

**JSC QUADRA –
POWER GENERATION**

**Interim Condensed Consolidated
Financial Information (unaudited)**

for the six months ended 30 June 2012

JSC QUADRA – POWER GENERATION

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated on the independent auditor's report on review of interim condensed consolidated financial information set out on page 2, is made with a view to distinguishing the responsibilities of management and those of the independent auditors in relation to the interim condensed consolidated financial information of Joint Stock Company Quadra – Power Generation (the "Company") and its subsidiaries (the "Group").

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of the Group as at 30 June 2012, and financial performance, cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

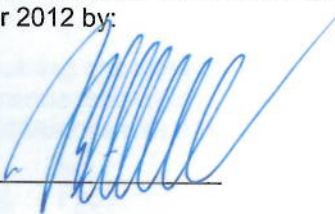
In preparing the interim condensed consolidated financial information, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial information; and
- Preparing the interim condensed consolidated financial information on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- Maintaining statutory accounting records in compliance with the legislation and accounting standards of the Russian Federation;
- Taking steps to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The interim condensed consolidated financial information for the six months ended 30 June 2012 was approved on 12 October 2012 by:



V.V. Shelkov
General Director



I.A. Lapitskaya
Chief Accountant

Tula, Russia
12 October 2012

REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the shareholders of Joint Stock Company Quadra – Power Generation:

Introduction

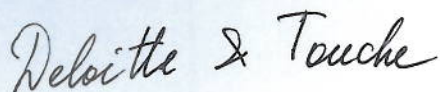
We have reviewed the accompanying interim condensed consolidated statement of financial position of Joint Stock Company Quadra – Power Generation and its subsidiaries (the "Group") as of 30 June 2012 and the related interim condensed consolidated statements of comprehensive income, changes in equity 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 presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated 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 interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.



Moscow, Russia
12 October 2012

JSC QUADRA – POWER GENERATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012 (UNAUDITED) in thousands of Russian Roubles

| | Notes | 30 June 2012 | 31 December 2011 |
|--|-------|-------------------|---------------------|
| ASSETS | | | |
| <i>Non-current assets</i> | | | |
| Property, plant and equipment | 5 | 32,848,654 | 29,710,289 |
| Intangible assets | | 54,821 | 57,097 |
| Investments in associates | | 14,652 | 14,551 |
| Available-for-sale investments | | 36,748 | 44,952 |
| Accounts receivable and advances paid | 6 | 740,625 | 763,265 |
| Deferred tax assets | | 685,695 | 753,869 |
| Other assets | | 15,705 | 11,811 |
| | | 34,396,900 | 31,355,834 |
| <i>Current assets</i> | | | |
| Inventories | 7 | 2,044,932 | 1,703,583 |
| Accounts receivable and advances paid | 6 | 6,120,333 | 6,167,885 |
| Income tax receivable | | 483,901 | 178,875 |
| Cash and cash equivalents | | 163,382 | 412,548 |
| Other assets | | 480 | 629 |
| | | 8,813,028 | 8,463,520 |
| TOTAL ASSETS | | 43,209,928 | 39,819,354 |
| EQUITY AND LIABILITIES | | | |
| <i>Capital and reserves</i> | | | |
| Ordinary shares | 8 | 19,125,056 | 19,125,056 |
| Preferred shares | 8 | 752,729 | 752,729 |
| Share premium | | 10,921,097 | 10,921,097 |
| Merger reserve | | (1,807,993) | (1,807,993) |
| Revaluation reserve for property, plant and equipment | | 3,282,876 | 3,560,611 |
| Revaluation reserve for available-for-sale investments | | 6,604 | 13,167 |
| Accumulated deficit | | (1,582,617) | (2,274,777) |
| Equity attributable to owners of the Company | | 30,697,752 | 30,289,890 |
| Non-controlling interests | | (6,025) | (6,025) |
| TOTAL EQUITY | | 30,691,727 | 30,283,865 |
| <i>Non-current liabilities</i> | | | |
| Loans and borrowings | 9 | 5,423,003 | 1,403,258 |
| Pension liabilities | | 827,020 | 801,941 |
| Deferred tax liabilities | | 919,859 | 730,353 |
| | | 7,169,882 | 2,935,552 |
| <i>Current liabilities</i> | | | |
| Loans and borrowings | 9 | 2,363,364 | 3,500,872 |
| Obligations under finance leases | | 14,810 | 35,102 |
| Accounts payable and accruals | | 2,371,449 | 2,144,642 |
| Provision for legal claims | 10 | 22,775 | 345,476 |
| Income tax payable | | - | 1,979 |
| Other taxes payable | | 575,921 | 571,866 |
| | | 5,348,319 | 6,599,937 |
| TOTAL LIABILITIES | | 12,518,201 | 9,535,489 |
| TOTAL EQUITY AND LIABILITIES | | 43,209,928 | 39,819,354 |

