OJSC Enel OGK-5

Interim Condensed Consolidated Financial Statements

for the six months ended 30 June 2014 (unaudited)

Contents

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Report on review of the interim condensed consolidated financial statements

To the shareholders and Board of Directors of OJSC Enel OGK-5

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC Enel OGK-5 and its subsidiaries (hereinafter collectively referred to as the "Company"), comprising the interim consolidated statement of financial position as at 30 June 2014, the related interim consolidated statement of comprehensive income for the six month period ended 30 June 2014, the related interim consolidated statements of changes in equity and cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements 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 statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

30 July 2014

Thousands of Russian Roubles, unless otherwise stated

	Note	30 June 2014 (unaudited)	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	5	110,580,878	109,822,570
Intangible assets		536,650	664,120
Available-for-sale financial assets		28,840	28,480
Non-current derivative assets	8	99,620	112,670
Other non-current assets		369,502	367,511
Total non-current assets		**111,615,490**	**110,995,351**
Current assets			
Inventories		3,760,300	3,631,263
Trade and other receivables		7,407,670	8,715,720
Income tax receivable		–	27,739
Current derivative assets	8	631,970	611,648
Cash and cash equivalents	6	2,982,290	8,618,040
Total current assets		**14,782,230**	**21,604,410**
TOTAL ASSETS		**126,397,720**	**132,599,761**
EQUITY AND LIABILITIES			
Equity			
Share capital	7	35,371,898	35,371,898
Share premium		6,818,747	6,818,747
Treasury shares		(411,060)	(411,060)
Fair value reserve	7	4,240	3,950
Hedge reserve	7	139,460	129,580
Retained earnings	7	37,674,515	36,212,889
Total equity attributable to equity holders of OJSC Enel OGK-5		**79,597,800**	**78,126,004**
Non-controlling interest		(31,400)	(22,400)
TOTAL EQUITY		**79,566,400**	**78,103,604**
Non-current liabilities			
Loans and borrowings		20,094,280	20,532,420
Deferred tax liabilities		7,866,910	8,188,585
Employee benefits		3,997,080	3,797,530
Provisions		970,830	903,410
Non-current derivative liabilities	8	–	68,590
Other non-current liabilities		270	270
Total non-current liabilities		**32,929,370**	**33,490,805**
Current liabilities			
Loans and borrowings		2,504,850	7,407,260
Trade and other payables		9,097,391	11,717,698
Current derivative liabilities	8	17,260	–
Other taxes payable		1,604,880	1,190,980
Provisions		677,569	689,414
Total current liabilities		**13,901,950**	**21,005,352**
Total liabilities		**46,831,320**	**54,496,157**
TOTAL EQUITY AND LIABILITIES		**126,397,720**	**132,599,761**

General Director E. Viale

Chief Accountant E.A. Dubtcova

29 July 2014

Открытое акционерное общество «Энел ОГК-5»
Enel
Энел ОГК-5
г. Екатеринбург

The notes on pages 6 to 13 are an integral part of these Interim Condensed Consolidated Financial Statements.

Thousands of Russian Roubles, unless otherwise stated

	Note	For the six months ended 30 June 2014 (unaudited)	For the six months ended 30 June 2013 (unaudited)
Revenue		36,045,850	32,656,000
Operating expenses		(31,053,390)	(28,900,160)
Other operating income		711,089	402,130
Operating profit		**5,703,549**	**4,157,970**
Finance income		236,090	806,550
Finance expenses		(1,626,970)	(2,443,990)
Profit before income tax		**4,312,669**	**2,520,530**
Income tax expense		(883,070)	(515,048)
Profit for the period		**3,429,599**	**2,005,482**
Other comprehensive income			
Other comprehensive income to be reclassified to profit and loss in subsequent periods:			
Net change in the fair value of available-for-sale financial assets		348	(9,680)
Income tax effect		(58)	1,936
		290	**(7,744)**
Fair value change on Cash Flow Hedges	8	12,350	133,646
Income tax effect		(2,470)	(26,729)
		9,880	**106,917**
Net other comprehensive income to be reclassified to profit and loss in subsequent periods		**10,170**	**99,173**
Total comprehensive income for the period		**3,439,769**	**2,104,655**
Profit attributable to:			
Owners of OJSC Enel OGK-5		3,438,599	2,018,012
Non-controlling interest		(9,000)	(12,530)
Total comprehensive income attributable to:			
Owners of OJSC Enel OGK-5		3,448,769	2,117,185
Non-controlling interest		(9,000)	(12,530)
Earnings per ordinary share for profit attributable to the equity holders of OJSC Enel OGK-5 – basic and diluted (in Russian Roubles per share)		**0.0976**	**0.0573**

