JSC Inter RAO

Consolidated interim financial statements

For the six months ended 30 June 2013 (unaudited)

Contents

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Report on review of consolidated interim financial information

To the Shareholders and Board of Directors of JSC Inter RAO

Introduction

We have reviewed the accompanying consolidated interim financial statements of JSC Inter RAO and its subsidiaries (the Group) as at 30 June 2013 which comprise the consolidated interim statement of financial position as at 30 June 2013 and the related consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with International Financial Reporting Standard 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2013, its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34.

Ernst & Young LLC

29 August 2013

Consolidated interim statement of financial position

(in millions of RUR)

	Note	30 June 2013	31 December 2012 (restated)	1 January 2012 (restated)
Assets				
Non-current assets				
Property, plant and equipment	6	278,686	282,761	227,525
Investment property	7	–	–	1,211
Intangible assets	8	9,058	8,864	4,814
Investments in associates and joint ventures	9	28,050	26,630	48,014
Deferred tax assets	10	2,370	1,974	1,104
Available-for-sale financial assets	11	13,131	32,563	40,651
Other non-current assets	12	5,244	5,177	4,751
Total non-current assets		**336,539**	**357,969**	**328,070**
Current assets				
Inventories	13	13,482	12,954	9,945
Accounts receivable and prepayments	14	59,052	63,079	44,488
Income tax prepaid		1,983	1,498	1,543
Cash and cash equivalents	15	43,375	48,049	43,518
Other current assets	17	3,703	6,986	42,669
		121,595	**132,566**	**142,163**
Assets classified as held-for-sale	16	57,473	38,048	61,662
Total current assets		**179,068**	**170,614**	**203,825**
Total assets		**515,607**	**528,583**	**531,895**
Equity and liabilities				
Equity				
Share capital	18	293,340	293,340	272,997
Treasury shares	18	(41,358)	(41,363)	(34,612)
Share premium	18	69,312	69,312	69,706
Hedge reserve	18	38	111	306
Actuarial reserve	18	(270)	(424)	(153)
Fair value reserve	18	(1,827)	(3,354)	(329)
Foreign currency translation reserve		237	(1,369)	(313)
Retained earnings		19,041	32,278	39,484
Total equity attributable to shareholders of the Company		**338,513**	**348,531**	**347,086**
Non-controlling interest		3,751	4,658	43,135
Total equity		**342,264**	**353,189**	**390,221**
Non-current liabilities				
Loans and borrowings	20	37,563	44,377	44,514
Deferred tax liabilities	10	15,632	17,419	18,881
Other non-current liabilities	22	6,809	7,624	12,820
Total non-current liabilities		**60,004**	**69,420**	**76,215**
Current liabilities				
Loans and borrowings	20	23,259	15,034	3,458
Accounts payable and accrued liabilities	21	86,312	87,130	57,932
Other taxes payable	23	3,572	3,643	3,681
Income tax payable		196	167	388
Total current liabilities		**113,339**	**105,974**	**65,459**
Total liabilities		**173,343**	**175,394**	**141,674**
Total equity and liabilities		**515,607**	**528,583**	**531,895**

Chairman of the Management Board Kovalchuk B.Yu.

Chief Accountant Chesnokova A.O.

29 August 2013

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out in Notes 1-36.

Consolidated interim statement of comprehensive income

(in millions of RUR)

	Note	*For the six months ended 30 June* 2013	2012 (restated)
Revenue	24	317,743	262,799
Other operating income	25	3,548	3,485
Operating expenses, net	26	(331,084)	(272,685)
Operating loss		**(9,793)**	**(6,401)**
Finance income	27	2,600	2,829
Finance expenses	27	(9,955)	(6,521)
Share of profit of associates and joint ventures, net	9	1,964	1,414
Loss before income tax		**(15,184)**	**(8,679)**
Income tax benefit/(expense)	28	1,339	(1,375)
Loss for the period		**(13,845)**	**(10,054)**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss), net of tax	18	176	(109)
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss when specific conditions are met			
Gain/(loss) on available-for-sale financial assets, net of tax	11, 18	1,527	(8,171)
Net loss on hedge instruments, net of tax	18	(69)	(189)
Exchange gain on translation to presentation currency		1,815	325
Other comprehensive income/(loss), net of tax		**3,449**	**(8,144)**
Total comprehensive loss for the period		**(10,396)**	**(18,198)**
(Loss)/income attributable to:			
Shareholders of the Company		(13,549)	(10,550)
Non-controlling interest		(296)	496
		(13,845)	**(10,054)**
Total comprehensive (loss)/income attributable to:			
Shareholders of the Company		(10,322)	(18,701)
Non-controlling interest		(74)	503
		(10,396)	**(18,198)**
Basic loss per ordinary share for loss attributable to the shareholders of the Company	19	**RUR (0.00156)**	**RUR (0.00123)**
Diluted loss per ordinary share for loss attributable to the shareholders of the Company	19	**RUR (0.00166)**	**RUR (0.00127)**

Chairman of the Management Board — Kovalchuk B.Yu.

Chief Accountant — Chesnokova A.O.

29 August 2013

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out in Notes 1-36.

Consolidated interim statement of cash flows

(in millions of RUR)

	Note	For the six months ended 30 June 2013	2012 (restated)
Operating activities			
Loss before income tax		**(15,184)**	**(8,679)**
Adjustments to reconcile loss before tax to net cash flows from operating activities:			
Depreciation and amortisation	26	12,423	7,642
Provision for impairment of accounts receivable	26	3,545	961
Other provisions charg/(release)	13, 21, 26	576	(154)
Impairment of available-for-sale financial assets and assets classified as held-for-sale	26	2,696	2,637
Impairment of property, plant and equipment, intangible assets and goodwill	6, 8, 26	10,346	10,898
Share of profit of associates and joint ventures	9	(1,964)	(1,414)
Income from electricity derivatives, net	25, 26	(71)	(325)
Foreign exchange loss, net		29	87
Interest income	27	(1,362)	(2,335)
Other finance income	27	(94)	(134)
Interest expense	27	1,902	1,654
Other finance expenses	27	399	58
Dividend income	27	(1,144)	(360)
Income from sale of available-for-sale financial assets and assets classified as held-for-sale	25	–	(1,372)
Shares option plan	33	45	371
Put and call option agreement	27	7,625	4,722
Loss on disposal of controlling interest	5, 26	5	–
Other non-cash operations/items		192	340
Operating cash flows before working capital adjustments and income tax paid		**19,964**	**14,597**
Increase in inventories		(337)	(1,312)
Decrease/(increase) in accounts receivable and prepayments		2,602	(3,188)
Decrease in value added tax recoverable		236	2,610
(Increase)/decrease in other current assets		(201)	177
Increase in accounts payable and accrued liabilities		(11,433)	(5,572)
Increase in taxes other than income tax prepaid/payable, net		(893)	(1,059)
Other working capital adjustments		18	(23)
		9,956	**6,230**
Income tax paid		(1,665)	(4,070)
Net cash flows from operating activities		**8,291**	**2,160**

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out in Notes 1-36.

Consolidated interim statement of cash flows (continued)

(in millions of RUR)

	Note	For the six months ended 30 June 2013	2012 (restated)
Investing activities			
Proceeds from disposal of property, plant and equipment		16	205
Purchase of property, plant and equipment and intangible assets		(15,781)	(19,940)
Purchase of controlling interest, net of cash acquired	5	–	(44)
Purchase of available-for-sale financial assets	9, 11	–	(407)
Esteblishment of subsidiaries	5	4	–
Proceeds from disposal of available-for-sale financial assets and assets classified as held-for-sale	11, 16	–	24,203
Proceeds from repayment of loans issued		822	55
Loans issued		(151)	(1,051)
Bank deposits placed		(2,807)	(9,538)
Bank deposits returned and proceeds from promissory notes repayment		7,363	32,025
Cash flows used for other investing activities		(215)	(34)
Purchase of other financial assets		(126)	–
Dividends received		53	244
Net cash flows (used for)/derived from investing activities		**(10,822)**	**25,718**
Financing activities			
Proceeds from loans and borrowings		27,358	11,288
Repayment of loans and borrowings		(27,243)	(12,588)
Repayment of finance leases		(250)	(252)
Interest paid		(1,566)	(1,080)
Dividends paid		(173)	(229)
Purchase of non-controlling interest in subsidiaries	5	(118)	(45)
Disposal of non-controlling interest in subsidiaries	5	–	2,622
Redemption of treasury shares	18	–	(6,493)
Proceeds from treasury shares sold	18	6	38
Net cash flows used in financing activities		**(1,986)**	**(6,739)**
Effect of exchange rate fluctuations on cash and cash equivalents		(157)	(12)
Net (decrease)/increase in cash and cash equivalents		**(4,674)**	**21,127**
Cash and cash equivalents at the beginning of the year		48,049	43,518
Cash and cash equivalents at the end of the period	15	**43,375**	**64,645**

Chairman of the Management Board Kovalchuk B.Yu.

Chief Accountant Chesnokova A.O.

29 August 2013

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out in Notes 1-36.

Consolidated interim 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 2012 (restated)		**272,997**	**(34,612)**	**69,706**	**(313)**	**(329)**	**306**	**(153)**	**39,484**	**347,086**	**43,135**	**390,221**
Total comprehensive (loss)/income for the six months ended 30 June 2012 (restated)		**–**	**–**	**–**	**299**	**(8,171)**	**(189)**	**(90)**	**(10,550)**	**(18,701)**	**503**	**(18,198)**
Dividends to shareholders	18	–	–	–	–	–	–	–	–	**–**	(2,363)	**(2,363)**
Acquisition of non-controlling interest in subsidiaries	5	–	7,116	–	–	–	–	–	6,920	**14,036**	(14,081)	**(45)**
Disposal of non-controlling interest in subsidiaries	5	–	–	–	–	–	–	–	(1,677)	**(1,677)**	4,299	**2,622**
Disposal of non-controlling interest in subsidiaries due to mandatory offer	18	–	–	–	–	–	–	–	8,710	**8,710**	(20,988)	**(12,278)**
Acquisition of available-for-sale financial assets	11, 18	–	1,872	–	–	–	–	–	(12)	**1,860**	–	**1,860**
Acquisition of treasury shares	18	–	(5,484)	–	–	–	–	–	(1,009)	**(6,493)**	–	**(6,493)**
Sale of treasury shares	18	–	33	–	–	–	–	–	5	**38**	–	**38**
Shares option plan	33	–	–	–	–	–	–	–	371	**371**	–	**371**
		–	3,537	–	–	–	–	–	13,308	**16,845**	(33,133)	**(16,288)**
Balance at 30 June 2012 (restated)		**272,997**	**(31,075)**	**69,706**	**(14)**	**(8,500)**	**117**	**(243)**	**42,242**	**345,230**	**10,505**	**355,735**
Balance at 1 January 2013 (restated)		**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 six months ended 30 June 2013		**–**	**–**	**–**	**1,619**	**1,527**	**(73)**	**154**	**(13,549)**	**(10,322)**	**(74)**	**(10,396)**
Dividends to shareholders	18	–	–	–	–	–	–	–	–	**–**	(466)	**(466)**
Acquisition of non-controlling interest in subsidiaries	5	–	–	–	(13)	–	–	–	266	**253**	(371)	**(118)**
Recognition of non controlling interest in established subsidiaries	5	–	–	–	–	–	–	–	–	**–**	4	**4**
Shares option plan	33	–	–	–	–	–	–	–	45	**45**	–	**45**
Sale of treasury shares	18	–	5	–	–	–	–	–	1	**6**	–	**6**
		–	5	–	(13)	–	–	–	312	**304**	(833)	**(529)**
Balance at 30 June 2013		**293,340**	**(41,358)**	**69,312**	**237**	**(1,827)**	**38**	**(270)**	**19,041**	**338,513**	**3,751**	**342,264**

Chairman of the Management Board — Kovalchuk B.Yu.

Chief Accountant — Chesnokova A.O.

29 August 2013

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out in Notes 1-36.

(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 Russian Federation and whose shares are publicly traded.

The Russian Federation is the ultimate controlling party of JSC Inter RAOand has a controlling interest in the Company of over 50%.The Russian Federation does not prepare consolidated financial statements for public use.

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 years 2011 and 2012 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 30 June 2013 are presented in Note 35.

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 30 June 2013 the number of employees of the Group was 53,935 (31 December 2012: 57,069).

With effect from 29 July 2011 the Company changed its registered office building to another address, which is 3, Bolshaya Pirogovskaya – 27, 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, Moldova (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 addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment.

The accompanying consolidated interim 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.

2. Basis of preparation

(a) Statement of compliance

These consolidated interim 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 interim 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.

(in millions of RUR)

2. Basis of preparation (continued)

(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 interim 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 interim 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 interim 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 14).

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.

(in millions of RUR)

2. Basis of preparation (continued)

(e) Critical accounting estimates and judgments (continued)

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 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. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in Note 6 and Note 8.

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 32.

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, 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 10 (b).

(in millions of RUR)

2. Basis of preparation (continued)

(f) Restatement

The Group retrospectively restated comparative information due to application of revised IAS 19 and changes in presentation on other adjustments:

Impact on consolidated interim statement of comprehensive income:

30 June 2012	*As previously reported*	*Impact of adoption of revised IAS 19 and other adjustments*	*As restated*
For the six months ended 30 June 2012			
Revenue	264,635	(1,836)	262,799
Operating expenses, net	(274,718)	2,033	(272,685)
Operating loss	**(6,598)**	**197**	**(6,401)**
Share of profit of associates and joint ventures, net	1,418	(4)	1,414
Loss before income tax	**(8,872)**	**193**	**(8,679)**
Income tax expense	(1,347)	(28)	(1,375)
Loss for the period	**(10,219)**	**165**	**(10,054)**
Other comprehensive loss			
Other comprehensive loss that will not be reclassified subsequently to profit or loss			
Actuarial loss, net of tax	–	(109)	(109)
Other comprehensive loss, net of tax	**(8,035)**	**(109)**	**(8,144)**
Total comprehensive loss for the period	**(18,254)**	**56**	**(18,198)**

Impact on consolidated statement of financial position:

31 December 2012	*As previously reported*	*Impact of adoption of revised IAS 19*	*As restated*
Assets			
Investments in associates and joint ventures	26,681	(51)	26,630
Total non-current assets	**358,020**	**(51)**	**357,969**
Total assets	**528,634**	**(51)**	**528,583**
Equity and liabilities			
Actuarial reserve	–	(424)	(424)
Retained earnings	32,438	(160)	32,278
Total equity attributable to shareholders of the Company	**349,115**	**(584)**	**348,531**
Non-controlling interest	4,723	(65)	4,658
Total equity	**353,838**	**(649)**	**353,189**
Deferred tax liabilities	17,412	7	17,419
Other non-current liabilities	7,033	591	7,624
Total non-current liabilities	**68,822**	**598**	**69,420**
Total liabilities	**174,796**	**598**	**175,394**
Total equity and liabilities	**528,634**	**(51)**	**528,583**

(in millions of RUR)

2. Basis of preparation (continued)

(f) Restatement (continued)

31 December 2011	*As previously reported*	*Impact of adoption of revised IAS 19*	*As restated*
Assets			
Investments in associates and joint ventures	48,035	(21)	48,014
Total non-current assets	**328,091**	**(21)**	**328,070**
Total assets	**531,916**	**(21)**	**531,895**
Equity and liabilities			
Actuarial reserve	–	(153)	(153)
Retained earnings	39,725	(241)	39,484
Total equity attributable to shareholders of the Company	**347,480**	**(394)**	**347,086**
Non-controlling interest	43,177	(42)	43,135
Total equity	**390,657**	**(436)**	**390,221**
Deferred tax liabilities	18,939	(58)	18,881
Other non-current liabilities	12,347	473	12,820
Total non-current liabilities	**75,800**	**415**	**76,215**
Total liabilities	**141,259**	**415**	**141,674**
Total equity and liabilities	**531,916**	**(21)**	**531,895**

Revenue and operating expenses, net in on the consolidated interim statement of comprehensive income for the six months ended 30 June 2012 were netted off by RUR 1,836 million to conform with the current year presentation.

3. Summary of significant accounting policies

Significant accounting policies applied in the preparation of the consolidated interim statements are described below. These accounting policies have been consistently applied.

Basis of consolidation

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.

The Group applies a policy of treating transactions with non-controlling interests 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 the 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 interim statement of financial position over the carrying value of the derecognised non-controlling interests is charged to retained earnings.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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. Associates and joint ventures are accounted for using the equity method. The consolidated interim financial statements include the Group's share of the net profit/loss of associates and joint ventures, after adjustments to align the accounting policies with those of the Group, from the date when significant influence commences until the date when significant influence ceases. When the Group's share of losses exceeds its interest in an associate and joint venture, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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 arrangement. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. Joint ventures are accounted for using the equity method.

The Group discontinues using the equity method from the date on which it ceases to have joint control over, or have significant influence on associates and joint ventures.

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.

Business combinations

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 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.

All other acquisitions are accounted for by applying the purchase method of accounting.

Under this method when the Group obtains control over an entity it measures the cost of the business combination as the aggregate of:

(a) the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control over the acquiree; and

(b) any costs directly attributable to the business combination.

The acquisition date for purchase accounting is the date when the Group effectively obtains control over the acquiree.

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.

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.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Foreign currency (continued)

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	15-100
Hydro engineering structures	17-99
Transmission facilities and equipment	5-50
Thermal networks	10-29
Power equipment	5-66
Other equipment and fixtures	5-40
Other structures	2-30
Other fixed assets	3-20

Intangible assets

The Group classifies its intangible assets in the following categories:

- goodwill;
- software;
- other intangible assets (which include: a status of guaranteeing supplier, costs of projects in the development stage and others).

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.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Intangible assets (continued)

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.

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.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

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 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 written off to 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 interim consolidated statement of cash flows in operating activities.

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.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Sale and repurchase agreements

Equity instruments sold under sale and repurchase agreements ('repos') are retained in the consolidated interim 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 interim 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.

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 17, 18, 21, 22. 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.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

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 the balance sheet date. 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 conventions for held-to-maturity financial assets are recognised at the date of settlement.

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 exists.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

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

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 (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

To achieve greater consistency and comparability of fair value measurements and related disclosures the fair value hierarchy is used which in assessing fair value estimation methods are used as much as possible, apply relevant observable inputs and minimise the use of un observable inputs.

The 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.

Fair value of financial instruments that are actively traded in 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, without any deduction of the transaction costs.

For financial instruments where there is no the principal (or most advantageous) market for the asset or liability, 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 anexpedient 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 has been tested against prices or inputs to actual market transactions and using the Group’s best estimate of the most appropriate 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, these financial instruments are measured at cost, being fair value of the consideration paid for the acquisition of the instrument or the amount received. All transaction costs directly attributable to the acquisition are also included in the cost of the transaction in accordance with IFRS. Transaction costs are specific to a transaction and will differ depending on how the Group enters into a transaction for the asset or liability. An analysis of fair values of financial instruments and further details as of how they are measured are provided in Note 29.