JSC QUADRA – POWER GENERATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED) *in thousands of Russian Roubles*

| | Notes | For the six months ended 30 June 2012 | For the six months ended 30 June 2011 |
|---|-------|---|---|
| Revenue | | | |
| Heat energy | | 10,755,978 | 11,198,285 |
| Electricity and capacity | | 9,733,140 | 10,860,222 |
| Other revenue | | 396,880 | 363,602 |
| Total revenue | | 20,885,998 | 22,422,109 |
| Operating (expenses)/income | | | |
| Fuel | | (11,481,394) | (11,856,461) |
| Staff costs | | (2,699,126) | (2,513,328) |
| Purchase of energy | | (2,165,102) | (2,479,768) |
| Depreciation and amortisation | | (1,542,259) | (1,359,679) |
| Materials and spare parts | | (447,740) | (403,705) |
| Repair and maintenance | | (429,362) | (474,178) |
| Water usage expenses | | (322,281) | (370,070) |
| Taxes, other than income tax | | (247,173) | (290,287) |
| Rent expenses | | (192,087) | (147,559) |
| OREM services | | (176,421) | (164,908) |
| Change in allowance for doubtful receivables | | (131,927) | (572,510) |
| Security services | | (88,939) | (75,703) |
| Reversal of impairment of property, plant and equipment | | 1,589 | 7,766 |
| Change in provision for legal claims | | 292,051 | 5,202 |
| Other operating income | | 105,722 | 22,776 |
| Other operating expenses | | (466,497) | (526,260) |
| Operating profit | | 895,052 | 1,223,437 |
| Interest income | | 1,930 | 30,768 |
| Finance costs, net | | (170,353) | (101,140) |
| Foreign currency (loss)/gain, net | | (4,087) | 35,886 |
| Share of results of associates | | 503 | (2,421) |
| Profit before income tax | | 723,045 | 1,186,530 |
| Income tax expense | | | |
| Current income tax expense | | (35,239) | (120,131) |
| Deferred tax expense | | (259,321) | (159,463) |
| Total income tax expense | | (294,560) | (279,594) |
| PROFIT FOR THE PERIOD | | 428,485 | 906,936 |
| Attributable to: | | | |
| Owners of the Company | | 428,485 | 906,936 |
| Non-controlling interests | | - | - |
| | | 428,485 | 906,936 |
| OTHER COMPREHENSIVE LOSS | | | |
| Loss from revaluation of available-for-sale investments | | (8,204) | (13,831) |
| Attributable income tax | | 1,641 | 2,766 |
| Other comprehensive loss for the period, net of income tax | | (6,563) | (11,065) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 421,922 | 895,871 |
| Attributable to: | | | |
| Owners of the Company | | 421,922 | 895,871 |
| Non-controlling interests | | - | - |
| | | 421,922 | 895,871 |
| EARNINGS PER SHARE | | | |
| Basic and diluted earnings per share | 8 | 0.00022 | 0.00046 |

