**
Carrying amount of non-controlling interest at 31 December 2014	**(3,823)**	**(578)**	**(1,033)**	**(63)**	**148**	**2**	**(1)**	**(5,348)**
Revenue	256,534	9,726	6,126	4,802	16,886	12,053	6,327	**312,454**
Profit/(loss) for the period	1,317	585	600	12	(485)	746	24	**2,799**
Total comprehensive income/(loss) for the year ended 31 December 2014	**1,255**	**585**	**598**	**11**	**(477)**	**746**	**24**	**2,742**
Profit/(loss) allocated to non-controlling interest	**1,465**	**287**	**150**	**5**	**(209)**	**304**	**(65)**	**1,937**
Cash flows from operating activities	6,393	675	178	148	165	1,338	108	**9,005**
Cash flows from investing activities	(496)	(8)	(311)	4	(7)	8	37	**(773)**
Cash flows from financing activities before dividends to non-controlling interest	(306)	(292)	(72)	(21)	(164)	(831)	(240)	**(1,926)**
Net increase/(decrease) in cash and cash equivalents for the year ended 31 December 2014	**5,591**	**375**	**(205)**	**131**	**(6)**	**515**	**(95)**	**6,306**
Cash flows from financing activities – cash dividends to non-controlling interest	(169)	(38)	–	–	–	–	(19)	**(226)**

(in millions of RUR)

33. Significant subsidiaries (continued)

Non-controlling interests in subsidiaries (continued)

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations for the year ended 31 December 2013, including amounts related to both: shareholders and non-controlling interest:

	JSC Mosenergosbyt (group of companies)	*UAB INTER RAO Lietuva*	*JSC Telasi*	*JSC Tambov Energy Retailing Company*	*JSC Saratove-nergo*	*Tomsk-energosbyt JSC*	*Other individually immaterial subsidiaries*	*Total*
Non-controlling interest (percentage)	**49.08%**	**49.00%**	**25.00%**	**40.62%**	**43.03%**	**40.82%**		
Non-current assets	6,450	553	2,631	180	231	992	1,312	**12,349**
Current assets	28,475	825	1,673	328	1,940	752	821	**34,814**
Non-current liabilities	(999)	–	(706)	(17)	(14)	–	(961)	**(2,697)**
Current liabilities	(27,370)	(952)	(1,966)	(329)	(2,593)	(2,496)	(762)	**(36,468)**
Net assets	**6,556**	**426**	**1,632**	**162**	**(436)**	**(752)**	**410**	**7,998**
Carrying amount of non-controlling interest at 31 December 2013	**(2,416)**	**(209)**	**(579)**	**(57)**	**(56)**	**307**	**(57)**	**(3,067)**
Revenue	246,422	8,726	4,902	4,461	15,540	2,537	5,190	**287,778**
(Loss)/profit for the period	805	40	(747)	(8)	364	(679)	(300)	**(525)**
Total comprehensive (loss)/income for the year ended 31 December 2013	**871**	**40**	**(747)**	**(4)**	**367**	**(679)**	**(300)**	**(452)**
(Loss)/profit allocated to non-controlling interest	**(511)**	**20**	**(187)**	**(8)**	**157**	**(277)**	**(123)**	**(929)**
Cash flows from operating activities	3,005	320	116	(34)	48	186	224	**3,865**
Cash flows from investing activities	(290)	(74)	45	(20)	1	(25)	(6)	**(369)**
Cash flows from financing activities before dividends to non-controlling interest	(520)	(255)	(269)	20	(70)	(109)	(193)	**(1,396)**
Net increase/(decrease) in cash and cash equivalents for the year ended 31 December 2013	**2,195**	**(9)**	**(108)**	**(34)**	**(21)**	**52**	**25**	**2,100**
Cash flows from financing activities – cash dividends to non-controlling interest	(270)	(162)	–	–	–	–	(44)	(476)

(in millions of RUR)

34. Events after the reporting period

In 2014 following the decision of the Shareholders annual general meeting, the Board of Directors approved the procedure of JSC Inter RAO shares consolidation. According to the decision, JSC Inter RAO will consolidate its shares on the basis of 1 (one) new share for every 100 (one hundred) shares outstanding, thus increasing the par value of each share from 0.02809767 RUB to 2.809767 RUB. The new shares issue has been registered by the Central Bank on 31 December 2014. On 20 January 2015 JSC Inter RAO shares (state registration number 1-04-33498-E from 23 December 2014) with a new par value of RUB 2.809767 have started trading on Moscow Stock Exchange. As a consequence, basic and diluted earnings per share were recalculated retrospectively (see Note 18).