General Director E. Viale

Chief Accountant E.A. Dubtcova

29 July 2014

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Thousands of Russian Roubles, unless otherwise stated

	Note	For the six months ended 30 June 2014 (unaudited)	For the six months ended 30 June 2013 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**4,312,669**	**2,520,530**
Adjustments for:			
Depreciation and amortisation		3,178,450	3,035,500
Loss/gain on disposal of property, plant and equipment		7,890	(10,650)
Finance income		(236,090)	(806,550)
Finance expenses		1,626,970	2,443,990
Increase in allowance for impairment of trade and other receivables		119,980	1,117,870
Change in other provisions		53,629	–
Adjustments for other non-cash transactions		(21,689)	47,939
Operating cash flows before working capital changes		**9,041,809**	**8,348,629**
Decrease in trade and other receivables		1,540,329	1,140,178
Increase in inventories		(105,322)	(625,458)
Decrease in trade and other payables and prepaid expenses		(2,912,421)	(2,427,748)
Increase in taxes payable, other than income tax		231,750	698,730
Net cash inflows from operating activities before income tax paid		**7,796,145**	**7,134,331**
Income tax paid		(992,609)	(860,200)
Net cash from operating activities		**6,803,536**	**6,274,131**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(6,036,052)	(4,828,178)
Interest received		262,683	41,527
Net cash used in investing activities		**(5,773,369)**	**(4,786,651)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from non-current loans and borrowings		–	1,000,000
Repayment of loans and borrowings		(5,722,450)	(4,640,728)
Other transaction costs		–	(65,473)
Proceeds from derivatives		–	2,585,718
Payment on derivatives		(175,665)	(2,750,867)
Interest paid		(767,802)	(705,770)
Net cash from financing activities		**(6,665,917)**	**(4,577,120)**
Net decrease in cash and cash equivalents		**(5,635,750)**	**(3,089,640)**
Cash and cash equivalents at 1 January	6	**8,618,040**	**5,350,480**
Cash and cash equivalents at 30 June	6	**2,982,290**	**2,260,840**

General Director E. Viale

Chief Accountant E.A. Dubtcova

29 July 2014

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Thousands of Russian Roubles, unless otherwise stated

	Attributable to equity holders of OJSC Enel OGK-5								
	Share capital	Share premium	Treasury shares	Fair value reserve	Hedge reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2013 (restated)	35,371,898	6,818,747	(411,060)	11,680	(30,763)	32,149,211	73,909,713	1,813	73,911,526
Profit/(loss) for the period	–	–	–	–	–	2,018,012	2,018,012	(12,530)	2,005,482
Other comprehensive income									
Fair value change on cash flow hedges, net of tax	–	–	–	–	106,917	–	106,917	–	106,917
Net change in fair value of available-for-sale financial assets, net of tax	–	–	–	(7,744)	–	–	(7,744)	–	(7,744)
Total other comprehensive income/(loss)	–	–	–	(7,744)	106,917	–	99,173	–	99,173
Total comprehensive income/(loss)	–	–	–	(7,744)	106,917	2,018,012	2,117,185	(12,530)	2,104,655
Balance at 30 June 2013 (unaudited)	35,371,898	6,818,747	(411,060)	3,936	76,154	34,167,223	76,026,898	(10,717)	76,016,181
Balance at 1 January 2014	35,371,898	6,818,747	(411,060)	3,950	129,580	36,212,889	78,126,004	(22,400)	78,103,604
Profit/(loss) for the period	–	–	–	–	–	3,438,599	3,438,599	(9,000)	3,429,599
Other comprehensive income									
Fair value change on cash flow hedges, net of tax	–	–	–	–	9,880	–	9,880	–	9,880
Net change in fair value of available-for-sale financial assets, net of tax	–	–	–	290	–	–	290	–	290
Total other comprehensive income/(loss)	–	–	–	290	9,880	–	10,170	–	10,170
Total comprehensive income/(loss)	–	–	–	290	9,880	3,438,599	3,448,769	(9,000)	3,439,769
Distribution of dividends	–	–	–	–	–	(1,976,973)	(1,976,973)	–	(1,976,973)
Balance at 30 June 2014 (unaudited)	35,371,898	6,818,747	(411,060)	4,240	139,460	37,674,515	79,597,800	(31,400)	79,566,400