JSC QUADRA – POWER GENERATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED) *in thousands of Russian Roubles*

| | For the six months ended 30 June 2012 | For the six months ended 30 June 2011 |
|--|---|---|
| OPERATING ACTIVITIES | | |
| Profit before income tax | 723,045 | 1,186,530 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 1,528,724 | 1,349,159 |
| Loss from disposal of property, plant and equipment | 74 | 4,590 |
| Reversal of impairment of property, plant and equipment | (1,589) | (7,766) |
| Amortisation of intangible assets | 13,535 | 10,520 |
| Interest income | (1,930) | (30,768) |
| Finance costs, net | 170,353 | 101,140 |
| Foreign currency (loss)/gain, net | 4,087 | (35,886) |
| Share of results of associates | (503) | 2,421 |
| Change in allowance for doubtful receivables | 131,927 | 572,510 |
| Change in provision for legal claims | (292,051) | (5,202) |
| Other | (29,636) | (8,382) |
| Operating profit before working capital changes | 2,246,036 | 3,138,866 |
| Increase in inventories | (311,860) | (139,898) |
| Increase in accounts receivable and advances paid | (85,513) | (1,637,768) |
| (Increase)/ decrease in other assets | (3,894) | 4,522 |
| Decrease in pension liabilities | (10,297) | (7,055) |
| Increase in accounts payable and accruals | 74,175 | 33,309 |
| Increase/(decrease) in other taxes payable | 4,055 | (348,244) |
| Cash generated from operations | 1,912,702 | 1,043,732 |
| Interest received | 2,462 | 28,422 |
| Interest paid | (236,551) | (109,160) |
| Income tax paid | (342,244) | (903,226) |
| Net cash generated from operating activities | 1,336,369 | 59,768 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (4,422,330) | (2,076,135) |
| Proceeds from disposal of property, plant and equipment | 3,568 | 1,903 |
| Purchase of intangible assets | (11,253) | (7,817) |
| Loans issued | - | (6,950) |
| Net cash used in investing activities | (4,430,015) | (2,088,999) |
| FINANCING ACTIVITIES | | |
| Proceeds from loans and borrowings | 19,958,507 | 17,824,874 |
| Repayments of loans and borrowings | (17,098,998) | (17,902,866) |
| Dividends paid | (17) | - |
| Repayments of finance leases | (20,292) | (18,531) |
| Net cash generated from/(used in) financing activities | 2,839,200 | (96,523) |
| Effect of exchange rates changes on the balance of cash held in foreign currencies | 5,280 | (32) |
| Net decrease in cash and cash equivalents | (249,166) | (2,125,786) |
| Cash and cash equivalents at beginning of the period | 412,548 | 3,713,203 |
| Cash and cash equivalents at end of the period | 163,382 | 1,587,417 |

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)
in thousands of Russian Roubles**

| | Equity attributable to owners of the Company | | | | | | | Total | |
|---|--|------------------|---------------|----------------|---|--|---------------------|---------|---------------------------|
| | Ordinary shares | Preferred shares | Share premium | Merger reserve | Revaluation reserve for property, plant and equipment | Revaluation reserve for available-for-sale investments | Accumulated deficit | | Non-controlling interests |
| Balance at 31 December 2010 | 19,125,056 | 752,729 | 10,921,097 | (1,807,993) | 5,001,763 | 37,557 | (3,942,751) | (6,025) | 30,081,433 |
| Total comprehensive income/(loss) for the period | - | - | - | - | - | (11,065) | 906,936 | - | 895,871 |
| Dividends | - | - | - | - | - | - | (24,248) | - | (24,248) |
| Transfer of realised revaluation reserve for property, plant and equipment to accumulated deficit | - | - | - | - | (511,423) | - | 511,423 | - | - |
| Income tax attributable to transfer | - | - | - | - | 102,285 | - | (102,285) | - | - |
| Balance at 30 June 2011 | 19,125,056 | 752,729 | 10,921,097 | (1,807,993) | 4,592,625 | 26,492 | (2,650,925) | (6,025) | 30,953,056 |
| Balance at 31 December 2011 | 19,125,056 | 752,729 | 10,921,097 | (1,807,993) | 3,560,611 | 13,167 | (2,274,777) | (6,025) | 30,283,865 |
| Total comprehensive income/(loss) for the period | - | - | - | - | - | (6,563) | 428,485 | - | 421,922 |
| Dividends | - | - | - | - | - | - | (14,060) | - | (14,060) |
| Transfer of realised revaluation reserve for property, plant and equipment to accumulated deficit | - | - | - | - | (347,169) | - | 347,169 | - | - |
| Income tax attributable to transfer | - | - | - | - | 69,434 | - | (69,434) | - | - |
| Balance at 30 June 2012 | 19,125,056 | 752,729 | 10,921,097 | (1,807,993) | 3,282,876 | 6,604 | (1,582,617) | (6,025) | 30,691,727 |