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.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Fair value of financial instruments (continued)

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 the 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.

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 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.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but does not retain 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 the 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; however, separate disclosures are not provided as these costs are not material.

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.

An expense is recognised for 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 pension 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 obligations are 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 the 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 the 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.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

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, the 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 the 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 change in 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.

Earnings per share

Earnings per share is determined by dividing profit/(loss) attributable to ordinary shareholders 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. The Company has a dilution effect caused by the share options to management. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as average market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

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.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

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 line with 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 a delivery of non-regulated bilateral contracts net within 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.

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.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

New accounting pronouncements and revised standards

The accounting policies adopted in the preparation of the consolidated interim financial statements for the six months ended 30 June 2013 are consistent with those followed in the preparation of the Group's annual financial statements for 2012, except for the adoption of new amendments of the following standards became effective for the Group's consolidated interim financial statements at 30 June 2013, noted below:

a) The amendments of the following standards became effective for the Group's consolidated financial statements as of 1 January 2013:

This amendment did not have any material effect on the consolidated financial statements.

- IAS 1 *Presentation of Financial Statements* (amendment) issued in June 2011 and applies to annual reporting periods beginning on or after 1 July 2012, changes the grouping of items presented in the consolidated statement of other comprehensive income. According, the change of the group are required to subdivide an article submitted as part of other comprehensive income, into two categories, based on whether the article be transferred to profit and loss in the future. Used in IAS 1 the statement of comprehensive income name now can be presented as the profit and loss statement and other comprehensive income. This amendment has effect only on the presentation of the consolidated financial statements regarding of items of other comprehensive income.
- IFRS 10 *Consolidated Financial Statements* (the standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted). IFRS 10 *Consolidated Financial Statements* provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. The standard sets out requirements for situations when control is difficult to assess, including cases involving potential voting rights, agency relationships, control of specified assets and circumstances in which voting rights are not the dominant factor in determining control. In addition IFRS 10 introduces specific application guidance for agency relationships. The standard also contains accounting requirements and consolidation procedures, which are carried over unchanged from IAS 27. IFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation – Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements*. The adoption of this standard did not have any material effect on the consolidated interim financial statements.
- IFRS 11 *Joint Arrangements* (the standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted). IFRS 11 *Joint Arrangements* improves the accounting for joint arrangements by introducing a principle-based approach that requires a party to a joint arrangement to recognise its rights and obligations arising from the arrangement. The classification of a joint arrangement is determined by assessing rights and obligations of the parties arising from that arrangement. There are only two types of arrangements provided in the standard – joint operations and joint venture. IFRS 11 also eliminates proportionate consolidation as a method to account for joint arrangements. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Ventures.* The adoption of this standard did not have any material effect on the consolidated interim financial statements.
- IFRS 12 *Disclosure of Interests in Other Entities* (the standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted). IFRS 12 *Disclosure of Interests in Other Entities* issued in May 2011 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Adoption of the standard required certain disclosures to be made in the consolidated financial statements of the Group for 2013 but did not have any impact on its financial position or performance.
- IFRS 13 *Fair Value Measurement* (the standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted). IFRS *13 Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. The adoption of this standard did not have any material effect on the consolidated interim financial statements.
- IAS 28 *Investments in Associates* (amendment) issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, there is a possibility of an early use, prescribes the accounting treatment of investments in associated companies and includes a requirement for application of equity method to investments in associates and joint activities. This amendment did not have any material effect on the consolidated interim financial statements.
- Revised IAS 19 *Employee Benefits* (released in June 2011) applies to periods beginning with the 1 January 2013 or after making significant changes to the procedure for the recognition and measurement of the cost of the pension scheme with defined benefit and severance payments, as well as significantly changes the requirements for disclosure of information about all types of remuneration to employees. Changes range from fundamental (for example, the exclusion mechanism corridor and the notion of expected yield of assets plan) to simple wording changes and clarifications. This amendment has had effect on the pension liabilities and the recognition of actuarial gains and losses as disclosed in the Note 2 (h).

(in millions of RUR)

3. Summary of significant accounting policies (continued)

New accounting pronouncements and revised standards (continued)

- *Disclosures – Offsetting Financial Assets and Financial Liabilities* (amendments to IFRS 7), issued in December 2011. Amendments clarify assets and liabilities offsetting rules and introduce new related disclosure requirements. The new disclosure requirements in IFRS 7 are effective for annual periods beginning on or after 1 January 2013. The Group will adopt revised IFRS 7 from 1 January 2013. This amendment did not have any material effect on the consolidated interim financial statements.
- In March 2012, the IASB issued amendments to IFRS (IFRS) 1 *First-time Adoption of International Financial Reporting Standards.* The amendments relate to loans obtained from government agencies at below-market interest rate. Companies applying IFRS for the first time are exempt from retrospective application of the requirements for prior periods. Changes in the standard are effective for annual periods beginning on 1 January 2013. Earlier application is also permitted. This amendment did not have any effect on the consolidated interim financial statements.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine.* This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation did not have any material effect on the consolidated interim financial statements.
- Improvements to IFRS (issued in 2012). In May 2012, the IASB issued its omnibus of amendments to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34 primarily with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard. The effective date for each of the proposed amendments, if finalised, would be annual periods beginning on or after 1 January 2013, with earlier adoption permitted. This amendment did not have any material effect on the consolidated financial statements.
- Amendment to IAS 32 *Tax Effects of Distributions to Holders of Equity Instruments.* Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have any material effect on the consolidated interim financial statements.

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

The following amendment to IFRS became effective for the Group's financial statements from 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 shall apply those amendments for annual periods beginning on or after 1 January 2014. The Group does not expect the amendments to have a material impact on the consolidated financial position, consolidated results of operations or notes to the consolidated financial statements.

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.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

New accounting pronouncements and revised standards (continued)

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 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 entities), 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, LLC RT – Energy Trading (equity accounted investee);
- **Generation in the Russian Federation** represented by the following reporting sub-segments:
  - *INTER RAO – Electricity Generation Group* (represented by generating divisions of the Parent Company and JSC INTER RAO – Electric Power Plants*). In 2012 consolidated interim financial statements the Group presented three different sub-segments including OGK-1, WGC-3 and Generation of Parent. In the second half of 2012 the Group merged these sub-segments in one due to reorganization of OGK-1 and WGC-3 (Note 5). For the purpose of presentation the Group changed segment information for the six months ended 30 June 2012.
  - *TGK-11* (represented by Group TGK-11).
  - *Bashkir Generation* (represented by LLC Bashkir Generation Company, LLC Bashkir Heat Distribution Grid and LLC CCGT CHPP-5) since November 2012.
- **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 and JSC Eastern Energy Company). JSC Eastern Energy Company was included in segment Other for the six months ended 30 June 2012. For the purpose of presentation the Group changed segment information for the six months ended 30 June 2012.
- **Georgia** (represented by JSC Telasi, LLC Mtkvari Energy and JSC Khramhesi I, Khramhesi II).
- **Armenia** (represented by JSC Elektricheskiye seti Armenii, JSC RazTec).
- **Moldova** (represented by CJSC Moldavskaya GRES).
- **Kazakhstan** (represented by JSC Stantsiya Ekibastuzskaya GRES-2 (equity accounted investee) and LLP INTER RAO Central Asia). LLP INTER RAO Central Asia was included in segment Other for the six months ended 30 June 2012. For the purpose of presentation the Group changed segment information for the six months ended 30 June 2012.
- **Turkey** (represented by Group Trakya (since December 2012), TGR Elektrik Energy Toptan Ticaret A.S. and Inter Rao Turkey Energy Holding A.S.) TGR Elektrik Energy Toptan Ticaret A.S. was included in segment Other for the six months ended 2012. For the purpose of presentation the Group changed segment information for the six months ended 30 June 2012.
- **Engineering in the Russian Federation** (represented by LLC INTER RAO Engineering, LLC Quartz Novie Tekhnologii (equity accounted investee), LLC Quartz Group (equity accounted investee), LLC InterRAO-WorleyParsons (equity accounted investee), LLC Energy Centre INTER RAO (equity accounted investee), LLC Interenergoeffect (equity accounted investee) (before 31 December 2012), LLC INTER RAO Engineering, LLC CP Energy Union, LLC INTER RAO – Export and Energy beyond borders Non-for-profit Fund).
- Other.

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* This subsegment includes operations with LLC INTER RAO – Electric Power Plants (allocated according to payments for management services)

(in millions of RUR)

4. Segment information (continued)

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)

Six months ended 30 June 2013

	Supply	*Generation*			*Trading*						*Engineering*			
		The Russian Federation												
	The Russian Federation	*INTER RAO – Electricity Generation Group*	*TGK-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldova*	*Kazakhstan*	*Turkey*	*The Russian Federation*	*Other*	*Unallo-cated and elimina-tions*	*Total*
Total revenue	**191,577**	**65,048**	**13,006**	**21,223**	**25,784**	**4,217**	**2,646**	**1,957**	**38**	**6,821**	**155**	**562**	**(15,291)**	**317,743**
Revenue from external customers	191,489	53,537	12,853	18,907	25,126	4,217	2,646	1,956	38	6,821	24	129	–	**317,743**
Inter-segment revenue	88	11,511	153	2,316	658	–	–	1	–	–	131	433	(15,291)	**–**
Operating expenses, including:	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Purchased electricity and capacity	(104,505)	(3,547)	(1,015)	(1,525)	(20,746)	(2,329)	(401)	–	(22)	–	–	(10)	14,725	**(119,375)**
Transmission fees	(77,800)	–	–	(45)	(2,595)	(68)	(174)	(27)	(14)	–	–	–	–	**(80,723)**
Fuel expenses	(15)	(37,041)	(6,340)	(13,487)	–	(541)	(491)	(1,378)	–	(5,943)	–	–	932	**(64,304)**
Share in profit/(loss) of joint ventures	41	870	–	–	–	–	–	–	985	–	(23)	(28)	–	**1,845**
EBITDA	**2,102**	**12,814**	**1,712**	**2,445**	**2,051**	**202**	**761**	**22**	**989**	**489**	**(6)**	**376**	**(2,314)**	**21,643**
Depreciation and amortization	(610)	(7,226)	(693)	(2,323)	(28)	(226)	(227)	(234)	(1)	(405)	(10)	(241)	(199)	**(12,423)**
Interest income	428	1,053	–	69	(299)	9	184	–	1	2	86	25	(196)	**1,362**
Interest expenses	(162)	(742)	(204)	(31)	(10)	(205)	(203)	(62)	–	(167)	–	(195)	79	**(1,902)**

(in millions of RUR)

4. Segment information (continued)

Six months ended 30 June 2012 (restated)

	Supply	***Generation***		***Trading***						***Engineering***			
		The Russian Federation											
	The Russian Federation	***INTER RAO – Electricity Generation Group***	***TGK-11***	***The Russian Federation and Europe***	***Armenia***	***Georgia***	***Moldova***	***Kazakhstan***	***Turkey***	***The Russian Federation***	***Other***	***Unallo-cated and elimina-tions***	***Total***
Total revenue	**174,193**	**54,152**	**11,263**	**22,326**	**4,350**	**2,929**	**3,069**	**173**	**–**	**718**	**387**	**(10,761)**	**262,799**
Revenue from external customers	174,118	44,443	11,137	21,669	4,350	2,928	3,068	173	–	688	127	98	**262,799**
Inter-segment revenue	75	9,709	126	657	–	1	1	–	–	30	260	(10,859)	**–**
Operating expenses, including:	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Purchased electricity and capacity	(91,724)	(2,872)	(827)	(17,182)	(2,207)	(446)	–	(136)	–	–	(4)	10,550	**(104,848)**
Transmission fees	(70,717)	–	–	(2,333)	(138)	(179)	(80)	(21)	–	–	–	–	**(73,468)**
Fuel expenses	(8)	(32,278)	(5,674)	–	(640)	(728)	(1,807)	–	–	–	–	–	**(41,135)**
Share in profit/(loss) of joint ventures	42	946	–	–	–	–	–	686	–	(175)	(17)	–	**1,482**
EBITDA	**4,627**	**7,265**	**858**	**2,724**	**166**	**776**	**758**	**699**	**(6)**	**(35)**	**(74)**	**(693)**	**17,065**
Depreciation and amortization	(458)	(5,744)	(614)	(20)	(209)	(225)	(243)	(1)	–	–	(98)	(30)	**(7,642)**
Interest income	628	1,252	–	27	15	34	–	–	–	78	15	286	**2,335**
Interest expenses	(24)	(710)	(86)	(22)	(197)	(76)	(92)	–	(14)	(1)	(181)	(251)	**(1,654)**

(in millions of RUR)

4. Segment information (continued)

As at 30 June 2013

	Supply	*Generation*			*Trading*						*Engineering*			
		The Russian Federation												
	The Russian Federation	*INTER RAO – Electricity Generation Group*	*TGK-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldova*	*Kazakhstan*	*Turkey*	*The Russian Federation*	*Other*	*Unallo-cated and elimina-tions*	*Total*
Loans and borrowings, including:	**(4,037)**	**(15,122)**	**(8,708)**	**(2,199)**	**(78)**	**(4,116)**	**(1,232)**	**–**	**(5,344)**	**(7,154)**	**(794)**	**(1,347)**	**(16,784)**	**(66,915)**
Share in loans and borrowings of joint ventures	–	–	–	–	–	–	–	–	(5,344)	–	(769)	(230)	250	**(6,093)**

As at 31 December 2012

	Supply	*Generation*			*Trading*						*Engineering*			
		The Russian Federation												
	The Russian Federation	*INTER RAO – Electricity Generation Group*	*TGK-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldova*	*Kazakhstan*	*Turkey*	*The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Loans and borrowings, including:	**(2,825)**	**(16,416)**	**(8,957)**	**(2,268)**	**(3)**	**(3,734)**	**(1,341)**	**–**	**(4,868)**	**(6,406)**	**(860)**	**(1,274)**	**(15,764)**	**(64,716)**
Share in loans and borrowings of joint ventures	–	–	–	–	–	–	–	–	(4,868)	–	(840)	(173)	576	**(5,305)**

(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 interim statement of comprehensive income is represented below:

	For the six months ended 30 June 2013	*For the six months ended 30 June 2012 (as restated)*
EBITDA of the reportable segments	**21,643**	**17,065**
Depreciation and amortization (Note 26)	(12,423)	(7,642)
Interest income (Note 27)	1,362	2,335
Interest expenses (Note 27)	(1,902)	(1,654)
Put and Call option agreements (Note 27)	(7,625)	(4,722)
Foreign currency exchange loss, net (Note 27)	(29)	(87)
Other finance income (Note 27)	839	436
Provisions charge, including: (Note 26)	(17,163)	(14,342)
impairment of property, plant and equipment	(10,346)	(10,854)
impairment of available-for-sale financial assets	(2,696)	(2,604)
impairment of assets classified as held-for-sale	–	(33)
other provisions (charge)/release	(576)	154
impairment of account receivables	(3,545)	(961)
impairment of goodwill	–	(44)
Loss from disposal of controlling interest	(5)	–
Share of profit/(loss) of associates (Note 9)	119	(68)
Income tax benefit/(expense) (Note 28)	1,339	(1,375)
Loss for the reporting period in the consolidated interim statement of comprehensive income	**(13,845)**	**(10,054)**

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

	As at 30 June 2013	*As at 31 December 2012*
Loans and borrowings of the reportable segments	**(66,915)**	**(64,716)**
Less:		
Share in loans an borrowings of joint ventures	6,093	5,305
Loans and borrowings in the consolidated interim statement of financial position	**(60,822)**	**(59,411)**

(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 six months ended 30 June 2013			*For the six months ended 30 June 2012 (as restated)*		
	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***
The Russian Federation	283,620	58	**283,678**	235,406	50	**235,456**
Turkey	6,821	–	**6,821**	–	–	**–**
Finland	4,460	131	**4,591**	2,816	851	**3,667**
Belarus	–	4,259	**4,259**	–	3,934	**3,934**
Armenia	4,078	–	**4,078**	4,201	–	**4,201**
Georgia	2,646	491	**3,137**	2,928	558	**3,486**
Lithuania	3,071	–	**3,071**	3,659	–	**3,659**
China	–	3,014	**3,014**	–	1,472	**1,472**
Moldova (incl. Transdniestria Republic)	106	1,694	**1,800**	161	2,357	**2,518**
Kazakhstan	38	1,351	**1,389**	173	1,682	**1,855**
Latvia	758	83	**841**	3	977	**980**
Mongolia	–	396	**396**	–	345	**345**
Estonia	–	343	**343**	–	403	**403**
Romania	–	162	**162**	–	531	**531**
Other	–	163	**163**	–	292	**292**
TOTAL	**305,598**	**12,145**	**317,743**	**249,347**	**13,452**	**262,799**

	Total non-current assets based on location of assets [2]	
	As at 30 June 2013	***As at 31 December 2012 (as restated)***
The Russian Federation	289,083	291,532
Armenia	8,422	7,910
Georgia	6,187	6,972
Moldova (incl. Transdniestria Republic)	5,796	5,509
Turkey	4,760	4,817
Lithuania	1,515	1,483
Other	31	32
Total	**315,794**	**318,255**

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 2012 and 1st half 2013 the Group made several acquisitions and disposals. Details are presented below:

Acquisition of LLC Invest Inform Project

On 2 April 2012, the Group acquired 100% stake in LLC Invest Inform Project for a cash consideration of RUR 44 million, less of cash acquired in the amount of RUR 2 million. LLC Invest Inform Project specialises in corporate information systems and technology consulting services. Fair value of assets and liabilities of the acquired entity was determined by the Group based on financial information prepared in accordance with IFRS as at the date of acquisition.

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

	Fair values
Property, plant and equipment	2
Deferred tax assets	4
Inventories	9
Accounts receivable	30
Cash and cash equivalents	2
Accounts payable and accrued charges	(41)
Taxes payable	(6)
Fair value of net assets acquired	**–**
Goodwill arising from the acquisition (see Note 8)	44
Total consideration	**44**

Goodwill arising on the acquisition of LLC Invest Inform Project amounted to RUR 44 million was impaired and recognized in the consolidated interim statement of comprehensive income for the six months ended 30 June 2012. The key reason for the acquisition was management’s decision to move Groups’ IT function into a separate entity.

Acquisition of JSC Bashkirenergoactive

On 7 November 2012 JSC Bashkirenergo was reorganized in the form of spin off into two entities, JSC Bashkirskaya Electrosetevaya Companiya (JSC BESC) and JSC Bashenergoactive, power generating company operating in Bashkiria Republic of the Russian Federation (including LLC Bashkir Generation Company, LLC Bashkir Heat Distribution Grid, LLC CCGT CHPP-5 and other subsidiaries).

As a result of reorganization, JSC Inter RAO became an owner of 100% of JSC Bashenergoactive shares.

Fair value of property, plant and equipment acquired was determined by an independent appraiser. Fair value of other identifiable assets and liabilities was determined by management based on financial information prepared in accordance with IFRS.