General Director E. Viale

Chief Accountant E.A. Dubtcova

29 July 2014

The notes on pages 6 to 13 are an integral part of these Interim Condensed Consolidated Financial Statements.

1. BACKGROUND

a) Organisation and operations

Open Joint-Stock Company "Enel OGK-5" (the "Company", previously known as OJSC "The Fifth Generating Company of the Wholesale Electric Power Market") was established on 27 October 2004 within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1254-r adopted by the Government of the Russian Federation on 1 September 2003.

Enel Investment Holding B.V. is a parent company with share in the net assets of the Company amounted to 56.43%. Ultimate parent company is Enel S.p.A., listed on Milan Stock Exchange.

On 11 May 2012 PFR Partners Fund I Limited purchased 9,350,472,893 (26.43%) of voting shares of Enel OGK-5 OJSC from Inter RAO UES OJSC and became minority shareholder of the Company. PFR Partners Fund I Limited is non-public investment fund incorporated in Cyprus.

The Enel OGK-5 Group (the "Group") operates 4 State District Power Plants ("SDPP") and its principal activity is electricity and heat generation. Furthermore, the Company owns:

- a wholly-owned subsidiary LLC "OGK-5 Finance";
- a wholly-owned subsidiary OJSC "Health resort-preventorium "Energetik";
- a wholly-owned subsidiary LLC "Prof-Energo";
- 60% interest subsidiary OJSC "Teploprogress". The State Property Committee of Sredneuralsk holds the remaining 40% ownership interest in OJSC "Teploprogress".

The Company is registered by the Lenin District Inspectorate of the Russian Federation Ministry of Taxation of Yekaterinburg, Sverdlovsk Region. The Company's office is located at bld. 1, 7, Pavlovskaya, 115093, Moscow, Russia.

b) Regulatory environment

The Government of the Russian Federation directly affects the Group's operations through regulation by the Federal Tariff Service ("FTS"), with respect to its wholesale energy sales, and by the Regional Energy Commissions ("RECs") or by the Regional Tariff Services ("RTSs"), with respect to its heat sales. The operations of all generating facilities are coordinated by OJSC "System Operator – the Central Despatch Unit of Unified Energy System" ("SO-CDU") in order to meet system requirements in an efficient manner, SO-CDU is controlled by NP "Administrator of trade system".

Tariffs which the Group may charge for sales of electricity and heat are calculated on the basis of legislative documents, which regulate pricing of heat and electricity. Tariffs are calculated in accordance with the "Cost-Plus" method of indexation. Costs are determined under the Regulations on Accounting and Reporting of the Russian Federation, a basis of accounting which differs from International Financial Reporting Standards ("IFRS").

c) Russian business environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2014 the Russian Government continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. During the first six months of 2014 economic and political instability in Ukraine were increasing. The Company has no assets and operations in Ukraine, so it is not directly influenced by those events. However, there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Company's future consolidated financial position, consolidated results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances, further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

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2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

The Group's interim condensed consolidated financial statements are presented in thousands of Russian rubles ("RR"), unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption, where applicable, of new standards and interpretations effective as of 1 January 2014.

As required by IAS 34, the nature and the effect of these changes are disclosed below.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no material impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognized or reversed during the period. These amendments have no impact to the Group as the Group has not recognized impairment loss for the period.

Several other new standards and amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Seasonality of operations

The Company's operations are not seasonal. Income and expenses are recognized on a straight-line basis throughout the year.

Thousands of Russian Roubles, unless otherwise stated

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

b) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes only.

c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

d) Derivatives

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

5. PROPERTY, PLANT AND EQUIPMENT

a) Acquisitions and disposals

During the six months ended 30 June 2014 the Group acquired assets with a total cost of RR 4,337,345 thousand.