JSC QUADRA – POWER GENERATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED) *in thousands of Russian Roubles, unless otherwise stated*

1. GENERAL INFORMATION

Organisation

Open Joint Stock Company Quadra – Power Generation (“Quadra” or the “Company”) was established on 18 April 2005, as a subsidiary of Open Joint Stock Company RAO “UES of Russia” within the framework of Russian electricity sector restructuring.

The principal business activity of the Company and its subsidiaries (the “Group”) is generation and sale of electricity (capacity) and heat energy. The major operational facilities of the Group are located on the territory of the Russian Federation in the following regions: Belgorod, Bryansk, Voronezh, Kaluga, Kursk, Lipetsk, Oryol, Ryazan, Smolensk, Tambov and Tula.

The Company’s registered office is located at: 99v, Timiryazev str., 300012, Tula, Russian Federation.

2. BASIS OF PRESENTATION

Statement of compliance

The interim condensed consolidated financial information for the six months ended 30 June 2012 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”).

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Seasonality

Demand for electricity and heat is influenced by both the seasons of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, although less intense, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and the purchase of power. Furthermore, during the periods of lower production from April to September, there is an increase in the expenditures on repairs and maintenance.

For the twelve months ended 30 June 2012, the Group’s revenue and profit amounted to RUB 38,690,848 thousand (30 June 2011: 39,097,232 thousand) and RUB 400,586 thousand (30 June 2011: RUB 2,575,237 thousand), respectively.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments, estimates and assumptions made by management of the Group and applied in this interim condensed consolidated financial information for the six months ended 30 June 2012 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2011.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

in thousands of Russian Roubles, unless otherwise stated

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011, except for adoption of new and revised International Financial Reporting Standards and Interpretations issued by International Financial Reporting Committee ("IFRIC") that are mandatory for adoption in annual periods beginnings on or after 1 January 2012.

Adoption of revisions and amendments to the Standards and Interpretations did not have any impact on the accounting policies, financial position or performance of the Group.

5. PROPERTY, PLANT AND EQUIPMENT

| | <u>Property, plant and equipment</u> | <u>Construction-in- progress</u> | <u>Total</u> |
|---|--|--------------------------------------|---------------------|
| <i>Cost or valuation</i> | | | |
| Balance at 31 December 2010 | 23,291,615 | 9,219,727 | 32,511,342 |
| Additions | 51,043 | 2,065,848 | 2,116,891 |
| Transfers from construction-in-progress | 3,862,234 | (3,862,234) | - |
| Disposals | (6,009) | (4,037) | (10,046) |
| Balance at 30 June 2011 | 27,198,883 | 7,419,304 | 34,618,187 |
| Balance at 31 December 2011 | 33,267,901 | 8,134,555 | 41,402,456 |
| Additions | 50,424 | 4,618,808 | 4,669,232 |
| Transfers from construction-in-progress | 415,530 | (415,530) | - |
| Disposals | (15,499) | (90) | (15,589) |
| Balance at 30 June 2012 | 33,718,356 | 12,337,743 | 46,056,099 |
| <i>Accumulated depreciation and impairment</i> | | | |
| Balance at 31 December 2010 | (5,008,624) | (547,937) | (5,556,561) |
| Depreciation charge | (1,349,159) | - | (1,349,159) |
| Reclassification of impairment due to transfer from construction in-progress | (63,570) | 63,570 | - |
| Eliminated on disposals | 2,592 | 654 | 3,246 |
| Release of impairment | - | 7,766 | 7,766 |
| Balance at 30 June 2011 | (6,418,761) | (475,947) | (6,894,708) |
| Balance at 31 December 2011 | (11,322,592) | (369,575) | (11,692,167) |
| Reclassification of impairment due to transfer from construction in-progress | (66,285) | 66,285 | - |
| Eliminated on disposals | 11,857 | - | 11,857 |
| Release of impairment | 555 | 1,034 | 1,589 |
| Balance at 30 June 2012 | (12,905,189) | (302,256) | (13,207,445) |
| <i>Carrying value</i> | | | |
| Balance at 31 December 2011 | 21,945,309 | 7,764,980 | 29,710,289 |
| Balance at 30 June 2012 | 20,813,167 | 12,035,487 | 32,848,654 |