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

	Fair values
Property, plant and equipment	55,997
Intangible assets	18
Other non-current assets	509
Inventories	1,449
Accounts receivable	4,523
Income tax prepaid	152
Cash and cash equivalents	2,307
Other current assets	36
Deferred tax liabilities	(5,300)
Other non-current liabilities	(2,023)
Accounts payable and accrued charges	(4,626)
Taxes payable	(362)
Fair value of net assets acquired	**52,680**
Excess of the acquired share in the fair value of the identifiable assets and liabilities over the consideration transferred	(10,961)
Total consideration	**41,719**

JSC Bashenergoactive and its subsidiaries were integrated into Inter RAO as Bashkir Generation segment.

(in millions of RUR)

5. Acquisitions and disposals (continued)

Acquisition of Trakya Elektrik Uretim ve Ticaret A.S.

On 12 December 2012 the Group acquired a 90.00% interest in Trakya Elektrik Uretim ve Ticaret A.S., electricity power generating company operating in Turkey. Total cash consideration paid by the Group was RUR 2,701 million (USD 85 million), less cash acquired in the amount of RUR 667 million (USD 21 million).

Fair value of identifiable intangible assets was determined by an independent appraiser. Fair value of other assets and liabilities was determined by Group management based on IFRS financial information of the acquired entities as at 30 November 2012.

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

	Fair values
Intangible assets (Note 8)	5,100
Deferred tax assets	2,255
Inventories	581
Accounts receivable	2,134
Cash and cash equivalents	667
Other non-current assets	869
Non-current loans and borrowings	(3,985)
Deferred tax liability	(1,020)
Current loans and borrowings	(743)
Accounts payable and accrued charges	(1,990)
Taxes payable	(107)
Fair value of net assets acquired	**3,761**
Less: Non-controlling interest (10%)	(376)
Fair value of acquired interest in net assets	**3,385**
Excess of the acquired share in the fair value of the identifiable assets and liabilities over the consideration transferred	(684)
Total consideration	**2,701**

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).

Acquisition of JSC WGC-3

As at 31 December 2011 the Group's share in JSC WGC-3 was 85.47% of ordinary voting shares (excluding treasury shares).

In February 2012, the Group sold 1,966 million of treasury shares of JSC WGC-3 for a cash consideration of RUR 1,877 million; as a result, the effective share of the Group changed from 85.47% to 81.93%.

In April 2012 the Group acquired additional 8.65% of JSC WGC-3 ordinary shares from third parties for total consideration equivalent to RUR 4,811 million, settled by the Group's treasury shares (Note 18).

On 14 June 2012 shareholders of JSC WGC-3 approved reorganization in form of restructuring and merger with JSC Inter RAO and JSC INTER RAO – Electric Power Plants, which is a 100% subsidiary of the Parent Company. In accordance with the legislation of the Russian Federation shareholders who did not take part in shareholder meeting or voted against reorganization in the 2nd half of 2012 sold their 2.50% of ordinary shares for RUR 1,350 million to the entity.

On 1 October 2012 the Group completed the reorganization of generating entities. 6.92% of ordinary shares of JSC WGC-3 owned by non-controlling shareholders who did not exercise the right to sell shares, were converted into ordinary shares of JSC Inter RAO.

Certain restrictions issued by the Federal Antimonopoly Service of the Russian Federation upon the acquisition of JSC WGC-3 are disclosed in Note 31.

Acquisition of JSC OGK-1

As at 31 December 2011 the Group's share in JSC OGK-1 was 75.15% of ordinary shares.

In April 2012 the Group acquired additional 2.86% of JSC OGK-1 ordinary shares from third parties for the total consideration equivalent to RUR 1,316 million, settled by the Group's treasury shares (Note 18).

(in millions of RUR)

5. Acquisitions and disposals (continued)

Acquisition of JSC OGK-1 (continued)

On 14 June 2012 shareholders of JSC OGK-1 approved reorganization in form of restructuring and merger with JSC Inter RAO and JSC INTER RAO – Electric Power Plants, which is a 100% subsidiary of the Parent Company. In accordance with the legislation of the Russian Federation shareholders who did not take part in shareholders meeting or voted against reorganization in the 2nd half of 2012 sold their 8.61% of ordinary shares for RUR 3,842 million to the entity.

On 1 October 2012 the Group completed the reorganization of generating entities. 13.38% of ordinary shares of JSC OGK-1 owned by non-controlling shareholders who did not exercise the right to sell shares, were converted into ordinary shares of JSC Inter RAO.

Acquisition of JSC TGK-11

As at 31 December 2011 the Group's share in JSC TGK-11 was 67.71%.

In April 2012 the Group additionally acquired 16.85% of ordinary shares of JSC TGK-11 from third parties for the total consideration equivalent to RUR 1,243 million, settled by the Group's treasury shares, increasing the Group's ownership interest to 84.56% (Note 18).

In September-December 2012 the Group acquired 15.44% of ordinary shares of JSC TGK-11 for RUR 1,193 million from non-controlling shareholders in accordance with an obligatory and mandatory offer. As a result, the Group became the 100% shareholder of JSC TGK-11.

Acquisition of JSC Saint-Petersburg Sale Company

As at 31 December 2011 the Group's share in JSC Saint-Petersburg Sale Company (JSC PSK) was 72.08% of ordinary shares and 28.98% of preference shares (92.52% of total shares).

In June 2012 the Group sold 66.02% of preference shares (9.66% of total shares) of JSC PSK for a total consideration of RUR 745 million.

In July 2012 the Group made a voluntary offer to purchase shares of JSC PSK from non-controlling shareholders. As a result, the Group acquired 1.31% of JSC PSK ordinary shares and 12.32% of JSC PSK preference shares for RUR 1,125 million and increased its shareholding interest in JSC PSK to 96.49% of total shares.

In October 2012 the Group commenced the mandatory buyout which was completed in December 2012. The Group purchased 3.51% of JSC PSK shares from non-controlling shareholders for RUR 338 million. As a result, the Group became the 100% shareholder of JSC PSK.

Certain restrictions imposed by the Federal Antimonopoly Service of the Russian Federation upon the acquisition of JSC PSK are disclosed in Note 31.

Acquisition of non-controlling interest in JSC Electrolutch

As at 31 December 2011 the Group's share in JSC Electrolutch was 98.03% of voting shares.

On 5 March 2012, the Group additionally acquired 1.97% of ordinary shares in JSC Electrolutch for a consideration amounting to RUR 45 million paid in cash. As a result, the Group became the 100% owner of JSC Electrolutch.

Acquisition and disposal of controlling interest

During the six months ended 30 June 2013 the Group has transferred a number of its insignificant subsidiaries to Quartz Group, a joint venture.

During the six months ended 30 June 2013 the Group liquidated JSC United Energy Retailing Company.

During the six months ended 30 June 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.

(in millions of RUR)

6. Property, plant and equipment

	Land and buildings	*Infrast-ructure assets*	*Plant and equip-ment*	*Other*	*Const-ruction in progress*	*Total*
Cost						
Balance at 31 December 2011	**58,354**	**55,471**	**117,922**	**4,633**	**74,487**	**310,867**
Reclassification	10	12	(10)	(12)	–	**–**
Additions	–	136	3	13	20,668	**20,820**
Disposals	(13)	(68)	(211)	(52)	(128)	**(472)**
Transfers	1,656	2,291	7,433	157	(11,537)	**–**
Acquisition of controlling interest	–	–	–	2	–	**2**
Translation difference	(12)	(759)	(652)	(38)	(9)	**(1,470)**
Balance at 30 June 2012	**59,995**	**57,083**	**124,485**	**4,703**	**83,481**	**329,747**
Including finance leases	8	320	3,278	606	–	**4,212**
Balance at 31 December 2012	**88,484**	**77,437**	**161,435**	**6,185**	**72,406**	**405,947**
Reclassification	23	73	(124)	(159)	187	**–**
Additions	2	57	2	3	17,101	**17,165**
Disposals	(152)	(56)	(222)	(69)	(83)	**(582)**
Transfers	1,027	897	5,342	160	(7,426)	**–**
Transfer to/(from) Other Accounts	(91)	(569)	(140)	(20)	97	**(723)**
Disposal of controlling interest	(116)	(2)	(122)	(52)	–	**(292)**
Translation difference	514	1,293	1,269	114	74	**3,264**
Balance at 30 June 2013	**89,691**	**79,130**	**167,440**	**6,162**	**82,356**	**424,779**
Including finance leases	–	320	3,278	660	–	**4,258**
Depreciation and impairment losses						
Balance at 31 December 2011	**(11,418)**	**(21,985)**	**(46,853)**	**(1,908)**	**(1,178)**	**(83,342)**
Reclassification	–	(2)	1	1	–	**–**
Depreciation charge	(776)	(1,533)	(4,898)	(161)	–	**(7,368)**
Impairment loss charge	(2,272)	(1,524)	(4,785)	(70)	(2,203)	**(10,854)**
Disposals	2	34	148	30	–	**214**
Transfers	–	–	(21)	–	21	**–**
Translation difference	63	729	490	26	–	**1,308**
Balance at 30 June 2012	**(14,401)**	**(24,281)**	**(55,918)**	**(2,082)**	**(3,360)**	**(100,042)**
Including finance leases	–	(261)	(2,332)	(59)	–	**(2,652)**
Balance at 1 January 2013	**(18,038)**	**(26,506)**	**(69,744)**	**(2,066)**	**(6,832)**	**(123,186)**
Reclassification	3	(160)	170	(14)	1	**–**
Depreciation charge	(1,529)	(2,300)	(7,463)	(400)	–	**(11,692)**
Impairment loss charge	(2,632)	(2,119)	(3,944)	(156)	(1,539)	**(10,390)**
Impairment loss reversal	–	44	–	–	–	**44**
Disposals	3	29	134	31	1	**198**
Transfers	(44)	(82)	(41)	(1)	168	**–**
Transfer to/(from) Other Accounts	81	398	54	44	(2)	**575**
Disposal of controlling interest	23	2	106	30	–	**161**
Translation difference	(154)	(832)	(766)	(48)	(3)	**(1,803)**
Balance at 30 June 2013	**(22,287)**	**(31,526)**	**(81,494)**	**(2,580)**	**(8,206)**	**(146,093)**
Including PPE under finance lease	–	(265)	(2,486)	(116)	–	**(2,867)**
Net book value						
Balance 30 June 2012	**45,594**	**32,802**	**68,567**	**2,621**	**80,121**	**229,705**
Balance at 31 December 2012	**70,446**	**50,931**	**91,691**	**4,119**	**65,574**	**282,761**
Balance at 30 June 2013	**67,404**	**47,604**	**85,946**	**3,582**	**74,150**	**278,686**

(in millions of RUR)

6. Property, plant and equipment (continued)

The category Land and buildings includes land in the amount of RUR 623 million (31 December 2012: RUR 586 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 15,382 million as at 30 June 2013 (31 December 2012: RUR 9,971 million).

Interest capitalized (effective rate from 8.3% to 11%) during the six months ended 30 June 2013 amounted to RUR 289 million (the six months ended 30 June 2012: RUR 156 million).

(a) Impairment

The Group performed the impairment tests of property, plant and equipment within the cash generating units – the material impairment charge and release (included in the Consolidated statement of comprehensive income in the line “Operating expenses”) represented below by cash generating units:

Urengoiskaya GRES (separate power plant included into the operating segment – “Generation in the Russian Federation”)
The impairment for the six months ended 30 June 2013 in the amount of RUR 983 million was recognized due to change in estimates of long-term forecasts of electricity market prices compared to previous estimates. The recoverable amount was measured as value in use using the discount rate of 12.0% as at 30 June 2013.

Gusinoozerskaya GRES (separate power plant included into the operating segment – “Generation in the Russian Federation”)
The impairment for the six months ended 30 June 2013 in the amount of RUR 2,586 million was recognized due to change in estimates of future capital expenditure compared to previous estimates. The recoverable amount was measured as value in use using the discount rate of 12.0% as at 30 June 2013.

Ivanovskie PGU (separate power plant included into the operating segment – “Generation in the Russian Federation”)
The impairment for the six months ended 30 June 2013 in the amount of RUR 2,000 million was recognized due to change in estimates of forecasted electricity and capacity supplies compared to previous estimates. The recoverable amount was measured as value in use using the discount rate of 12.0% as at 30 June 2013.

Severo-Zapadnaya TEC (separate power plant included into the operating segment – “Generation in the Russian Federation”)
The impairment for the six months ended 30 June 2013 in the amount of RUR 3,387 million was recognized due to change in long-term forecasts of electricity prices and capacity tariffs compared to previous estimates. The recoverable amount was measured as value in use using the discount rate of 12.0% as at 30 June 2013.

JCS Telasi (power grids in Georgia included into the operating segment – “Georgia”)
The impairment for the six months ended 30 June 2013 in the amount of RUR 1,272 million was recognized due to change in long-term forecasts of tariffs for electricity sales compared to previous estimates. The recoverable amount was measured as value in use using the discount rate of 18.6% as at 30 June 2013.

Various other minor impairment charges and reversals in the net amount of RUR 118 million were recognized during six months ended 30 June 2013.

During the six months ended 30 June 2012 the Group recognized impairment loss in the total amount of RUR 10,854 million in respect of following CGU’s: Kashirskaya GRES (RUR 4,892 million), Gusinoozerskaya GRES (RUR 4,628 million), Yuzhnouralskaya GRES (RUR 1,297 million) and other minor impairment charges (RUR 37 million). The recoverable amount was measured as value in use using the discount rate of 14.1% as at 30 June 2012.

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 30 June 2013 could require a material adjustment to the carrying amount of certain power plants (CGUs).

(b) Pledge

Properties as at 30 June 2013 with carrying amount of RUR 31 million (31 December 2012: RUR 30 million) are pledged by CJSC Elektricheskiye seti Armenii as collateral for several loans.

(in millions of RUR)

7. Investment properties

The movement of investment properties for the reporting period is as follows:

Balance at 31 December 2011	**1,211**
Depreciation charge	(10)
Balance at 30 June 2012	**1,201**
Balance at 31 December 2012	–
Balance at 30 June 2013	**–**

Investment properties were represented a complex of three office buildings located in Moscow in various stages of completion which were rented out until 31 December 2012. Since these buildings have been occupied by the Group entities for own use from the end of 2012 year to currently, the Group transferred investment properties to property, plant and equipment.

8. Intangible assets

	Goodwill	*Software*	*Other*	*Total*
Cost				
Balance at 31 December 2011	**2,756**	**1,862**	**1,874**	**6,492**
Acquisition of controlling interest	44	–	–	**44**
Additions	–	256	262	**518**
Disposals	–	(237)	(127)	**(364)**
Translation difference	7	(3)	17	**21**
Balance at 30 June 2012	**2,807**	**1,878**	**2,026**	**6,711**
Balance at 31 December 2012	**2,650**	**2,438**	**6,869**	**11,957**
Reclassification	–	74	(74)	–
Additions	–	240	339	**579**
Disposals	–	(223)	(70)	**(293)**
Disposal of controlling interest	–	(2)	(1)	**(3)**
Translation difference	88	19	399	**506**
Balance at 30 June 2013	**2,738**	**2,546**	**7,462**	**12,746**
Amortisation and impairment				
Balance at 31 December 2011	**(370)**	**(953)**	**(355)**	**(1,678)**
Amortisation charge	–	(171)	(93)	**(264)**
Impairment losses	(44)	–	–	**(44)**
Disposals	–	211	10	**221**
Translation difference	1	3	(2)	**2**
Balance at 30 June 2012	**(413)**	**(910)**	**(440)**	**(1,763)**
Balance at 31 December 2012	**(1,108)**	**(1,295)**	**(690)**	**(3,093)**
Reclassification	–	10	(10)	–
Amortisation charge	–	(236)	(495)	**(731)**
Disposals	–	164	24	**188**
Disposal of controlling interest	–	2	1	**3**
Translation difference	(16)	(10)	(29)	**(55)**
Balance at 30 June 2013	**(1,124)**	**(1,365)**	**(1,199)**	**(3,688)**
Net book value				
At 30 June 2012	**2,394**	**968**	**1,586**	**4,948**
At 31 December 2012	**1,542**	**1,143**	**6,179**	**8,864**
At 30 June 2013	**1,614**	**1,181**	**6,263**	**9,058**

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

(in millions of RUR)

8. Intangible assets (continued)

UAB INTER RAO Lietuva

As at 31 December 2012 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. 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 11.6 GWth by the year 2022, from the current level of approximately 9.6 GWth. It is expected that starting from the year 2013 till the year 2022 annual volume of electricity imported to Lithuania will grow to 8 GWth, 70% 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 13%, 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 as at 31 December 2012 was 9.79%.

Since no significant changes have occurred during the 1st half 2013 in assumptions described above, management considers that as at 30 June 2013 there are no indicators of impairment.

Other

Included in other intangible assets RUR 4,755 million (USD 145 million) represents identifiable intangible assets of Trakya Elektrik Uretim ve Ticaret A.S acquired in a business combination in December 2012 (Note 5) (31 December 2012 RUR 4,811 million or USD 158 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 30 June 2013 the remaining intangible assets' useful life was 6.5 years.

Other intangible assets include capitalised status of the guaranteed supplier in the amount of RUR 467 million, recognised on the acquisition of a subsidiary by one of the Group's entity, acquired under common control (31 December 2012: RUR 503 million;). As at 30 June 2013 other intangible assets' remaining useful life was 6.5 years.

9. 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***	***30 June 2013***	***31 December 2012***	***30 June 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%	50.10%	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%	50.00%
LLC Power Efficiency Centre INTER RAO UES	Joint venture	The Russian Federation	50.01%	50.01%	50.01%
LLC InterRAO-WorleyParsons	Joint venture	The Russian Federation	51.00%	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%
UAB Alproka	Associate	Lithuania	49.99%	49.99%	49.99%
JSC Rusia Petroleum	Associate	The Russian Federation	25.00%	25.00%	25.00%
RUS Gas Turbines Holding B.V.	Associate	The Netherlands	25.00%	25.00%	25.00%
JSC Akkuyu NPP	Associate	Turkey	–	3.47%	3.47%
LLC Interenergoeffect	Associate	The Russian Federation	–	–	50.00%
JSC Bashkirenergo	Associate	The Russian Federation	–	–	26.66%

(in millions of RUR)

9. Investments in associates and joint ventures (continued)

	JSC Bashki-renergo	*NVGRES Holding Limited*	*JSC Stantsiya Ekibas-tuzskaya GRES-2*	*RUS Gas Turbines Holding B.V.*	*JSC Akkuyu NPP*	*CJSC INTER RAO LED-Systems*	*Other*	*Total*
Carrying value at 1 January 2012 (restated)	**24,161**	**15,649**	**5,155**	**1,125**	**851**	**526**	**548**	**48,015**
Unrealized gain (loss)	–	–	–	–	–	–	84	**84**
Share of profit/(loss) after tax	(40)	946	686	(12)	(19)	(17)	(137)	**1,407**
Change in ownership structure	3	–	–	–	–	4	–	**7**
Recognized actuarial gain/loss and past service cost	–	(11)	–	–	–	–	–	**(11)**
Dividends received	–	–	–	–	–	(5)	(31)	**(36)**
Translation difference	–	–	108	–	62	–	(2)	**168**
Carrying value at 30 June 2012 (restated)	**24,124**	**16,584**	**5,949**	**1,113**	**894**	**508**	**462**	**49,634**
Carrying value at 1 January 2013 (restated)	**–**	**16,701**	**5,983**	**1,074**	**848**	**525**	**1,499**	**26,630**
Recognized actuarial gain/(loss) and past service cost	–	2	–	–	–	–	–	**2**
Disposals	–	–	–	–	(848)	–	(9)	**(857)**
Unrealized gain (loss)	–	–	–	–	–	–	(90)	**(90)**
Share of profit/(loss) after tax	–	870	985	3	–	(16)	133	**1,975**
Change in ownership structure	–	–	–	–	–	(11)	–	**(11)**
Dividends received	–	–	–	–	–	(3)	(49)	**(52)**
Translation difference	–	–	451	–	–	–	2	**453**
Carrying value at 30 June 2013	**–**	**17,573**	**7,419**	**1,077**	**–**	**495**	**1,486**	**28,050**

JSC Bashkirenergo

At the end of December 2011 the JSC Inter RAO acquired 26.65% of the total shares of JSC Bashkirenergo. During the 1st half 2012 additional interest of 0.01% was acquired from third parties.