During the six months ended 30 June 2013 the Group acquired assets with a total cost of RR 2,717,742 thousand.

At 30 June 2014 Group's property, plant and equipment includes capital advances in amount of RR 5,116,850 thousand (31 December 2013: 4,536,816 thousand).

During the six months ended 30 June 2014 the Group disposed assets in the amount of RR 548,815 thousand due to Sredneuralskaya GRES CCGT gas turbine failure, which occurred in 2013.

b) Capital commitments

Future capital expenditures for which contracts have been signed amount to RR 6,517,814thousand at 30 June 2014 (31 December 2013: RR 5,661,745 thousand).

6. CASH AND CASH EQUIVALENTS

	30 June 2014	**31 December 2013**
Current accounts	1,143,160	162,425
Call deposits	1,839,130	8,455,615
Total	**2,982,290**	**8,618,040**

The currency of cash and cash equivalents is the Russian Roubles and EUR.

Thousands of Russian Roubles, unless otherwise stated

7. EQUITY

a) Share capital

The Group's share capital as at 30 June 2014 and 31 December 2013 was RR 35,371,898 thousand comprising 35,371,898,370 ordinary shares with a par value of RR 1.00. All shares authorised are issued and fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

c) Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge related to hedged transactions that have not yet occurred.

d) Dividends proposed

On 26 June 2014, the Shareholders' meeting approved the allocation of 40% of the Company's IFRS 2013 net ordinary profit, totalling approximately RR 1.976 billion, to the payment of a 0.0559 RUR / share dividend. The corresponding dividend liability was recognized.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the fair value of the Group's financial assets and liabilities at 30 June 2014 approximates their carrying value.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	30 June 2014	31 December 2013
Derivatives	6.56%-8.18%	6.56%-8.18%
Loans and borrowings	1.75%-8.38%	1.75%-8.38%

The table below provides details regarding the composition of derivative financial assets and liabilities, measured at fair value.

Fair values	30 June 2014	31 December 2013
Currency and interest rate swap	524,515	495,140
Forwards	207,075	229,178
Derivative assets	**731,590**	**724,318**
Currency and interest rate swap	–	(68,590)
Forwards	(17,260)	–
Derivative liabilities	**(17,260)**	**(68,590)**

Swaps measured at fair value through other comprehensive income and are designated as hedging instruments in cash flow hedges of euro denominated borrowings.

These hedges were assessed to be highly effective and net unrealised gains of RR 9,880 thousand, net of deferred tax liability of RR 2,470 thousand are included within other comprehensive income during the period ended 30 June 2014 (6 months ended 30 June 2013: gains of RR 106,917 thousand net of deferred tax liability of RR 26,729 thousand). No significant element of ineffectiveness required recognition in the consolidated income statement.

While the Group also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk, these other contracts are not designated in hedge relationships and are measured at fair value through profit and loss.

Thousands of Russian Roubles, unless otherwise stated

8. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
30 June 2014				
Financial assets measured at fair value				
Available-for-sale financial assets	28,840	–	–	28,840
Forward exchange contracts	–	207,075	–	207,075
Interest rate swaps used for hedging	–	524,515	–	524,515
	28,840	**731,590**	**–**	**760,430**
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	–	–	–
Forward exchange contracts	–	(17,260)	–	(17,260)
	–	**(17,260)**	**–**	**(17,260)**

	Level 1	Level 2	Level 3	Total
31 December 2013				
Financial assets measured at fair value				
Available-for-sale financial assets	28,480	–	–	28,480
Forward exchange contracts	–	229,178	–	229,178
Interest rate swaps used for hedging	–	495,140	–	495,140
	28,480	**724,318**	**–**	**752,798**
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	(68,590)	–	(68,590)
Forward exchange contracts	–	–	–	–
	–	**(68,590)**	**–**	**(68,590)**

There have been no transfers between Level 1 and Level 2 during the period of six months 2014.

9. CONTINGENCIES

(a) Political environment

The operations and earnings of the Group 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.

(b) Insurance

The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed to those risks which are not covered by the existing insurance policies.