As at 30 June 2012, the carrying value of leased property, plant and equipment under finance lease agreements was RUB 92,733 thousand (30 December 2011: RUB 97,830 thousand).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

in thousands of Russian Roubles, unless otherwise stated

6. ACCOUNTS RECEIVABLE AND ADVANCES PAID

| | <u>30 June 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-----------------------------|
| Trade accounts receivable | 8,809,745 | 8,404,359 |
| Other accounts receivable | 71,394 | 122,118 |
| Less: allowance for doubtful receivables | <u>(2,421,667)</u> | <u>(2,303,503)</u> |
| Total financial assets | 6,459,472 | 6,222,974 |
| Advances paid and prepaid expenses | 325,855 | 658,823 |
| VAT reimbursable | 72,833 | 48,100 |
| Other taxes receivable | <u>2,798</u> | <u>1,253</u> |
| Total non-financial assets | 401,486 | 708,176 |
| Total non-current accounts receivable and advances paid | 740,625 | 763,265 |
| Total current accounts receivable and advances paid | 6,120,333 | 6,167,885 |

7. INVENTORIES

| | <u>30 June 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-----------------------------|
| Fuel | 1,126,392 | 1,170,001 |
| Raw materials and spare parts | 626,549 | 332,932 |
| Other inventories | <u>299,944</u> | <u>209,498</u> |
| Total inventories, at cost | 2,052,885 | 1,712,431 |
| Less: allowance for obsolete and slow moving items | <u>(7,953)</u> | <u>(8,848)</u> |
| Total | 2,044,932 | 1,703,583 |

Increase in balance of raw materials, spare parts and other inventories as at 30 June 2012 compared to 31 December 2011 was mostly due to the increased volume of repair and maintenance activities in summer, for which these inventories were required.

8. DIVIDENDS DECLARED AND EARNINGS PER SHARE

Dividends declared

During the six months ended 30 June 2012 and 2011, the Company declared dividends in respect of preferred shares.

| | <u>For the six months ended 30 June 2012</u> | | <u>For the six months ended 30 June 2011</u> | |
|--------------------|--|---------|--|---------|
| | Dividends per share, RUB | Balance | Dividends per share, RUB | Balance |
| Dividends declared | 0.00018678 | 14,060 | 0.00032214 | 24,248 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED) *in thousands of Russian Roubles, unless otherwise stated*

Earnings per share

Earnings per share for the six months ended 30 June 2012 and 2011, were calculated based on weighted average number of the Company's ordinary shares outstanding during respective periods and profit for the period, attributable to owners of the Company and presented as follows:

| | For the six months ended 30 June 2012 | | For the six months ended 30 June 2011 | |
|------------------------|--|------------------------------|--|------------------------------|
| | Per ordinary share, RUB | Per preference share, RUB | Per ordinary share, RUB | Per preference share, RUB |
| Distributed earnings | – | 0.00015 | – | 0.00014 |
| Undistributed earnings | 0.00022 | 0.00007 | 0.00046 | 0.00032 |
| Total | 0.00022 | 0.00022 | 0.00046 | 0.00046 |

9. LOANS AND BORROWINGS

| | 30 June 2012 | | 31 December 2011 | |
|--|--------------|------------------|------------------|------------------|
| | Rate, % | Balance | Rate, % | Balance |
| JSC Sberbank of the Russian Federation | 5.45-9.25 | 5,119,660 | 5.45-8.60 | 1,808,816 |
| JSC Gazpombank | 8.00-11.50 | 2,137,444 | 5.80-9.00 | 2,577,011 |
| JSC Royal Bank of Scotland | 3.50 | 492,254 | 3.50 | 482,942 |
| RUB-denominated Corporate Bonds | – | – | 8.00 | 11,918 |
| Interest payable on loans and borrowings | N/A | 37,009 | N/A | 23,443 |
| | | 7,786,367 | | 4,904,130 |
| Long-term portion of loans and borrowings | | 5,423,003 | | 1,403,258 |
| Current portion repayable in one year and shown under current liabilities | | 2,363,364 | | 3,500,872 |

All bank loans, except for a USD-denominated loan provided by JSC Royal Bank of Scotland, are RUB-denominated and are obtained within credit facilities provided to the Group. Interest rates are fixed for each tranches at set up in credit facility agreements and respective addendums.