On 27 July 2012 the shareholders of JSC Bashkirenergo approved its reorganization in the form of spin off to JSC Bashkirskaya Electrosetevaya Companiya and JSC Bashenergoactive with subsequent acquisition of control over JSC Bashenergoactive by JSC Inter RAO on 6 November 2012 (Note 5).

	Six months ended 30 June 2012
Revenue	26,736
Loss for the period	(150)

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 consolidated using the equity method. In accordance with the terms of the Shareholders Agreement between the Group and TNK-BP (Russian oil and gas company), control over NVGRES Holding Limited is jointly exercised.The following is summarised financial information in respect of NVGRES Holding Limited and its subsidiary CJSC Nizhnevartovskaya GRES:

	30 June 2013	*31 December 2012*
Non-current assets	20,630	17,733
Current assets	4,842	6,397
Non-current liabilities	(886)	(787)
Current liabilities	(1,155)	(1,075)

	Six months ended 30 June 2013	*Six months ended 30 June 2012*
Revenue	6,022	5,775
Profit for the period	1,160	1,261

(in millions of RUR)

9. Investments in associates and joint ventures (continued)

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 summarized financial information in respect of JSC Stantsiya Ekibastuzskaya GRES-2:

	30 June 2013	***31 December 2012***
Non-current assets	25,207	21,439
Current assets	2,454	1,592
Non-current liabilities	(11,457)	(10,573)
Current liabilities	(1,366)	(492)

	Six months ended 30 June 2013	***Six months ended 30 June 2012***
Revenue	4,226	3,704
Profit for the period	1,970	1,372

RUS Gas Turbines Holding B.V.

The Group's share in the established entity is 25%. The entity was established to participate in production and sales of high-performance industrial gas turbines in the Russian Federation.

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

	30 June 2013	***31 December 2012***
Non-current assets	441	163
Current assets	4,285	4,165
Current liabilities	(419)	(32)

	Six months ended 30 June 2013	***Six months ended 30 June 2012***
Loss for the period	(10)	(48)

JSC Akkuyu NPP

In December 2010 the Group established an associate entity, JSC AKKUYU NPP, jointly with JSC Rosenergoatom Concern, an entity under common control of the Russian Federation, and CJSC Atomstroyexport. The Group's share in the newly-established entity was 33.33%. In December 2011 the Group's share in JSC AKKUYU NPP was diluted to 3.47% after JSC AKKUYU NPP's additional issue of shares was fully bought-out by JSC Rosenergoatom Concern.

As at 1 January 2013 the investment in JSC Akkuyu NPP was re-classified from associate company to available-for – sale financial assets since the Group lacks opportunities to have a significant influence on the company's production activities in the short-term period, including procurement and construction and design activities (Note 11).

	31 December 2012
Non-current assets	4,767
Current assets	20,234
Current liabilities	(567)

	Six months ended 30 June 2012
Loss for the period	(548)

(in millions of RUR)

9. Investments in associates and jointly controlled entities (continued)

JSC INTER RAO LED-Systems

Effective Group's share as of 30 June 2013 is 25.94% (31 December 2012: 26.55%).

	30 June 2013	***31 December 2012***
Non-current assets	1,831	1,895
Current assets	1,342	1,247
Non-current liabilities	(644)	(736)
Current liabilities	(622)	(429)

	Six months ended 30 June 2013	***Six months ended 30 June 2012***
Revenue	374	247
Loss for the period	(61)	(63)

Other

During the six months ended 30 June 2013 the Group has disposed of its investment in CJSC Industrial Power Company due to the management's decision to liquidate the company. The effect of the disposal is insignificant.

As at 30 June 2013 the Group owns interest in several other associates and joint ventures. The following is the summarised financial information in respect of these entities:

	30 June 2013	***31 December 2012***
Non-current assets	2,324	3,778
Current assets	26,558	23,155
Non-current liabilities	(4,286)	(10,887)
Current liabilities	(19,653)	(14,863)

	Six months ended 30 June 2013	***Six months ended 30 June 2012***
Revenue and other financial income	10,865	7,495
Loss for the period	(597)	(118)

10. 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***	
	30 June 2013	***31 December 2012 (as restated)***	***30 June 2013***	***31 December 2012 (as restated)***
Property, plant and equipment	2,335	2,302	(13,764)	(16,307)
Investments in associates and joint ventures	25	30	(2,364)	(2,038)
Trade and other receivables	1,118	1,074	–	–
Tax loss carry-forwards	3,831	4,194	–	–
Investments in available-for-sale financial assets and assets classified as held-for-sale	–	–	(3,670)	(3,666)
Accounts payable and long-term loans and borrowings	1,189	941	(623)	(837)
Other items	487	753	(1,826)	(1,891)
Tax assets/(liabilities)	8,985	9,294	(22,247)	(24,739)
Set off of tax	(6,615)	(7,320)	6,615	7,320
	2,370	**1,974**	**(15,632)**	**(17,419)**

(in millions of RUR)

10. Deferred tax assets and liabilities (continued)

(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 and Kazakhstan and relate to the following deductible temporary differences:

	30 June 2013	*31 December 2012*
Available-for-sale financial assets	6,369	7,177
Assets classified as held-for-sale	15,967	15,967
Put and Call options	21,167	13,542
Other	3,183	2,098
	46,686	**38,784**

Deductible temporary differences as at 30 June 2013 mainly relate to Put and Call option agreement with SC Vnesheconombank signed in June 2010 (see Note 21), and available-for-sale financial assets and assets classified as held-for-sale (mainly relates to JSC Volga TGC and 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 six years.

Movement in tax effects of temporary differences, after offsetting, during the period:

Deferred tax assets:

	1 January 2012 (as restated)	*Acquisition of controlling interest (restated)*	*Recognised in profit and loss (restated)*	*Recognised in OCI (FCTR) (restated)*	*Recognised in OCI (reserves) (restated)*	*30 June 2012 (as restated)*
Property, plant and equipment	788	–	(706)	–	–	82
Trade and other receivables	112	–	267	–	–	379
Accounts payable and long-term loans and borrowings	20	2	69	–	–	91
Other items	137	1	173	(6)	–	305
Tax loss carry-forwards	47	1	1	–	–	49
	1,104	**4**	**(196)**	**(6)**	**–**	**906**

	1 January 2013 (as restated)	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*30 June 2013*
Property, plant and equipment	1,793	(186)	143	–	1,750
Trade and other receivables	194	(122)	78	–	150
Accounts payable and long-term loans and borrowings	104	54	16	3	177
Other items	(873)	121	(23)	–	(775)
Tax loss carry-forwards	756	289	23	–	1,068
	1,974	**156**	**237**	**3**	**2,370**

Deferred tax liabilities:

	1 January 2012 (as restated)	*Recognised in profit and loss (restated)*	*Recognised in OCI (FCTR) (restated)*	*Recognised in OCI (reserves) (restated)*	*30 June 2012 (as restated)*
Property, plant and equipment	(13,938)	2,295	(19)	–	(11,662)
Investment property	(133)	1		–	(132)
Other non-current assets (C&P)	–	–		–	–
Investments in associates and joint ventures	(1,691)	(256)	(22)	–	(1,969)
Investments in available-for-sale financial assets and assets classified as held-for-sale	(3,862)	(458)	–	1,569	(2,751)
Accounts payable and long-term loans and borrowings	160	(107)	–	(54)	(1)
Other items	583	(304)	(3)	96	372
	(18,881)	**1,171**	**(44)**	**1,611**	**(16,143)**

(in millions of RUR)

10. Deferred tax assets and liabilities (continued)

(b) Unrecognised deferred tax assets (continued)

	1 January 2013 (as restated)	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*30 June 2013*
Property, plant and equipment	(15,798)	2,633	(14)	–	(13,179)
Investments in associates and joint ventures	(2,038)	(236)	(90)	–	(2,364)
Investments in available-for-sale financial assets and assets classified as held-for-sale	(3,666)	309	–	(313)	(3,670)
Accounts payable and long-term loans and borrowings	(1)	456	(51)	(15)	389
Other items	4,084	(774)	(145)	27	3,192
	(17,419)	**2,388**	**(300)**	**(301)**	**(15,632)**

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

Deferred tax liability in the amount of RUR 313 million was recognised through other comprehensive income in relation to the decrease in fair value of available-for-sale financial assets and assets classified as held-for-sale for the six months ended 30 June 2013 (for the six months ended 30 June 2012: RUR 1,569 million) and RUR 19 million in other items and accounts payable and long-term loans and borrowings in relation to the hedge reserve recognized in RAO Nordic and the Parent Company (for the six months ended 30 June 2012: RUR 73 million) (Note 18).

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 176,765 million (31 December 2012: RUR 123,849 million) as the Group is able to control timing of the reversal of temporary differences and does not intend to realise them in the foreseeable future.

11. Available-for-sale financial assets

As at 30 June 2013 available-for-sale financial assets in the total amount of RUR 13,131 million (31 December 2012: RUR 32,563 million) included investments in quoted shares in the total amount of RUR 11,675 million (31 December 2012: RUR 31,956 million) and investment in unquoted shares in the total amount of RUR 1,456 million (31 December 2012: RUR 607 million).

Investments in quoted shares

For the six months ended 30 June 2013 the amount of RUR 2,696 million was recognised as impairment loss on available-for-sale financial assets through profit and loss in the consolidated interim statement of comprehensive income (for the six months ended 30 June 2012: RUR 2,604 million) (Note 26).

(in millions of RUR)

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

Investments in quoted shares (continued)

For the six months ended 30 June 2013 the amount of RUR 1,527 million, net of tax RUR 313 million was recognised as gain from revaluation of available-for-sale financial assets through other comprehensive income in the consolidated interim statement of comprehensive income (for the six months ended 30 June 2012: RUR 8,171 million, net of tax RUR 1,569 million) (Note 10, 18).

	30 June 2013		*31 December 2012*	
	% share capital	**Carrying value**	**% share capital**	**Carrying value**
JSC Volga TGC	7.50%	3,828	41.37%	19,492
JSC RusHydro	1.85%	2,710	1.85%	3,937
JSC Mosenergo	5.05%	2,147	5.05%	2,679
JSC OGK-2	5.70%	811	5.70%	1,163
JSC TGK-9	2.48%	568	2.48%	641
JSC TGK-1	1.97%	506	1.97%	523
JSC FGC UES	0.37%	471	0.37%	928
JSC Irkutskenergo	0.29%	206	0.29%	208
JSC Quadra	2.25%	204	2.25%	226
JSC Tomskenergosbyt	31.27%	88	31.27%	69
Plug Power	11.80%	56	11.80%	72
JSC TGK-2	1.38%	29	1.38%	45
JSC IDGC of Centre	0.07%	19	0.07%	19
JSC Yaroslavl Power Sale Company	0.85%	17	0.85%	17
JSC TGK-14	0.60%	12	0.60%	13
JSC TGC-6	–	–	27.71%	1,922
Other	–	3	–	2
Total		**11,675**		**31,956**

The Group does not exercise significant influence over JSC Tomskenergosbyt with ownership interest of 31.27%. Accordingly, this investment was accounted for as available-for-sale financial asset at 30 June 2013 and 31 December 2012.

On 25 January 2012, the Group acquired 0.15% of JSC Irkutskenergo ordinary shares for cash a consideration RUR 158 million from third parties.

On 14 February 2012, the Group acquired 0.36% of JSC Volga TGC ordinary shares for a cash consideration RUR 246 million from third parties.

On 25 April 2012 the Group acquired additional 2.17% of JSC Volga TGC ordinary shares from third parties for total consideration equivalent to RUR 1,355 million, settled by the Group's treasury shares at market quotations at the date of transaction (Note 18).

On 26 April 2012 the Group acquired 1.66% of ordinary shares of JSC TGK-9 from third parties for the total consideration equivalent to RUR 310 million, settled by the Group's treasury shares at market quotations at the date of transaction (Note 18).

On 31 May 2012 the Group acquired 1.61% of JSC TGC-6 ordinary shares from third parties for total consideration equivalent to RUR 195 million, settled by the Group's treasury shares at market quotations at the date of transaction (Note 18).

On 29 June 2012, the Group acquired 0.05% of JSC TGC-6 ordinary shares for a cash consideration of RUR 3 million from third parties.

In March 2012, following the additional issue of shares performed by Plug Power, the Group's share in this entity was diluted from 19.7% to 11.8%.

In April 2012 the Parent Company exercised its rights as provided by the Federal Law on Joint Stock Companies and disposed its 1.97% shareholding in JSC Kuzbassenergo and 2.16% in JSC Yenisei TGC (TGC-13) for total cash consideration of RUR 505 million during the reorganization procedures launched by these companies.

As at 30 June 2013 the Group reclassified 33.87% of ordinary shares of JSC Volga TGC and 27.71% of ordinary shares of JSC TGK-6 to assets classified as held-for-sale (Note 16).

(in millions of RUR)

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

Investments in unquoted shares

As a result of reorganization of JSC Bashkirenergo in December 2012 (Note 5) the Group acquired 1.46% share in JSC Bashkirskaya Electrosetevaya Companiya (JSC BESC). Fair value of the investment amounting to RUR 404 million derived from 1.46% share in JSC Bashkirenergo was proportionally split into shares of JSC BGK and JSC BESC at the date of reorganization (6 November 2012).

As at 1 January 2013 the investment in JSC Akkuyu NPP was re-classified from associate company to available-for – sale financial assets (Note 9).

	30 June 2013		*31 December 2012*	
	% share capital	*Carrying value*	*% share capital*	*Carrying value*
JSC Akkuyu NPP	3.47%	848	–	–
JSC BESC	1.46%	404	1.46%	404
JSC Sangtudinskaya GES-1	14.87%	161	14.87%	161
Other		43	–	42
Total		**1,456**		**607**

The carrying value of investments in unquoted shares as at 30 June 2013 and 31 December 2012 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 six months ended 30 June 2013.

12. Other non-current assets

		30 June 2013	*31 December 2012*
Financial non-current assets		**2,874**	**2,451**
Non-current trade receivables		879	892
	Less impairment provision	*(297)*	*(321)*
Non-current trade receivables – net		**582**	**571**
Other non-current receivables		1,794	1,565
	Less impairment provision	*(338)*	*(333)*
Other non-current receivables – net		**1,456**	**1,232**
Non-current loans issued (including interest)		–	362
	Less impairment provision	–	*(7)*
Non-current loans issued (including outstanding interest) – net		**–**	**355**
Long-term derivative financial instruments – assets		793	253
Long-term bank deposits		43	40
		836	**293**
Non-financial non-current assets		**2,370**	**2,726**
Non-current advances to suppliers and prepayments		1,206	2,052
	Less impairment provision	*(86)*	–
Non-current advances to suppliers and prepayments – net		**1,120**	**2,052**
VAT recoverable		975	461
Other		275	213
		5,244	**5,177**

As at 30 June 2013 non-current advances to suppliers and prepayments in the amount of RUR 987 million relate to advances given to suppliers of equipment to Ecuador and Venezuela (31 December 2012: RUR 1,919 million) (see Note 22).

(in millions of RUR)

12. Other non-current assets (continued)

Included in Other non-current receivables RUR 757 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"), republic of Turkey (31 December 2012: RUR 812 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 gas energy price.

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 December2012	**(321)**	**–**	**(7)**	**(333)**	**(661)**
Accrual of provision for receivables impairment	(7)	(65)	(1)	(4)	**(77)**
Release of provision	3	117	–	–	**120**
Receivables written off as uncollectible	3	–	8	(16)	**(5)**
Accrual of discount effect	(1)	(9)	–	(50)	**(60)**
Unwinding of discount	30	–	–	4	**34**
Reclassification of short-term portion	(2)	(129)	–	60	**(71)**
Translation difference	(2)	–		1	**(1)**
At 30 June 2013	**(297)**	**(86)**	**–**	**(338)**	**(721)**

	Non-current trade receivables	*Non-current loans issued incl. interest*	*Other non-current receivables*	*Total provision*
At 31 December 2011	**(82)**	**(8)**	**(286)**	**(376)**
Accrual of provision for receivables impairment	–	–	(131)	**(131)**
Release of provision	–	–	131	**131**
Accrual of discount effect	(60)	–	(116)	**(176)**
Unwinding of discount	8	–	34	**42**
Reclassification of short-term portion	–	–	22	**22**
Receivables written off as uncollectible	12	–	5	**17**
Translation difference	–	–	(1)	**(1)**
At 30 June 2012	**(122)**	**(8)**	**(342)**	**(472)**

13. Inventories

	30 June 2013	*31 December 2012*
Fuel	6,254	6,979
Spare parts	3,291	2,739
Materials and consumables	3,662	2,984
Other	275	252
	13,482	**12,954**

Provision for inventory obsolescence amounted to RUR 420 million as at 30 June 2013 (31 December 2012: RUR 411 million). The charge of provision for the six months ended 30 June 2013 in the amount of RUR 9 million (for the six months ended 30 June 2012: release of provision in the amount of RUR 2 million) was recognised in Other provisions within Operating expenses, net in consolidated interim statement of comprehensive income.

As at 30 June 2013 the Group has a technological inventory in the amount RUR 8,266 million, mostly represented by fuel and spare parts (31 December 2012: RUR 8,147 million).

(in millions of RUR)

14. Accounts receivable and prepayments

		30 June 2013	*31 December 2012*
Financial assets		**47,179**	**50,807**
Trade receivables		59,563	61,354
	Less impairment provision	*(19,123)*	*(16,604)*
Trade receivables – net		**40,440**	**44,750**
Other receivables		7,533	6,875
	Less impairment provision	*(2,594)*	*(1,830)*
Other receivables – net		**4,939**	**5,045**
Short-term loans issued (including interest)		750	1,054
	Less impairment provision	*(250)*	*(252)*
Short-term loans issued (including interest)		**500**	**802**
Short-term outstanding interest on bank deposits		128	205
Dividends receivable		1,172	5
Non-financial assets		**11,873**	**12,273**
Advances to suppliers and prepayments		4,454	5,452
	Less impairment provision	*(539)*	*(738)*
Advances to suppliers and prepayments – net		**3,915**	**4,714**
Short-term VAT recoverable		3,625	3,406
Taxes prepaid		4,333	4,152
		59,052	**63,079**

As at 30 June 2013 short-term VAT recoverable included RUR 1,133 million of VAT for construction of Yujnouralskaya GRES, Djubginskaya TES, Permskaya GRES and Cherepetskaya GRES (31 December 2012: RUR 781 million), RUR 230 million of VAT on advances given by LLC Bashkir Generation Company for construction of PGU TEC-5 and PGU TEC-2 (31 December 2012: RUR 625 million), RUR 558 million of VAT recoverable on export operations (31 December 2012: RUR 404 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)*	*Other receivables*	*Total provision*
At 31 December 2012	**(16,604)**	**(738)**	**(252)**	**(1,830)**	**(19,424)**
Accrual of provision	(6,333)	1	–	(691)	**(7,023)**
Release of provision	3265	49	–	147	**3,461**
Accrual of discount effect	–	(1)	–	1	**–**
Receivables written off as uncollectible (provided as at the beginning of the year)	627	42	2	(87)	**584**
Reclassification, other	75	(17)	–	(58)	**–**
Reclassification of long-term portion	2	129	–	(60)	**71**
Translation difference	(155)	(4)	–	(16)	**(175)**
At 30 June 2013	**(19,123)**	**(539)**	**(250)**	**(2,594)**	**(22,506)**

(in millions of RUR)

14. Accounts receivable and prepayments (continued)

	Trade receivables	*Advances to suppliers and prepayments*	*Short-term loans issued (incl. interest)*	*Other receivables*	*Total provision*
At 31 December 2011	**(12,956)**	**(152)**	**(5)**	**(1,487)**	**(14,600)**
Accrual of provision	(1,927)	(86)	–	(299)	**(2,312)**
Release of provision	1,321	59	–	115	**1,495**
Accrual of discount effect	–	–	–	(10)	**(10)**
Receivables written off as uncollectible (provided as at the beginning of the year)	5	16	–	61	**82**
Reclassification, other	(24)	–	–	24	**–**
Reclassification of long-term portion	(22)	–	–	–	**(22)**
Foreign exchange gain	13	–	–	2	**15**
Translation difference	(43)	1	(1)	(8)	**(51)**
At 30 June 2012	**(13,633)**	**(162)**	**(6)**	**(1,602)**	**(15,403)**

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

At 30 June 2013	*Trade receivables*	*Short-term loans issued (including interest)*	*Other receivables*	*Dividends receivable*	*Short-term outstanding interest on bank deposits*	*Total*
Not past due not impaired	10,111	–	1,781	1,172	128	**13,192**
Past due but not impaired	21,243	500	3,085	–	–	**24,828**
Past due and impaired	28,209	250	2,667	–	–	**31,126**
Total	**59,563**	**750**	**7,533**	**1,172**	**128**	**69,146**

At 31 December 2012	*Trade receivables*	*Short-term loans issued (including interest)*	*Other receivables*	*Dividends receivable*	*Short-term outstanding interest on bank deposits*	*Total*
Not past due not impaired	11,095	799	2,306	5	205	**14,410**
Past due but not impaired	26,290	–	2,655	–	–	**28,945**
Past due and impaired	23,969	255	1,914	–	–	**26,138**
Total	**61,354**	**1,054**	**6,875**	**5**	**205**	**69,493**

As at 30 June 2013 accounts receivable in the amount of RUR 24,828 million (31 December 2012: RUR 28,945 million) were past due but not impaired. These relate to a number of independent counterparties with no recent history of default as well as none expected. The ageing analysis of these receivables is as follows:

Past due but not impaired	***30 June 2013***	***31 December 2012***
Up to 3 month	19,664	26,007
3 to 6 month	1,973	723
6 to 12 month	1,700	916
Over 12 months	1,491	1,299
Total	**24,828**	**28,945**

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

Past due and impaired	***30 June 2013***	***31 December 2012***
Up to 3 month	10,459	9,361
3 to 6 month	4,278	2,396
6 to 12 month	3,594	3,042
Over 12 months	12,795	11,339
Total	**31,126**	**26,138**

The Group does not hold any collateral as a security.

(in millions of RUR)

15. Cash and cash equivalents

	30 June 2013	*31 December 2012*
Cash at bank and in hand, national currency	19,615	18,811
Cash at bank and in hand, foreign currency	4,685	3,244
Bank deposits with maturity of three months or less	19,075	25,994
Total	**43,375**	**48,049**

As at 30 June 2013 Bank deposits with maturity of three months or less in the amount of RUR 17,615 million are nominated in RUR (31 December 2012: RUR 22,843 million), RUR 1,145 million are nominated in US dollars (31 December 2012: RUR 2,851 million) and RUR 315 million are nominated in Georgian lari (31 December 2012: RUR 300 million).

16. Assets classified as held-for-sale

	31 December 2012	*Impairment*	*Disposal*	*Reclassification*	*30 June 2013*
JSC Irkutskenergo	38,048	–	–	–	38,048
JSC Volga TGC	–	–	–	17,287	17,287
JSC TGC-6	–	–	–	2,138	2,138
Total	**38,048**	–	–	**19,425**	**57,473**

	31 December 2011	*Impairment*	*Disposal*	*Reclassification*	*30 June 2012*
JSC Irkutskenergo	38,048	–	–	–	38,048
JSC Enel OGK-5	18,463	–	(18,463)	–	–
JSC Fortum	652	–	(652)	–	–
JSC Tomskenergosbyt	104	(33)	–	(71)	–
JSC E.ON Russia	4,395	–	(4,395)	–	–
JSC Novosibirskenergo	–	–	–	3	3
Total	**61,662**	**(33)**	**(23,510)**	**(68)**	**38,051**

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. At 30 June 2013 the Group was in the process of negotiations to sell the stake.

In the 1st half 2011, JSC Inter RAO acquired 3.04% of ordinary shares of JSC Fortum. On 26 January 2012 the Group disposed 3.04% of ordinary shares of JSC Fortum in order to settle the liability to FORTUM POWER AND HEAT OY under share-purchase agreement of JSC PSK and recognized a gain in the amount of RUR 488 million (Note 21).

In the 1st half 2011, JSC Inter RAO acquired 3.26% of ordinary shares of JSC E.ON Russia. On 23 January 2012, the Group sold the investment for a cash consideration of RUR 4,830 million to third parties.

In the 1st half 2011, JSC Inter RAO acquired 26.43% of ordinary shares of JSC Enel OGK-5. On 11 May 2012, the Group disposed 26.43% of ordinary shares of JSC Enel OGK-5 under the agreement for sale the investment to the consortium of investors for RUR 18,868 million (USD 625 million). Structure of the deal involves the Group’s share in future income of JSC Enel OGK-5 to be distributed as dividends in 2012-2014 (until 30 June 2013 Enel OGK-5 has not disctributed any dividends).

As at 30 June 2013 the Group reclassified the investment in JSC Volga TGC with ownership interest 33.87% and the investment in JSC TGC-6 with ownership interest 27.71% to assets classified as held-for-sale due to commitment of management to sell these investments (Note 11, 36).

(in millions of RUR)

17. Other current assets

	30 June 2013	*31 December 2012*
Bank deposits with maturity of 3-12 months	2,537	6,110
Restricted cash	316	286
Short-term derivative financial instruments	227	245
Other	623	345
Total	**3,703**	**6,986**

As at 30 June 2013 short-term derivative financial instruments included fair value of electricity derivatives in the amount of RUR 123 million (31 December 2012: RUR 65 million) in RAO Nordic Oy held for the purposes of hedging future sales (Note 21).

As at 30 June 2013 short-term derivative financial instruments included foreign currency forward contracts in the amount of RUR 104 million (31 December 2012: RUR 180 million) (Note 18).

As at 30 June 2013 restricted cash balances include cash deposited in OKO Bank (held as collateral in favour of Fingrid) and Nordea (held as collateral in favour of NASDAQ OMX AB) in the aggregate amount of RUR 92 million (as at 31 December 2012: RUR 72 million), cash deposited in VTB Bank Armenia (security interest in favour of EBRD according to the loan agreement) in the amount of RUR 72 million (as at 31 December 2012: RUR 72 million) and cash deposited in the total amount of RUR 152 million held by Group Trakya, JSC Telasi, Inter RAO Lietuva, Inter RAO Latvia, LLC Bashkir Generation company, and Inter Green AB (as at 31 December 2012: RUR 142 million).

As at 30 June 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 53 million, bonds issued by financial institutions held by JSC INTER RAO Invest with total carrying value of RUR 73 million and prepaid insurance expenses of JSC INTER RAO – Electric Power Plants amounted to RUR 341 million.

As at 30 June 2013 bank deposits with maturity of 3-12 months amounted to RUR 2,318 million as at 31 December 2012 transferred to the settlement foreighn currency accounts, deposites were placed by JSC INTER RAO – Electric Power Plants in Peresvet Bank CJSC, VTB Bank JSC, Credit bank of Moscow JSC and Sberbank JSC are retained for the purpose of future settlement of payables for construction (see Note 31).

18. Equity

Share capital

	30 June 2013	*31 December 2012*
Number of ordinary shares issued and fully paid (in units)	10,440,000,997,683	10,440,000,997,683
Par value (in RUR)	0.02809767	0.02809767
Share capital (in million RUR)	293,340	293,340

Retained earnings as a result of acquisition of controlling interests

In 2011 the Company accounted for acquisitions of controlling interests from entities under common control using pooling-of-interests method. As at 30 June 2013 retained earnings includes the effect of acquisition of subsidiaries under common control in the amount of RUR 11,737 million (as at 31 December 2012: RUR 11,737 million).

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 2011	**9,716,000,000**	**272,997**	**(1,231,848,790)**	**(34,612)**	**8,484,151,210**	**238,385**
Sale of treasury shares	–	–	321,074,947	9,021	**321,074,947**	**9,021**
Acquisition of treasury shares	–	–	(195,177,712)	(5,484)	**(195,177,712)**	**(5,484)**
30 June 2012	**9,716,000,000**	**272,997**	**(1,105,951,555)**	**(31,075)**	**8,610,048,445**	**241,922**

(in millions of RUR)

18. Equity (continued)

Movements in outstanding and treasury shares (continued)

	Issued shares		*Treasury shares*		*Total*	
	thousand units	***million RUR***	***thousand units***	***million RUR***	***thousand units***	***million RUR***
31 December 2012	**10,440,000,998**	**293,340**	**(1,472,103,383)**	**(41,363)**	**8,967,897,615**	**251,977**
Sale of treasury shares	–	–	166,549	5	**166,549**	**5**
30 June 2013	**10,440,000,998**	**293,340**	**(1,471,936,834)**	**(41,358)**	**8,968,064,164**	**251,982**

2012

During the 1st half of 2012 due to Russian legislation requirements related to reorganization, the Company acquired 195,177,712 thousand of treasury shares at nominal value of RUR 5,484 million from third parties for RUR 5,543 million, and difference between consideration paid and nominal value of these shares in the amount of RUR 59 million was recognised in retained earnings in the consolidated interim statement of changes in equity. During the 2nd half of 2012 the Company paid RUR 950 million for 33,465,451 thousand of treasury shares which were reserved in retained earnings in the consolidated interim statement of changes in equity for the six months ended 30 June 2012.

During the 1st half of 2012 66,629,828 thousand of treasury shares in the amount of RUR 1,872 million have been placed as a purchase consideration to third parties for available-for-sale financial assets equivalent to RUR 1,860 million at market quotations on the date of transaction (Note 11).

During the 1st half of 2012 253,271,643 thousand of treasury shares in the amount of RUR 7,116 million have been placed as a purchase consideration to third parties for non-controlling interest in subsidiaries acquired equivalent to RUR 7,370 million at market quotations on the date of transaction (Note 5).

During the 1st half of 2012 1,173,476 thousand of treasury shares in the amount of RUR 33 million have been sold to third parties for RUR 38 million.

2013

During the 1st half of 2013 166,549 thousand of treasury shares with nominal value of RUR 5 million have been sold to third parties for RUR 6 million.

Share premium

As at 31 December 2011 share premium amounted to RUR 69,706 million.

The decrease of share premium in the 2nd half of 2012 represents the difference between the stock market quotation of JSC Inter RAO shares and their nominal value at the date of conversion of non-controlling stakes in JSC OGK-1, JSC WGC-3 and JSC Bashkirenergo into ordinary shares of JSC Inter RAO in 2012. Nominal value of shares issued is RUR 0.02809767 each.

As at 30 June 2013 share premium amounted to RUR 69,312 million (as at 31 December 2012: RUR 69,312 million).

Dividends

In accordance with the Russian legislation, the Company distributes profits as dividends or transfers them to reserves on the basis of financial statements prepared in accordance with the Russian Accounting Rules. Statutory accounting reports of the Company form the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as net profit. However, this legislation and other statutory laws and regulations are subject to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable reserves other than dividends declared in these financial statements. The same is applicable for the entities merged.

Dividends in favour of non-controlling shareholders were declared by the Group's subsidiaries in the amount of RUR 466 million for the six months ended 30 June 2013 (for the six months ended 30 June 2012: RUR 2,363 million).

Cash flow hedge reserve

The Parent Company has 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 (see Note 20 (iii)). The payment period according to the agreement is six months; the first repayment date is 12 November 2009.

(in millions of RUR)

18. Equity (continued)

Cash flow hedge reserve (continued)

During the year 2012 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 for the year 2013.

During the year 2012 RAO Nordic Oy entered into a number of electricity forward contracts in order to hedge cash flows associated with electricity sales.

For the six months ended 30 June 2013 net loss on hedge transactions was recognized in other comprehensive income in the amount of RUR 73 million related to shareholders of the Company and net gain related to non-controlling interest in the amount of RUR 4 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*
31 December 2011	**(89)**	**7**	**388**	**306**
Gain/(loss) arising on change in fair value of hedge instruments, net	21	141	(424)	**(262)**
Deferred income tax related to gains/(losses) recognised in other comprehensive income	(4)	(28)	105	**73**
30 June 2012	**(72)**	**120**	**69**	**117**
31 December 2012	**(47)**	**94**	**64**	**111**
Gain/(loss) arising on change in fair value of hedge instruments, net	32	(100)	(24)	**(92)**
Deferred income tax related to gains/(losses) recognised in other comprehensive income	(7)	20	6	**19**
30 June 2013	**(22)**	**14**	**46**	**38**

Fair value reserve

	Fair value reserve
31 December 2011	**(329)**
Loss arising on change in fair value of available-for-sale financial assets	(9,740)
Deferred income tax related losses recognised in other comprehensive income	1,569
30 June 2012	**(8,500)**
31 December 2012	**(3,354)**
Gain arising on change in fair value of available-for-sale financial assets	1,840
Deferred income tax related to gains recognised in other comprehensive income	(313)
30 June 2013	**(1,827)**

(in millions of RUR)

18. Equity (continued)

Actuarial reserve

	Related to shareholders of the Company	*Related to non-controlling shareholders*	*Total*
1 January 2012 (as restated)	**(153)**	**5**	**(148)**
Loss arising on change in pension liabilities (as restated)	(62)	(19)	**(81)**
Deferred income tax related to losses recognised in other comprehensive income (as restated)	(28)	–	**(28)**
30 June 2012 (as restated)	**(243)**	**(14)**	**(257)**
31 December 2012 (as restated)	**(424)**	**(16)**	**(440)**
Gain arising on change in pension liabilities	163	22	**185**
Deferred income tax related to losses recognised in other comprehensive income	(9)	–	**(9)**
30 June 2013	**(270)**	**6**	**(264)**

Disposal of non-controlling interest in subsidiaruies due to mandatory offer

In the 1st half 2012, the Group derecognized non-controlling interest in JSC TGK-11, JSC WGC-3 and JSC OGK-1 in the total amount of RUR 20,988 million resulting in change in retained earnings in the amount of RUR 8,710 million.

19. Earnings per share

The calculation of earnings per share is based on loss or profit for the period and weighted average number of ordinary shares outstanding during the period, calculated as shown below.

As at 30 June 2012 and 30 June 2013 the anti-dilutive effects of the recognition of call option signed with JSC Mejregionenergostroy (see Note 20 (iv)) and share-based option programme ii (see Note 33 (b)) are not included in calculation of diluted earnings/(loss) per share.

	The six months ended 30 June 2012
Weighted average number of shares – basic and diluted	**8,608,333,818,736**
Effect of dilution:	
Put option with SC Vnesheconombank	(309,893,287,217)
Weighted average number of shares – diluted	**8,298,440,531,519**
Loss attributable to the shareholders of the Company (restated)	**(10,550)**
Loss per ordinary share (RUR) – basic (restated)	(0.00123)
Loss per ordinary share (RUR) – diluted (restated)	(0.00127)

	The six months ended 30 June 2013
Weighted average number of shares – basic	**8,689,246,677,646**
Effect of dilution:	
Put option with SC Vnesheconombank	(529,303,482,587)
Weighted average number of shares – diluted	**8,159,943,195,059**
Loss attributable to the shareholders of the Company	**(13,549)**
Loss per ordinary share (RUR) – basic	(0.00156)
Loss per ordinary share (RUR) – diluted	(0.00166)

(in millions of RUR)

20. 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*	*30 June 2013*	*31 December 2012*
Mejregionenergostroy JSC (iv)	RUR	14,659	14,045
Gazprombank JSC	RUR	6,137	5,947
Sberbank JSC	RUR	2,796	4,865
ROSSIYA JSC	RUR	3,240	4,117
Alfa-Bank JSC	RUR	2,500	3,400
Vnesheconombank SC (iii)	RUR	–	1,817
UniCredit Bank JSC	RUR	–	500
Total in RUR	RUR	**29,332**	**34,691**
Vnesheconombank SC (ii)	USD	5,332	4,951
ING Bank NV (ix)	USD	5,340	4,387
Vakifbank (x)	USD	4,225	4,250
EBRD (v)	USD	766	763
Other		222	145
Total in USD	USD	**15,885**	**14,496**
EBRD (vi)	EUR	1,219	1,249
Vnesheconombank SC (vii)	EUR	653	669
SWEDBANK AB	EUR	533	503
Gazprombank JSC	EUR	171	483
Total in EUR	EUR	**2,576**	**2,904**
Government of Armenia (i)	JPY	637	695
Government of Georgia	JPY	352	387
Total in JPY	JPY	**989**	**1,082**
Loans denominated in GEL	GEL	**95**	**97**
Finance leases			
Financial lease (viii)	RUR	486	593
Financial lease	USD	360	399
Financial lease	EUR	550	566
Financial lease	LTL	35	32
Total long-term loans and borrowings		**50,308**	**54,860**
Less: current portion of long-term loans and borrowings and long-term finance leases		(12,745)	(10,483)
		37,563	**44,377**

Effective interest rates

	30 June 2013	*31 December 2012*
Loans and borrowings at fixed interest rate		
RUR	5.59-10.50%	6.85-11.00%
USD	8.00-15.40%	8.00-18.00%
EUR	3.28-4.80%	3.72-4.80%
JPY	8.00-19.00%	8.00-19.00%
GEL	19.00%	19.00%
Loans and borrowings at variable interest rate		
RUR	–	8.75%
USD	3.93-4.92%	2.76-5.01%
EUR	5.25-6.75%	5.25-6.75%
Finance leases		
RUR	10.50-13.30%	10.50-13.30%
USD	14.81%	15.40%
EUR	4.80-4.90%	4.80-4.90%
LTL	4.80%	4.80%

(in millions of RUR)

20. Loans and borrowings (continued)

Effective interest rates (continued)

As at 30 June 2013 fair value of loans and borrowings is RUR 45 879 million (31 December 2012: RUR 51,883 million), which is estimated by discounting of contractual future cash flows at the estimated current market interest rates available to the Group for similar financial instruments.