Certain bank loans are subject to the restrictive covenants, including but not limited to:

- Maintenance of certain financial ratios (such as EBITDA/Debt);
- Prohibition of issuance of additional Group's promissory notes and debentures without bank pre-approval; and
- Pre-approval of guaranties issued.

All bank loan agreements have accelerated clauses, allowing creditors to request early repayment of outstanding amounts in case of non-compliance with these covenants.

All loans and borrowings were unsecured as at 30 June 2012 and 31 December 2011.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

in thousands of Russian Roubles, unless otherwise stated

10. PROVISION FOR LEGAL CLAIMS

| | 30 June 2012 | 31 December 2011 |
|---|-----------------|---------------------|
| Balance at beginning of the period | 345,476 | 644,385 |
| Additional provision recognised | 6,390 | 24,855 |
| Reversal of previously recognised provision | (298,441) | (323,764) |
| Settled in cash | (30,650) | - |
| Balance at end of the period | 22,775 | 345,476 |

In March 2012, the Group recognised gain on reversal of legal claim provision in the amount of RUB 289,971 thousand based on favourable court decision.

11. RELATED PARTIES

Related parties include shareholders, associates, entities under common ownership and control with the Group and members of key management personnel. The Company and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with related parties. Details of transactions between the Group and other related parties are presented as follows:

| | Sales and other income | | Purchase of goods and services | |
|------------------|---|---|---|---|
| | For the six months ended 30 June 2012 | For the six months ended 30 June 2011 | For the six months ended 30 June 2012 | For the six months ended 30 June 2011 |
| LLC SK Soglasiye | 28 | 2,039 | 66,393 | 60,132 |
| Other | - | 275 | 742 | 808 |
| Total | 28 | 2,314 | 67,135 | 60,940 |

There were no significant outstanding balances with related parties as at 30 June 2012 and 31 December 2011.

12. CAPITAL COMMITMENTS

As at 30 June 2012, the Group's contractual capital commitments amounted to RUB 6,306,925 thousand (31 December 2011: RUB 5,873,460 thousand).

13. SUBSEQUENT EVENTS

Liquidation of Kursk Energya LLC

On 3 August 2012, LLC Kursk Energya, a Group's associate, was liquidated. The carrying value of the Group's investment in LLC Kursk Energya as at 30 June 2012 was RUB 247 thousand.

Credit Agreement with JSC Sberbank

In August 2012, the Group entered into six unsecured credit facility agreements with JSC Sberbank in the amount of RUB 400 thousand each, with interest rates not exceeding 13.0% and maturing in August 2015.

On 7 September 2012, the Group entered into an unsecured credit facility agreement with JSC Sberbank in the total amount of RUB 7,500 million with interest rates varying from 9.65% to 10.56% p.a. and maturing at 6 September 2019.

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in thousands of Russian Roubles, unless otherwise stated

Placement of documentary non-convertible interest-bearing bonds

On 13 June 2012, management of the Group made a decision to place four series of documentary non-convertible interest-bearing stock exchange bonds with a nominal value of RUB 1 thousand per bond maturing in 1,092 days after the placement with early repayment option in the total amount of RUB 17,000 million, which were admitted to trading at JSC Micex Stock Exchange on 3 September 2012.

In addition, on 13 June 2012, management of the Group made a decision to place documentary non-convertible interest-bearing bonds with a nominal value of RUB 1 thousand per bond maturing in 3,640 days after the placement with early repayment option in the total amount of RUB 5,000 million. The offering prospectus was approved by the Federal Service for Financial Markets on 11 October 2012.