(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 30 June 2013 the Group had a loan in the amount of USD 163 million at effective interest rate of 4.91% (for 2011 – 5.01%), which was obtained to finance acquisition of Freecom Trading Limited, the owner of 49% share in CJSC Moldavskaya GRES. The loan is payable on 11 November 2015.

(iii) The variable interest loan was obtained by the Group in March 2009 (effective interest rate 8.75% in 2012) for the purpose of construction of second power generating block on Sochinskaya TPS. The Group carried out early repayment of this loan in the first half 2013, by having cash available for the transaction.

(iv) On 23 June 2011 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. In June 2011 all obligations related to loan were transferred to one of the Group entities, CJSC Inter RAO UES Capital. The Parent Company act as a guarantor under the agreement. In September 2011 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 27).

(v) In February 2011 JSC Telasi obtained a loan from European Bank of Reconstruction and Development (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. [1]

(vi) On 30 April 2009 CJSC Elektricheskie seti Armenii obtained a loan 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.[2]

(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. [2]

(viii) Financial lease liability nominated in RUR is mainly comprised of indebtedness to CJSC Busines-Aliance in the amount of RUR 463 million as at 30 June 2013 (31 December 2012: RUR 554 million) and represents Groups' finance lease liabilities for equipment for the second power generating block at Sochinskaya TPS. The power generating block was put into operation at the end of 2009. Under the terms of the lease agreement the Group imposes all the costs arising from change in floating interest rate (EURIBOR) and/or currency rate (SEK/EUR and RUR/EUR).

[1] As at 30 June 2013 JSC Telasi breached a certain covenant under this loan in respect of property insurance and implementation of ISO14001. The non-compliance with this covenant affected the classification of loans as current. Subsequently JSC Telasi got the waiver letter from EBRD.

[2] As at 30 June 2013 and 31 December 2012 CJSC Elektricheskie seti Armenii breached a certain financial ratio under these loans with EBRD and Vnesheconombank SC in respect of maintaining Financial Debt/EBITDA and Debt Service Coverage Ratio. The non-compliance with this covenant affected the classification of the loan as current. Subsequently CJSC Elektricheskie seti Armenii got the waiver letter from EBRD.

(in millions of RUR)

20. Loans and borrowings (continued)

Effective interest rates (continued)

(ix) 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 2.55%, 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.

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. (see Note 5). The loan is payable in December 2017. Parent Company and JSC INTER RAO – Electric Power Plants act as guarantors under this agreement.

(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 129 million as at 30 June 2013. The loans are payable in June 2019.

JSC Stantsiya Ekibastuzskaya GRES-2, joint venture, recognizes two loans in the amount of USD 385 million and RUR 12,000 million from Eurasian Development Bank and SC Vnesheconombank 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 and in the amount of RUR 5,344 million as at 30 June 2013 (as at 31 December 2012: RUR 4,868 million); the other 50% were guaranteed and collateralised in the same form by AO Samruk-Energo.

Gross finance lease liabilities – minimum lease payments:

	30 June 2013	*31 December 2012*
Less than one year	564	555
Between one and five years	1,025	1,254
After five years	27	31
	1,616	**1,840**
Future finance charges on finance leases	(185)	(250)
Present value of finance lease liabilities	**1,431**	**1,590**

Present value of finance lease liabilities is as follows:

	30 June 2013	*31 December 2012*
Less than one year	463	436
Between one and five years	942	1,127
After five years	26	27
	1,431	**1,590**

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:

	30 June 2013	*31 December 2012*
Current loans and borrowings	10,414	4,428
Current portion of non-current loans and borrowings	12,282	10,047
Current portion of finance lease liability	463	436
Interest payable	100	123
Total	**23,259**	**15,034**

(in millions of RUR)

20. Loans and borrowings (continued)

As at 30 June 2013 loan from CJSC HSBC Bank Armenia is collateralised by property, plant and equipment of the Group with carrying amount of RUR 31 million (31 December 2012: RUR 30 million) (see Note 6 (b)).

The Group has the following undrawn borrowing facilities:

	30 June 2013	*31 December 2012*
Floating rate		
Expiring within one year	1,600	2,000
Expiring beyond one year	18,870	15,350
	20,470	**17,350**
Fixed rate		
Expiring within one year	3,319	4,987
Expiring beyond one year	18,158	16,130
	21,477	**21,117**
Total	**41,947**	**38,467**

On 31 July 2012, the Group signed a long-term credit line agreement with EBRD for the purpose repayment of obligations under Put and Call option agreement with SC Vnesheconombank (Note 21) with the credit limit of RUR 9,600 million. No funds were obtained by the Group under this loan agreement as at 30 June 2013.

21. Accounts payable and accrued liabilities

	30 June 2013	*31 December 2012*
Financial liabilities		
Trade payables	32,227	34,848
Short-term derivative financial instruments	21,357	13,690
Dividends payable	434	144
Other payables and accrued expenses	8,118	15,126
Total	**62,136**	**63,808**
Non-financial liabilities		
Advances received	16,699	15,792
Staff payables	5,082	4,953
Provisions, short-term	2,395	2,577
Total	**24,176**	**23,322**
	86,312	**87,130**

As at 30 June 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 21,167 million (31 December 2012: RUR 13,542 million), fair value of open electricity derivatives of RAO Nordic Oy held for the purposes of hedging future sales equaled to RUR 54 million (31 December 2012: RUR 69 million), RUR 29 million of interest rate swap of the Parent Company held for the purposes of hedging risks related to LIBOR floating interest rate for the loan received from SC Vnesheconombank nominated in USD (see Note 20) (31 December 2012: RUR 69 million) foreign currency forward contracts of the Parent Company, RAO Nordic Oy and Eastern Energy Company JSC in the total amount of RUR 98 million and RUR 9 million of short-term portion of currency rate swap of Vydmantai Wind Park UAB (31 December 2012: RUR 10 million).

As at 30 June 2013 other payables and accrued expenses included RUR 3,386 million carrying value of promissory notes issued by Parent Company in favour of JSC Systema-Invest for acquisition of JSC Bashenergoactive and payable in instalments with final settlement by 29 September 2013 (see Note 5) (as at 31 December 2012: RUR 10,014 million) and RUR 1,055 million of current portion of the Group's liability for the contribution to the additional paid-in-capital of RUS Gas Turbines Holding B.V. (31 December 2012: RUR 463 million) (see Note 22).

As at 30 June 2013 advances received included RUR 4,083 million of advances received by the Parent Company from buyers of equipment in Ecuador and Venezuela (31 December 2012: RUR 2,065 million) (see Note 31) and RUR 10,511 million of advances received for electricity sales from customers of JSC Mosenergosbyt (Group of companies), JSC PSK (Group of companies), LLC RN-Energo and LLC BGC (31 December 2012: RUR 11,565 million).

(in millions of RUR)

21. Accounts payable and accrued liabilities (continued)

As at 30 June 2013 provisions short-term included other provisions related to JSC INTER RAO – Electric Power Plants penalties on delay of fulfillment of power delivery contracts in the amount of RUR 367 million (31 December 2012: RUR 735 million), RUR 723 million related to litigation of one of the Company's subsidiaries for non-compliance with the Russian legislation on competition (31 December 2012: RUR 717 million) and RUR 520 million of provision for a claim brought against one of the Company's subsidiaries in relation to equipment supply agreement (31 December 2012: RUR 518 million).

Movements in short-term provisions are as follows:

	Provision for legal claims	*Provision for taxes*	*Other provisions*	*Total*
Balance at 31 December 2011	**1,399**	**84**	**269**	**1,752**
Additions	237	–	5	**242**
Provision used during the period	(116)	(21)	(7)	**(144)**
Release of provision	(378)	–	(16)	**(394)**
Translation difference	3	(2)	(3)	**(2)**
Balance at 30 June 2012	**1,145**	**61**	**248**	**1,454**
Balance at 31 December 2012	**756**	**108**	**1,713**	**2,577**
Additions	201	51	456	**708**
Provision used during the period	(13)	(35)	(766)	**(814)**
Release of provision	(63)	(73)	(5)	**(141)**
Reclassification	–	–	3	**3**
Restoration provision additions	–	–	52	**52**
Translation difference	4	–	6	**10**
Balance at 30 June 2013	**885**	**51**	**1,459**	**2,395**

Additional provision (net of release) for the six months ended 30 June 2013 in the amount of RUR 567 million (for the six months ended 30 June 2012: release (net of charge) in the amount of RUR 152 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 367 million and additional provisions related to Mosenergosbyt legal claims in the amount of RUR 110 million. Additional provision (net of release) was recognised in Other provisions within Operating expenses in the consolidated interim statement of comprehensive income.

22. Other non-current liabilities

	30 June 2013	*31 December 2012*
Financial liabilities		
Long-term derivative financial instruments	790	278
Other long-term liabilities	1	493
Total financial liabilities	**791**	**771**
Non-financial liabilities		
Pensions liabilities	3,369	3,517
Advances received	1,339	1,726
Restoration provision	762	896
Government grants	468	455
Social taxes payable on pension liabilities	80	259
Total non-financial liabilities	**6,018**	**6,853**
Total	**6,809**	**7,624**

Long-term derivative financial instruments as at 30 June 2013 in the total amount of RUR 790 million (31 December 2012: RUR 278 million) are represented by fair value of electricity derivatives in the amount RUR 724 million (31 December 2012: RUR 259 million) in RAO Nordic Oy (Note 17), foreign currency forward contract of the Parent Company in the amount of RUR 49 million and RUR 17 million of long-term portion of currency rate swap of Vydmantai Wind Park UAB (31 December 2012: RUR 19 million).

(in millions of RUR)

22. Other non-current liabilities (continued)

As at 31 December 2012 other long-term financial liabilities included RUR 491 million liability of RAO Intertech B.V. for the contribution to the charter capital of RUS Gas Turbines Holding B.V., associate entity established with General Electric and Rustechnologies in accordance with shareholders agreement dated 16 September 2011. Total contribution payable also includes current portion in the amount of RUR 1,055 million (31 December 2012: RUR 463 million) (Note 21).

As at 30 June 2013 advances received were represented by advances received by the Parent Company from buyers of equipment in Ecuador and Venezuela (see Note 31).

Government grants relate to loan arrangements with the Government of Armenia (see Note 20, (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 at 31 December 2011	**559**
Unwinding of discount	25
Changes in estimates of existing obligations	134
Restoration provision at 30 June 2012	**718**
Restoration provision at 31 December 2012	**896**
Unwinding of discount	29
Changes in estimates of existing obligations (Note 6)	(159)
Reclass of short-term portion	(4)
Restoration provision at 30 June 2013	**762**

Discount rates used to calculate net present value of future cash outflows for land rehabilitation are in the range from 6.08% to 8.34% per annum in 2013 (from 6.75% to 7.58% per annum in 2012).

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 interim statement of financial position:

	30 June 2013	*31 December 2012 (restated)*	*30 June 2012 (restated)*
Present value of defined benefit obligations	3,369	3,517	2,546
Less: Fair value of plan assets	–	–	–
Deficit in plan	**3,369**	**3,517**	**2,546**
Pension liabilities in the consolidated statement of financial position	**3,369**	**3,517**	**2,546**

Amounts recognised in the consolidated interim statement of comprehensive income:

	Six months ended 30 June 2013	*Six months ended 30 June 2012 (restated)*
Current service cost	81	66
Interest cost	129	99
Recognised actuarial (loss)/gain	(140)	136
Recognised past service cost	13	(202)
Total	**83**	**99**
Curtailment and settlement gain	–	–
Total	**83**	**99**

(in millions of RUR)

22. Other non-current liabilities (continued)

Post employment benefits (continued)

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

	30 June 2013	*30 June 2012 (restated)*
Present value of defined benefit obligations as at the beginning of the period	**3,517**	**2,511**
Current service cost	90	52
Interest cost	120	88
Actuarial (loss)/gain	(183)	134
Past service cost	13	(175)
Benefits paid	(95)	(64)
Increase in liabilities as a result of acquisitions of controlling interest	(93)	–
Present value of defined benefit obligations as at the end of the period	**3,369**	**2,546**

Plan assets:

	30 June 2013	*30 June 2012 (restated)*
Employer contributions	95	64
Benefits paid	(95)	(64)
Fair value of plan assets as at the end of the period	–	–

Changes in the pension liabilities are as follows:

	30 June 2013	*30 June 2012 (restated)*
Pension liabilities at the beginning of the year	**3,517**	**2,511**
Net expense recognised in the consolidated interim statement of comprehensive income	83	99
Benefits paid	(95)	(64)
Increase in liabilities as a result of acquisitions of controlling interest	(93)	–
Other income	(43)	–
Pension liabilities at end of period	**3,369**	**2,546**

Principal actuarial assumptions are as follows:

	30 June 2013	*31 December 2012*	*30 June 2012*
Discount rate	7.50%	8.50%	9.00%
Salary increase	7.50%	7.50%	7.50%
Inflation	6.00%	6.00%	6.00%
Mortality	Russian population mortality table 2009	Russian population mortality table 2009	Russian population mortality table 2009

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 136 million (31 December 2012: RUR 126 million).

Sensitivity analysis on principal actuarial assumptions is presented below:

	Change in assumption	*Effect on defined benefit obligation*
Discount rate	+ / -0.75% p.a.	238
Salary increase	+ / -0.75% p.a.	81
Inflation	+ / -0.75% p.a.	163
Staff turnover	+ / -1.5% p.a.	222

(in millions of RUR)

22. Other non-current liabilities (continued)

Post employment benefits (continued)

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

	30 June 2013	*31 December 2012 (restated)*
Defined benefit obligation	3,369	3,517
Plan assets	–	–
Deficit in plan	3,369	3,517
Experience adjustments on plan liabilities, gain/(loss)	54	(14)

23. Other taxes payable

	30 June 2013	*31 December 2012*
Value added tax (VAT)	1,718	2,019
Property tax	758	730
Social tax	564	448
Personal income tax	309	193
Other taxes	223	253
	3,572	**3,643**

Included in value added tax payable is RUR 105 million of deferred VAT which is payable to tax authorities when related VAT receivables are either recovered or expensed (31 December 2012: RUR 107 million).

24. Revenue

	Six months ended 30 June 2013	*Six months ended 30 June 2012 (restated)*
Electricity and capacity	298,546	252,085
Thermal energy sales	15,898	7,706
Other revenue	3,299	3,008
	317,743	**262,799**

25. Other operating income

	Six months ended 30 June 2013	*Six months ended 30 June 2012*
Penalties and fines	1,131	734
Income from sale of available-for-sale financial assets and assets classified as held for sale	–	1,372
Electricity derivatives	786	578
Rental income	263	212
Other	1,368	589
	3,548	**3,485**

Income from sale of available-for-sale financial assets and assets classified as held for sale for the six months ended 30 June 2012 included income from sale of 3.04% of JSC Fortum ordinary shares in the amount of RUR 488 million, 3.26% of JSC E.On Russia ordinary shares in the amount of RUR 435 million, 26.43% of JSC Enel OGK-5 ordinary shares in the amount of RUR 405 million, 2.16% of JSC Yenisei TGC (TGC-13) ordinary shares in the amount of RUR 27 million, 1.97% of JSC Kuzbassenergo ordinary shares in the amount of RUR 17 million (Note 11, 16).

Other operating income amounted to RUR 1,368 million for the six months ended 30 June 2013 included: income from insurance compensation of explosion on OJSC Sochinskaya TES and amounted to RUR 551 million; income from specified tax declarations on VAT in the amount of RUR 196 million, on water tax in the amount of RUR 38 million, on property tax in amount of RUR 20 million; income from sale of equipment for export to Venezuela in amount of RUR 145 million.

(in millions of RUR)

26. Operating expenses, net

	Six months ended 30 June 2013	*Six months ended 30 June 2012 (restated)*
Purchased electricity and capacity	119,375	104,848
Electricity transmission fees	80,723	73,468
Fuel expense	64,304	41,135
Employee benefit expenses and payroll taxes	18,819	15,630
Depreciation and amortization (Note 6, 7, 8)	12,423	7,642
Impairment of property, plant and equipment – charge (Note 6)	10,346	10,854
Provision for impairment of account receivables, net	3,545	961
Impairment of available-for-sale financial assets (Note 11)	2,696	2,604
Other materials for production purposes	2,080	1,290
Taxes other than income tax	1,879	1,440
Agency fees	1,668	1,260
Repairs and maintenance	1,615	1,378
Water supply expenses	1,135	1,080
Operating lease expenses	770	953
Loss from electricity derivatives	715	253
Thermal power transmission expenses	703	659
Transportation expenses	680	516
Other provisions – charge/(release)	576	(154)
Consulting, legal and auditing services	556	686
Loss from disposal of controlling interest	5	–
Cost of equipment sold	2	537
Impairment of goodwill (Note 7)	–	44
Impairment of assets classified as held-for-sale	–	33
Other	6,469	5,568
	331,084	**272,685**

27. Finance income and expense

	Six months ended 30 June 2013	*Six months ended 30 June 2012*
Finance income		
Interest income	1,362	2,335
Dividend income	1,144	360
Other finance income	94	134
	2,600	**2,829**

	Six months ended 30 June 2013	*Six months ended 30 June 2012*
Finance expenses		
Interest expense	1,902	1,654
Foreign currency exchange loss, net	29	87
Put and Call option agreement	7,625	4,722
Other finance expenses	399	58
	9,955	**6,521**

For the six months ended 30 June 2013 the unwinding of discount of the long-term loan from JSC Mejregionenergostroy (see Note 20 (iv)) in the amount of RUR 613 million was recognized within interest expense (for the six months ended 30 June 2012: RUR 566 million).

The amount of RUR 7,625 million for the six months ended 30 June 2013 (RUR 4,722 million for the six months ended 30 June 2012), included into Put and Call option agreements, is related to recognition of fair value change of the Put and Call option agreement with SC Vnesheconombank signed in June 2010.

(in millions of RUR)

28. Income tax expense

	Six months ended 30 June 2013	*Six months ended 30 June 2012 (restated)*
Current tax expense	1,223	2,354
Deferred tax benefit	(2,544)	(975)
Amended tax returns	(18)	(4)
Income tax (benefit)/expense	**(1,339)**	**1,375**

The Parent Company's applicable tax rate is the corporate income tax rate of 20% (30 June 2012: 20%). The corporate income tax rate in Finland is 26% (30 June 2012: 26%), in Georgia is 15% (30 June 2012: 15%), in Lithuania is 15% (30 June 2012: 15%) in Armenia is 20% (30 June 2012: 20%), in Kazakhstan 20% (30 June 2012: 20%). The tax system in Transdniestria Republic, Moldova, where Moldavskaya GRES operates, is based on revenue at a rate of 4.0% (30 June 2012: 4.0%).

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.

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

	Six months ended 30 June 2013	*Six months ended 30 June 2012 (restated)*
Loss before tax	15,184	8,679
Theoretical profit tax charge at 20% – (benefit)/expense	(3,037)	(1,736)
Effect of different tax rates	(304)	(122)
Effect of different tax base	11	97
Tax effect on recognition of Put and Call options and option programme	1,555	1,019
Utilisation of previously unrecognised tax losses	(44)	–
Tax effect of items which are not deductible or assessable for taxation purposes, net	438	1,660
Recognition of previously unrecognised deductible temporary differences	(19)	199
Effect from impairment of available-for-sale financial assets	324	71
Other	(263)	187
Income tax (benefit)/expense	**(1,339)**	**1,375**

29. 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.

(in millions of RUR)

29. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

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

As at 30 June 2013	*Note*	*Loans and receivables, held to maturity investments*	*Derivatives used for hedging*	*Available for sale financial assets*	*Total*
Assets as per consolidated interim statement of financial position					
Available-for-sale financial assets	11	–	–	13,131	**13,131**
Financial assets held-for-sale	16			19,425	**19,425**
Derivative financial instruments	12, 17	–	1,020	–	**1,020**
Trade and other receivables excluding prepayments	12, 14	49,217	–	–	**49,217**
Restricted cash	17	316	–	–	**316**
Bank deposits with maturity exceeding 3 months	12, 17	2,580	–	–	**2,580**
Bonds and promissory notes	17	126			**126**
Cash and cash equivalents	15	43,375	–	–	**43,375**
Total assets		**95,614**	**1,020**	**32,556**	**129,190**

As at 30 June 2013	*Note*	*Liabilities at fair value through profit and loss*	*Other financial liabilities at amortised cost*	*Finance lease liabilities*	*Total*
Liabilities as per consolidated interim statement of financial position					
Loans and borrowings (excluding finance lease liabilities)	20	–	59,391	–	**59,391**
Finance lease liabilities	20	–	–	1,431	**1,431**
Derivative financial instruments	21, 22	22,147	–	–	**22,147**
Trade and other payables excluding taxes	21, 22	–	40,780	–	**40,780**
Total liabilities		**22,147**	**100,171**	**1,431**	**123,749**

As at 31 December 2012	*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	11	–	–	32,563	**32,563**
Derivative financial instruments	12, 17	–	498	–	**498**
Trade and other receivables excluding prepayments	12, 14	52,965	–	–	**52,965**
Restricted cash	17	286	–	–	**286**
Bank deposits with maturity exceeding 3 months	12, 17	6,150	–	–	**6,150**
Cash and cash equivalents	15	48,049	–	–	**48,049**
Total assets		**107,450**	**498**	**32,563**	**140,511**

(in millions of RUR)

29. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

As at 31 December 2012	*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)	20	–	57,821	–	**57,821**
Finance lease liabilities	20	–	–	1,590	**1,590**
Derivative financial instruments	21, 22	13,968	–	–	**13,968**
Trade and other payables excluding taxes	21, 22	–	50,611	–	**50,611**
Total liabilities		**13,968**	**108,432**	**1,590**	**123,990**

(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 30 June 2013 receivables potentially involving credit risks for the Group consisted mainly of trade receivables in the amount of RUR 41,022 million (31 December 2012: RUR 45,321 million), and other receivables in the amount of RUR 8,195 million (31 December 2012: RUR 7,644 million). Total carrying value of receivables as at 30 June 2013 was RUR 49,217 million (as at 31 December 2012: RUR 52,965 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 customers 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 30 June 2013	*Nominal value*	*Provision for impairment*	*Carrying amount*	*Share in total, %*
A	39,250	–	39,250	**55%**
B'	8,002	(519)	7,483	**11%**
B''	1,230	(278)	952	**2%**
B'''	3,004	(1,715)	1,289	**4%**
C	20,137	(19,964)	173	**28%**
Loans issued to employees	196	(126)	70	**0%**
Total	**71,819**	**(22,602)**	**49,217**	**100%**

(in millions of RUR)

29. Financial instruments and financial risk factors (continued)

(a) Credit risk (continued)

As at 31 December 2012	*Nominal value*	*Provision for impairment*	*Carrying amount*	*Share in total, %*
A	45,178	–	45,178	**62%**
B'	5,868	(409)	5,459	**8%**
B''	1,035	(480)	555	**1%**
B'''	3,715	(2,400)	1,315	**5%**
C	16,303	(15,976)	327	**23%**
Loans issued to employees	213	(82)	131	**0%**
Total	**72,312**	**(19,347)**	**52,965**	**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 17 and 21).

(in millions of RUR)

29. Financial instruments and financial risk factors (continued)

(b) Market risk (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 30 June 2013	***EUR***	***USD***	***Other***	***Total***
Trade and other receivables (excluding prepayments)	4,032	14,743	65	**18,840**
Long-term bank deposits	43	–	–	**43**
Bank deposits with maturity of 3-12 months	–	95	–	**95**
Cash and cash equivalents	1,006	4,558	13	**5,577**
Restricted cash	75	22	–	**97**
Derivative financial instruments (assets)	212	–	–	**212**
Loans and borrowings (excluding finance lease liabilities)	(6,505)	(24,757)	(996)	**(32,258)**
Finance lease liabilities	(1,008)	(360)	–	**(1,368)**
Derivative financial instruments (liabilities)	(105)	(95)	–	**(200)**
Trade and other payables (excluding taxes)	(532)	(722)	(71)	**(1,325)**
Net foreign currency position	**(2,782)**	**(6,516)**	**(989)**	**(10,287)**

At 30 June 2012	***EUR***	***USD***	***Other***	***Total***
Trade and other receivables (excluding prepayments)	2,989	10,405	231	**13,625**
Long-term bank deposits	41	–	–	**41**
Bank deposits with maturity of 3-12 months	–	2	–	**2**
Cash and cash equivalents	751	6,401	22	**7,174**
Restricted cash	161	–	–	**161**
Derivative financial instruments (assets)	184	–	–	**184**
Loans and borrowings (excluding finance lease liabilities)	(5,266)	(17,175)	(1,295)	**(23,736)**
Finance lease liabilities	(1,273)	(498)	–	**(1,771)**
Derivative financial instruments (liabilities)	–	(101)	–	**(101)**
Trade and other payables (excluding taxes)	(849)	(927)	(235)	**(2,011)**
Net foreign currency position	**(3,262)**	**(1,893)**	**(1,277)**	**(6,432)**

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 incom /(loss) and equity for the six months ended 30 June 2013 would have been a profit RUR 542 million or loss by RUR 546 million (for the six months ended 30 June 2012: an increase/decrease of loss by RUR 556 million and RUR 457 million) in accordance with positive and negative scenario, respectively.

At 30 June 2013	***USD/EUR***	***RUR/USD***	***RUR/EUR***	***AMD/USD***	***AMD/EUR***	***AMD/JPY***	***GEL/USD***	***GEL/EUR***
Upper level	1.85%	(3.40)%	(1.61)%	3.18%	5.09%	(6.13)%	(2.19)%	(0.38)%
Lower level	(1.85)%	6.96%	4.98%	(3.18)%	(4.97)%	7.48%	2.19%	0.30%

At 30 June 2012	***USD/EUR***	***RUR/USD***	***RUR/EUR***	***AMD/USD***	***AMD/EUR***	***AMD/JPY***	***GEL/USD***	***GEL/EUR***
Upper level	7.43%	(9.66%)	(2.94%)	(3.13%)	(10.33%)	(8.47%)	(3.50%)	3.68%
Lower level	(7.43%)	10.42%	2.21%	3.13%	10.80%	9.52%	3.50%	(4.20%)

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

(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.

(in millions of RUR)

29. Financial instruments and financial risk factors (continued)

(b) Market risk (continued)

Variable rate debt	*30 June 2013*	*30 June 2012*
Libor	14,857	8,589
EURIBOR	1,527	2,136
CBR	–	1,975

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	
	3 bp decrease	8 bp increase
Hypothetical effect on income/(loss) for the six months ended 30 June 2013	4	(9)
	5 bp decrease	13 bp increase
Hypothetical effect on income/(loss) for the six months ended 30 June 2012	4	(9)

	Deviation of EURIBOR		*Deviation of CBR*	
	5 bp decrease	7 bp increase	–	–
Hypothetical effect on income/(loss) for the six months ended 30 June 2013	1	(1)	–	–
	17 bp decrease	2bpincrease	14bpdecrease	34bpincrease
Hypothetical effect on income/(loss) for the six months ended 30 June 2012	3	–	2	(5)

(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 20).

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 30 June 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	21,750	21,598	18,829	2,250	2,199	**66,626**
Payable on demand	2,638	–	–	–	–	**2,638**
Trade and other payables	40,780	43	–	1	17	**40,841**
Finance lease payables	564	531	494	27	–	**1,616**
Derivative financial liabilities	21,357	782	8	–	–	**22,147**
Total	**87,089**	**22,954**	**19,331**	**2,278**	**2,216**	**133,868**

At 31 December 2012	*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	14,404	8,175	39,373	2,765	2,455	**67,172**
Payable on demand	1,918	–	–	–	–	**1,918**
Trade and other payables	50,118	522	3	7	14	**50,664**
Finance lease payables	555	638	616	31	–	**1,840**
Derivative financial liabilities	13,690	99	179	–	–	**13,968**
Total	**80,685**	**9,434**	**40,171**	**2,803**	**2,469**	**135,562**

(in millions of RUR)

29. Financial instruments and 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 18 and 20 respectively). As at 30 June 2013 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 30 June 2013, the Group entities registered in the Russian Federation were in compliance with the above share 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" and "take profit" positions to limit potential losses and gains to EUR 2 million and EUR 4 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. For loans and borrowings the fair value is disclosed in the Note 20.

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 intrument (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) prices in active markets for identical assets or liabilities;

Level 2: other techniques with significant inputs are observable either directly or indirectly; and

Level 3: techniques with inputs which have a significant effect on fair value assessment that are not based on observable market data.

[1] Previously Nord Pool

(in millions of RUR)

29. Financial instruments and financial risk factors (continued)

(f) Fair values (continued)

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

At 30 June 2013	*Note*	*Total fair value*	*Fair value hierarchy Level 1*	*Level 2*	*Level 3*
Financial assets					
Derivative financial instruments					
Forward foreign exchange contracts	12, 17	**212**	212	–	–
Electricity derivatives	12, 17	**808**	808	–	–
Available-for-sale financial assets					
Quoted investment securities	11	**11,675**	11,675	–	–
Assets classified as held-for-sale					
Quoted investment securities	16	**19,425**	19,425	–	–
Held to maturity financial assets					
Long-term bank deposits	12	**43**	–	–	43
Bonds issued by financial institutions	17	**73**	73	–	–
Promissory notes received	17	**53**	–	–	53
Total financial assets		**32,289**	**32,193**	**–**	**96**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	21, 22	**778**	778	–	–
Interest rate SWAPs	21	**29**	–	29	–
Foreign exchange SWAPs	21, 22	**26**	–	26	–
Forward foreign exchange contracts	21, 22	**147**	147	–	–
Financial liabilities designated at fair value through profit or loss					
Put and Call option agreement	21	**21,167**	–	21,167	–
Financial liabilities at amortised cost					
Loans and borrowings	20	**45,879**	–	45,879	–
Promissory notes issued	21	**3,386**	–	3,386	–
Total financial liabilities		**71,412**	**925**	**70,487**	**–**

At 31 December 2012	*Note*	*Total fair value*	*Fair value hierarchy Level 1*	*Level 2*	*Level 3*
Financial assets					
Derivative financial instruments					
Forward foreign exchange contracts	17	**180**	180	–	–
Electricity derivatives	12, 17	**318**	318	–	–
Available-for-sale financial assets					
Quoted investment securities	11	**31,956**	31,956	–	–
Held to maturity financial assets					
Long-term bank deposits	12	**40**	–	–	40
Total financial assets		**32,494**	**32,454**	**–**	**40**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	21	**328**	328	–	–
Interest rate SWAPs	22	**69**	–	69	–
Foreign exchange SWAPs	21	**29**	–	29	–
Financial liabilities designated at fair value through profit or loss					
Put and Call option agreement	21	**13,542**	–	13,542	–
Financial liabilities at amortised cost					
Loans and borrowings	20	**51,883**	–	51,883	–
Promissory notes issued	21	**10,014**	–	10,014	–
Total financial liabilities		**75,865**	**328**	**75,537**	**–**

(in millions of RUR)

29. Financial instruments and financial risk factors (continued)

(f) Fair values (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3 of the hierarchy, as well as the key unobservable inputs used in the valuation models.

30 June 2013	*Note*	*Fair value*	*Method of valuation*	*Kind of unobservable inputs*	*Ranges*	*Relationship of unobservable inputs to fair value*
Financial assets						
Financial assets held to maturity						
Long-term bank deposits	12	43	at cost	–	–	–
Promissory notes received	17	53	at cost	–	–	–

The Group's policy is to recognise transfers out of Level 3 as of the date of the event or change in circumstances that caused the transfer.

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements.

	Assets and liabilities					
Level 3	*Forward foreign exchange contract*	*Foreign exchange option*	*Electricity derivative*	*Long-term bank deposits*	*Promissory notes received*	*Total*
Balance at 1 January 2013	**–**	**–**	**–**	**40**	**–**	**40**
Purchases	–	–	–	–	53	**53**
Foreign exchange gain	–	–	–	3	–	**3**
Balance at 30 June 2013	**–**	**–**	**–**	**43**	**53**	**96**

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

Derivatives

Derivative instruments valued using a valuation technique with market observable inputs (Level 2) are represented by Put and Call option described in Note 18. 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 six months ended 30 June 2013 the loss on derivatives in the amount of RUR 7,625 million was recognized in profit and loss in the consolidated interim statement of comprehensive income (during the six months ended 30 June 2012: RUR 4,722 million).

As at 30 June 2013 market price of the Company's shares equalled to RUR 0.0128 per share; as at initial recognition – RUR 0.04770 per share. Put and call option price is RUR 0.0528 and RUR 0.0454 per share, respectively; at initial recognition – RUR 0.04020 and RUR 0.04209 per share, respectively.

If market price of the shares as at 30 June 2013 would have been 10% higher or 10% lower, with all other variables held constant, the hypothetical effect on profit and loss for the six months ended 30 June 2013 would have been a decrease of loss/(decrease of profit) by RUR 676 million, respectively.

30. Operating leases

Non-cancellable operating leases are payable as follows:

	30 June 2013	*31 December 2012*
Less than one year	1,068	1,000
Between one and five years	2,712	3,612
Over five years	8,254	9,325
Total	**12,034**	**13,937**

(in millions of RUR)

30. Operating leases (continued)

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 six months ended 30 June 2013 operating lease expenses were recognised in the amount of RUR 770 million in the consolidated interim statement of comprehensive income (for the six months ended 30 June 2012: RUR 953 million).

31. Commitments

Investment and capital commitments

In accordance with the memorandum signed between the Group and the Government of Georgia in June 2007, the Group has to invest during the period from 1 January 2007 till 31 December 2015 USD 56.3 million (RUR 1,842 million) in realisation of projects aimed to improve the electricity network which belongs to the Group entity JSC Telasi. In March 2013 the additional memorandum was signed in accordance with which the investment commitments as at 30 June 2013 are as follows:

Year	***Investments, GEL million***
2013	9.8
2014-2016	41.9
2017-2019	50.3
2020-2022	60.1
2023-2025	71.5

As at 30 June 2013 management considers that realisation of investment commitments was in line with schedule for the year 2013.

As at 30 June 2013 JSC Stantsiya Ekibastuzskaya GRES-2 has contracted capital commitments for construction of block 3 amounted to RUR 5,873 million.

As at 30 June 2013 capital commitments of subsidiaries of the Company, are as follows:

Subsidiary	***RUR, million***
JSC INTER RAO – Electric Power Plants	37,656
LLC PGU TEC-5	588
Trakya Elektrik Uretim ve Ticaret A.S.	942
JSC TGK-11	822
LLC BGC	78
Total	**40,086**

Capital commitments of PGU TEC-5 included contractual liabilities in favour of JSC Power Machines on purchase of equipment for energy blocks 1,2 and LLC Energopromspecservice on purchase of waste-heat recovery boilers.

Capital commitments of Trakya Elektrik Uretim ve Ticaret A.S.included contractual liabilities in favour of Siemens Sanayi ve Ticaret A.S. on purchase of equipment and maintenance services.

Capital commitments of LLC BGC included contractual liabilities in favour of Siemens, s.r.o. on purchase of steam turbine for PGU TEC-2.

Capital commitments of JSC INTER RAO – Electric Power Plants mainly comprise of contractual liabilities in favour of Group E4 on construction of Permskaya GRES (block 4), CJSC Atomstroyexport on construction of energy complex of Yuzhnouralskaya GRES-2 (block 1,2), JSC Technopromexport on construction of energy complex of Cherepetskaya GRES (block 8,9), JSC KubanEnergo for technical connection of Djubginskaya TES and JSC Energy-Service for re-equipment of energy complex of Gusinoozerskaya GRES (block 4).

(in millions of RUR)

31. Commitments (continued)

Investment and capital commitments (continued)

As at 30 June 2013 capital commitments of power generating units of JSC INTER RAO – Electric Power Plants are as follows:

Power generating units	*RUR, million*
Permskaya GRES	19,720
Yuzhno-Uralskaya GRES-2	15,922
Cherepetskaya GRES	1,132
Gusinoozerskaya GRES	558
Djubginskaya TES	194
Kashirskaya GRES	113
Other	17
Total	**37,656**

Guarantees

The Group has the following guarantees as at 30 June 2013:

- Counter-guarantee to BNP Paribas S.A. and then for issuing letters of Guarantee by BNP Paribas S.A in favour of the Buyer In November 2010 the Group entered into Purchase Contract between Bariven, S.A ("Buyer") and JSC Inter RAO ("Seller") for the purpose of sale and purchase of 13 Units of LM2500+G4 Gas Turbine Generator Package. The total amount of the contract is USD 309 million (or RUR 10,107 million at the CB RF exchange rate as of 30 June 2013) with an advance payment of USD 62 million (or RUR 2,028 million at the CB RF exchange rate as of 30 June 2013) against the letter of Guarantee. The price per Unit is USD 24 million (or RUR 785 million at the CB RF exchange rate as of 30 June 2013). As a security for the due performance of Seller's obligations under the Contract BNP Paribas S.A. issued advance letter of Guarantee in the amount of 20% of the Contract price and letters of Guarantee in the amount of 15-30% of the price per Unit or USD 3.5-7 million (or RUR 114-229 million at the CB RF exchange rate as of 30 June 2013) for the total amount of USD 92 million (or RUR 3,009 miilion). All letters of guarantee issued by BNP Paribas S.A in favour of the Buyer. In connection with the letters of Guarantee JSC Inter RAO entered into counter-guarantee agreement with VTB Bank JSC (hereafter referred to as "Bank VTB") in favour of BNP Paribas S.A. The last date of guarantees expire is September 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 4,743 million at the CB RF exchange rate as of 30 June 2013) with an advance payment of 20% of total contract value or USD 29 million (or RUR 949 million at the CB RF exchange rate as of 30 June 2013) against the letter of Guarantee. 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 million (or RUR 229 million at the CB RF exchange rate as of 30 June 2013). Both letters of guarantee issued by Banco PICHINCHA C.A. in favour of the Buyer. 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.
- On 28 December 2009 one of the Group entities RAO Nordic Oy entered into a certain agreements for the purposes of ensuring its operations. The Parent Company issued a financial guarantee to the amount of EUR 95 million (or at the CB RF exchange rate as of 30 June 2013 RUR 4,058 million) with an interest rate equalled to 16%. The Parent Company acted as guarantor under this agreement.
- Guarantees of the Group share RUR 3,670 million of the jointventures contingent liabilities which have been incurred jointly with other investors.

Guarantees given under certain loans and borrowings agreements are disclosed in Note 20.

(in millions of RUR)

31. Commitments (continued)

Guarantees (continued)

Restrictions imposed by the Federal Antimonopoly Service

The Federal Antimonopoly Service of the Russian Federation have been issued a number of restrictions related to acquisition of controlling and non-controlling interests by the Group in 2011 and 2012: trading restrictions related to JSC Tomskenergosbyt, JSC Bashkirenergo, JSC Volga TGC, JSC TGC-6, JSC Mosenergosbyt, JSC Saint-Petersburg Sale Company, JSC Saratovenergo, JSC WGC-3 and restrictions on the right of ownership during four years related to JSC Kubanenergosbyt, JSC Tomskenergosbyt, JSC Bashkirenergo, JSC Volga TGC, JSC TGC-6, JSC Saratovenergo, JSC WGC-3. In compliance with the Federal Antimonopoly Service of the Russian Federation restrictions, at 30 June 2013 the following shares were transferred by the Group for trust management: 19.29% of ordinary shares of JSC Volga TGC, 6.08% of ordinary shares of JSC TGC-6, and 6.28% of total shares of JSC Tomskenergosbyt (31 December 2012: 14.40% of ordinary shares of JSC Volga TGC, 6.08% of ordinary shares of JSC TGC-6, 6.28% of total shares of JSC Tomskenergosbyt). The Group is in compliance with the restrictions of Federal Antimonopoly Service of the Russian Federation as of 30 June 2013 and subsequently.

32. 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.

(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 2 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 all 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.

(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:

	30 June 2013	***31 December 2012***
Subcontractors claims	244	167
Customer's complaints	40	783
	284	**950**

Other than those litigations which have been accrued in the provisions (Note 21) 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 interim financial statements, which would have a material impact on the Group.

(in millions of RUR)

32. Contingencies (continued)

(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 30 June 2013 would be successfully challenged in the amount of RUR 418 million (as at 31 December 2012: RUR 1,138 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 2 billion in 2013 and RUR 3 billion in 2012. 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 2012 the Company 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 Moldova. 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, except 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 22).

(in millions of RUR)

32. Contingencies (continued)

(e) Ownership of transmission lines

Current legislation in Georgia is untested in relation to ownership issues with regard to transmission line objects of real estate property, for example, the land over which one of the Group's entities (JSC Telasi) equipment for the transmission of electricity is located. On further clarification of the law, it is possible that JSC Telasi may be required to acquire ownership of certain land plots or to pay rentals to other parties for the use of certain land plots. JSC "Telasi" uses land plots owned by other parties for access to its network facilities which gives rise to servitude relationships with the owners of the land. Rapidly the changing circumstances in the real estate market of Georgia and certain claims that were raised in 2009 to JSC Telasi indicate that servitude in respect of rights may become chargeable for current and prior periods. 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.

33. Related party transactions

(a) Parent Company and control relationships

The Russian Federation is the ultimate controlling party of JSC Inter RAO UES 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 33 (d).

(b) Transactions with key management personnel

The members of the Management Board own 0.0254% of ordinary shares of JSC Inter RAO as at 30 June 2013 (31 December 2012: 0.0254%).

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 26):

	Six months ended 30 June 2013	*Six months ended 30 June 2012*
Salaries and bonuses	404	491

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").

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*
Options agreement signed in 2012	126,763,437,501	65,583,000,000
Number of options outstanding as at 31 December 2012	126,763,437,501	65,583,000,000
Options distributed during the six months ended 30 June 2013	–	–
Number of options outstanding as at 30 June 2013	126,763,437,501	65,583,000,000

(in millions of RUR)

33. Related party transactions (continued)

(b) Transactions with key management personnel (continued)

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.

	30 June 2013	*31 December 2012*
Weighted average price (RUR)	0,0241	0,0291
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. For the six months ended 30 June 2013 the Group recognised a loss of RUR 45 million within employee benefit expenses in the consolidated interim statement of comprehensive income related to fair value of the options agreements signed (for the six months ended 30 June 2012 the Group recognised a loss in the amount of RUR 371 million).

To implement the Share Option Programme the Company issued interest-free loans to key-management; as at 30 June 2013 discounted amount of the loans equals to RUR 37 million (31 December 2012: RUR 36 million).

(c) Transactions with associates and joint ventures

Detailed list of the Group's joint ventures and associates is disclosed in Note 9. 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.

	Six months ended 30 June 2013	*Six months ended 30 June 2012 (restated)*
Revenue		
Joint ventures	309	192
Associates	–	34
Other operating income		
Joint ventures	4	1
Interest income		
Joint ventures	21	18
Dividend income		
Joint venture	44	32
Associates	–	4
	378	**281**
Purchased power		
Joint ventures	22	28
Associates	–	29
Purchased capacity		
Joint venture	198	319
Associates	–	220
Other expenses		
Joint ventures	656	252
	876	**848**
Capital expenditures		
Joint ventures	3,598	1,921

(in millions of RUR)

33. Related party transactions (continued)

(c) Transactions with associates and joint ventures (continued)

	30 June 2013	*31 December 2012 (restated)*
Accounts receivable		
Joint ventures	1,945	957
Loans issued		
Joint ventures	500	1,151
Accounts payable		
Joint ventures	1,444	344

(d) Transactions with entities controlled by the Russian Federation

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

	Six months ended 30 June 2013	*Six months ended 30 June 2012 (restated)*
Revenue		
Electricity and capacity	98,950	68,546
Other revenues	479	490
Other operating income	229	96
	99,658	**69,132**
Operating expenses		
Purchased power and capacity	30,860	24,356
Transmission fees	74,990	65,929
Fuel expense (gas)	20,514	8,210
Fuel expense (coal)	503	3
Other purchases	23	1
Other expenses	1,741	1,027
	128,631	**99,526**
Capital expenditures	**1,675**	**458**

	Six months ended 30 June 2013	*Six months ended 30 June 2012*
Finance income/(expenses)		
Interest income	715	704
Other finance income	–	126
Dividend income	–	109
Interest expenses	(945)	(938)
Put and Call option agreements (Note 27)	(7,625)	(4,722)
	(7,855)	**(4,721)**

	30 June 2013	*31 December 2012*
Other non-current assets and liabilities		
Long-term derivative financial instruments – liabilities (Note 22)	21,167	13,542

(in millions of RUR)

33. Related party transactions (continued)

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

	30 June 2013	*31 December 2012*
Long-term accounts receivable		
Other account receivables	76	76
Less impairment provision	(76)	(76)
Other receivables – net	–	–
Short-term accounts receivable		
Trade accounts receivable, gross	17,813	15,412
Less impairment provision	(7,598)	(6,164)
Trade receivables – net	**10,215**	**9,248**
Advances issued	175	1,135
Advances issued for capital construction	1,645	4
	707	1,440
	12,742	**11,827**

	30 June 2013	*31 December 2012*
Accounts payable		
Trade accounts payable	14,355	14,391
Payables for capital construction	1,781	1,822
Other accounts payable	709	787
Advances received	1,812	4,114
	18,657	**21,114**

	30 June 2013	*31 December 2012*
Loans and borrowings		
Short-term loans and borrowings	2,965	6,015
Long-term loans and borrowings	21,278	22,748
Interest on loans and borrowings	21	37
	24,264	**28,800**

	30 June 2013	*31 December 2012*
Cash and cash equivalents	**3,707**	**3,197**

	30 June 2013	*31 December 2012*
Other current assets (bank deposits)	**13,684**	**14,442**

	Six months ended 30 June 2013	*Six months ended 30 June 2012*
Financial transactions		
Loans and borrowings received	2,956	1,661
Loans and borrowings repaid	(8,530)	(1,770)
	(5,574)	**(109)**

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.

(in millions of RUR)

33. Related party transactions (continued)

(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, equity investees and joint ventures), for each of the reporting periods are provided below:

	Six months ended 30 June 2013	*Six months ended 30 June 2012*
Revenue		
Electricity and capacity	1,497	1,285
Dividends received	1,018	236
	2,515	**1,521**
Operating expenses		
Purchased electricity and capacity	135	1,295

	30 June 2013	*31 December 2012*
Short-term accounts receivable		
Trade and other accounts receivable	1,056	303
Short-term accounts payable		
Trade and other accounts payable	12	35

	30 June 2013	*31 December 2012*
Loans and borrowings payable		
Long-term loans and borrowings	191	2,484
Short-term loans and borrowings	3,300	1,633
	3,491	**4,117**

	30 June 2013	*31 December 2012*
Cash and cash equivalents		
Cash in bank	6,735	8,641
Short-term bank deposits	–	3,000
	6,735	**11,641**

	Six months ended 30 June 2013	*Six months ended 30 June 2012*
Income and expenses		
Interest expenses	161	106

34. Entities under trust management

The Group held under trust management 100% of voting shares of CJSC Armenian nuclear power station before 29 March 2012. These entities were not consolidated in these consolidated interim financial statements while being in trust management. The Group's transactions with the entities under trust management are disclosed below.

	Six months ended 30 June 2013	*Six months ended 30 June 2012 (restated)*
Revenue		
Electricity and capacity	–	7

	Six months ended 30 June 2013	*Six months ended 30 June 2012 (restated)*
Purchases		
Purchased power and capacity	–	705

(in millions of RUR)

34. Entities under trust management (continued)

	Six months ended 30 June 2013	*Six months ended 30 June 2012 (restated)*
Expenses		
Other operating expenses	–	8

35. Significant subsidiaries

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

	Country of incorporation	*30 June 2013 ownership/voting*	*31 December 2012 ownership/voting*
Trading entities			
RAO Nordic Oy[1]	Finland	100.00%	100.00%
UAB INTER RAO Lietuva[1]	Lithuania	51.00%	51.00%
LLP Kazenergoresurs	Kazakhstan	–	100.00%
Distributing entities			
JSC Telasi	Georgia	75.00%	75.00%
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 (group of companies) (Note 5)	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%
JSC Industrial Energetics	The Russian Federation	51.00%	51.00%
LLC RN – Energo	The Russian Federation	100.00%	100.00%
Generating entities			
Mtkvari Energy LLC	Georgia	100.00%	100.00%
CJSC Moldavskaya GRES	Moldova, 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) (Note 5)	The Russian Federation	100.00%	100.00%
LLC Bashkir Generation Company (Note 5)	The Russian Federation	100.00%	100.00%
LLC Bashkir Heat Distribution (Note 5)	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%	90.00%
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 (Note 5)	The Russian Federation	100.00%	100.00%
JSC United Energy Retailing Company	The Russian Federation	–	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.

(in millions of RUR)

35. 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 six months ended 30 June 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 Saratovenergo*	*JSC Industrial Energetics*	*Other individually immaterial subsidiaries*	*Total*
Non-controlling interest (percentage)	**49,08%**	**49,00%**	**24,89%**	**40,62%**	**43,03%**	**49,00%**		
Non-current assets	6,369	445	8,161	174	130	1	2,616	**17,896**
Current assets	24,161	815	1,296	277	1,310	328	660	**28,847**
Non-current liabilities	(799)	–	(758)	(19)	(22)	–	(1,148)	**(2,746)**
Current liabilities	(24,148)	(704)	(2,079)	(291)	(2,388)	(278)	(993)	**(30,881)**
Net assets	**5,583**	**556**	**6,620**	**141**	**(970)**	**51**	**1,135**	**13,116**
Carrying amount of non-controlling interest at 30 June 2013	**(2,911)**	**(272)**	**(571)**	**(49)**	**173**	**(25)**	**(96)**	**(3,751)**
Revenue	117,597	4,326	2,415	2,046	7,454	2,303	174	**136,315**
(Loss)/profit for the period	(147)	184	(1,106)	(25)	(168)	39	(76)	**(1,299)**
Total comprehensive income for the six months ended 30 June 2013	**(101)**	**184**	**(1,106)**	**(25)**	**(167)**	**39**	**(76)**	**(1,252)**
(Loss)/profit allocated to non-controlling interest	**(22)**	**90**	**(276)**	**(15)**	**(72)**	**19**	**(20)**	**(296)**
Cash flows from operating activities	(1,144)	289	(81)	(74)	(228)	(52)	51	**(1,239)**
Cash flows from investing activities	(391)	16	(173)	(3)	(1)	(152)	17	**(687)**
Cash flows from financing activities before dividends to non-controlling interest	(16)	(118)	(144)	51	219	–	(96)	**(104)**
Net (decrease)/ increasein cash and cash equivalents for the six months ended 30 June 2013	**(1,551)**	**187**	**(398)**	**(26)**	**(10)**	**(204)**	**(28)**	**(2,030)**

(in millions of RUR)

35. 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 six months ended 30 June 2012, including amounts related to both: shareholders and non-controlling interest:

	JSC OGK-1 (group of companies	*JSC WGK-3 (group of companies*	*JSC TGK-11 (group of companies*	*JSC Mosenergosbyt (group of companies)*	*JSC PSK (group of companies*	*UAB INTER RAO Lietuva*	*JSC Telasi*	*JSC Tambov Energy Retailing Company*	*JSC Saratovenergo*	*JSC Industrial Energetics*	*Other individually immaterial subsidiaries*	*Total*
Non-controlling interest (percentage)	**21.99%**	**9.42%**	**15.44%**	**49.08%**	**17.14%**	**49.00%**	**25.00%**	**40.62%**	**43.03%**	**49.00%**		
Non-current assets	55,663	90,737	19,031	5,545	2,655	422	3,684	144	415	1	8,884	**187,181**
Current assets	18,134	33,262	4,187	24,102	8,426	1,108	1,390	450	1,766	933	1,108	**94,866**
Non-current liabilities	(3,077)	(6,885)	(6,293)	(1,134)	(229)	–	(1,812)	(17)	(34)	–	(5,274)	**(24,755)**
Current liabilities	(5,261)	(8,540)	(4,249)	(21,993)	(6,340)	(1,162)	(2,137)	(389)	(2,334)	(819)	(945)	**(54,169)**
Net assets	**65,459**	**108,574**	**12,676**	**6,520**	**4,512**	**368**	**1,125**	**188**	**(187)**	**115**	**3,773**	**203,123**
Carrying amount of non-controlling interest at 30 June 2012	**(5,577)**	**–**	**–**	**(3,290)**	**(525)**	**(180)**	**(434)**	**(81)**	**(163)**	**(57)**	**(198)**	**(10,505)**
Revenue	24,770	21,012	11,263	104,364	31,634	5,093	2,447	1,909	7,634	4,229	1,641	**215,996**
(Loss)/profit for the period	(1,860)	(5,141)	7	1,352	643	353	220	23	172	106	59	**(4,066)**
Total comprehensive income for the six months ended 30 June 2012	**(1,860)**	**(11,211)**	**(4)**	**1,312**	**639**	**353**	**220**	**22**	**172**	**106**	**59**	**(10,192)**
Profit/(loss) allocated to non-controlling interest	**(448)**	**(450)**	**111**	**692**	**152**	**173**	**55**	**22**	**74**	**52**	**63**	**496**
Cash flows from operating activities	2,049	(9,521)	780	(4,616)	(2,187)	357	117	7	(281)	76	149	**(13,070)**
Cash flows from investing activities	329	21,308	(1,219)	(103)	(408)	(41)	(70)	(45)	(5)	(92)	(274)	**19,380**
Cash flows from financing activities before dividends to non-controlling interest	–	1,877	371	(10)	–	(430)	(39)	–	235	–	137	**2,141**
Net increase/(decrease) in cash and cash equivalents for the six months ended 30 June 2012	**2,378**	**13,664**	**(68)**	**(4,729)**	**(2,595)**	**(114)**	**8**	**(38)**	**(51)**	**(16)**	**12**	**8,451**

(in millions of RUR)

36. Events after the reporting period

1. Group structure

(a) Aquisitions

On 5 August 2013 the Group acquired 49.9% share in LLC Kvarz Group and became the 100% owner of this entity. The cash consideration transferred amounted to RUR 280 million.

On 9 August 2013 the Group acquired 46.27% share in JSC Kaskad. The cash consideration transferred amounted to RUR 100 million. JSC Kaskad is a manufacturer of electric meters and other components.

(b) Disposals

On 11 July 2013 the Group signed an agreement for sale of JSC Volga TGK (41.37%) shares and JSC TGK-6 (27.71%) shares for total cash consideration of RUR 22,823 million. On 23 August 2013 the Group sold 33.87% of Volga TGK shares and 27.71% of TGK-6 shares to third parties. The total cash consideration amounted to RUR 19,125 million.

2. Other

On 31 July 2013, the Group signed a short-term facility agreement with JSCB Rosbank at a fixed interest rate 8.35% and equalled to RUR 6,000 million for the purpose of financing operating activity, granting a loans and refinancing of credit facilities granting from other banks. Parent company also signed a guarantee with JSCB Rosbank.

On 1 August 2013, the Group obtained a short-term credit line from CJSC Bank of Tokyo – Mitsubishi UFJ (Eurasia) of up to RUR 2,000 million with an interest rate of up to 12% for the financing operating activity, granting a loans and refinancing of credit facilities granting from other banks. The Parent company also signed a guarantee with CJSC Bank of Tokyo – Mitsubishi UFJ (Eurasia). The funds were received in full at an interest rate of 8.2% on 5 August 2013.

On 19 August 2013 in the course of liquidation of Group's associate Rusia Petroleum, the Group received cash in the amount of RUR 1,115 million.