9. CONTINGENCIES (continued)

(c) Legal proceedings

The Group was not a party to any significant legal proceedings which, upon final disposition, would have a material adverse effect on the financial position of the Group, except those for which provision has been accrued and recorded in this financial statement

(d) Tax contingency

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by the tax authorities who may impose severe fines, penalties and interest charges. Tax authorities are entitled to conduct field tax audits within three calendar years preceding the year when the tax authorities issue a decision to conduct a field tax audit.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities could differ from the position taken by the company and have effect on these consolidated financial statements. If the tax authorities are successful in enforcing their unfavorable interpretations of the tax legislation, the implications for the company could be significant.

The new Russian transfer pricing legislation, which came into force on 1 January 2012, allows the tax Russian authorit ies to apply transfer pricing adjustments of income and expenses and impose additional corporate income 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, inter alia, transactions performed with related parties and certain types of cross-border transactions.

In 2014 and 2013 the Group determined its tax liabilities arising from “controlled” transactions using actual transaction prices.

Due to the difference in transfer pricing regulations in European countries and Russia and absence of current practice of application of the current Russian transfer pricing legislation, there is a risk that the Russian tax authorities may challenge the level of prices applied by the Group under the “controlled” transactions and accrue additional tax liabilities unless the Group is able to demonstrate the use of market prices with respect to the “controlled” transactions calculated in accordance with Russian transfer pricing regulations, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation.

Overall, management believes that the Group has paid or accrued all taxes that are applicable. For taxes other than corporate income tax, where uncertainty exists, the Group has accrued tax liabilities based on management’s best estimate of the probable outflow of resources, which will be required to settle these liabilities.

(e) Environmental matters

The Group and its predecessor have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its 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. Under the existing legislation, management believes that there are no significant liabilities for environmental damage, except for the land restoration provision. The land restoration provision relates to incremental decommissioning cost associated with future restoration of the underlying ash dump.

Due to the attraction of financing for investment project to construct a new combined cycle gas turbine unit with a capacity of 410 MW at Nevinnomysskaya SDPP, the Company undertook to follow EU environmental standards.

This circumstance above, as well as the fact that the Company is a material subsidiary of the Enel Group, which continues to apply the highest standards with respect to environmental and safety matters, significantly reduce the risks for the Company.

Thousands of Russian Roubles, unless otherwise stated

9. CONTINGENCIES (continued)

(e) Environmental matters (continued)

A provision has been recognized for incremental decommissioning cost associated with future restoration of the underlying ash dump in the amount of RR 151,466 thousand as of 30 June 2014 (as of 31 December 2013: RR 146,486 thousand). Another provision was created in respect of sanitary protection of water and fish sources in the area near Konakovskaya SDPP, which amounts to RR 71,781 thousand as of 30 June 2014 (as of 31 December 2013: RR 73,881 thousand).

(f) Restructuring provision

As at 31 December 2013, a restructuring provision of RR 343,987 thousand had been recognized for the optimization of organizational structure and redundancy of employees. Expenditures of RR 7,919 thousand were charged against the provision during the first six months of 2014.

10. RELATED PARTIES DISCLOSURES

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

In the normal course of business the Group enters into transactions with related parties.

Related parties include shareholders, directors, subsidiaries and companies of Enel Group.

Transactions with Enel Group

For the period ended 30 June 2014 the Group had the following transactions with Enel Group entities:

	For the six months ended	
	30 June 2014	**30 June 2013**
Sale of electricity	295,805	287,949
Other revenue	35,411	42,168
Purchases	(433,821)	(510,273)

As at 30 June 2014 the Group had the following balances with Enel Group entities:

	30 June 2014	**31 December 2013**
Trade and other receivables	350,624	357,925
Advances issued for capital construction	369,394	–
Trade and other payables	(2,525,517)	(2,562,685)

Transactions with other related parties

Transactions with other related parties represent transactions with the pension fund of energy industry (NPF Electroenergetiki).

	For the six months ended	
	30 June 2014	**30 June 2013**
Other expenses	88,052	303,549

As at 30 June 2014 the Group had no balances with other related parties.

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Thousands of Russian Roubles, unless otherwise stated

10. RELATED PARTIES DISCLOSURES (continued)

Transactions with key management personnel (continued)

Total remuneration accrued to the members of the Board of Directors and Management Board for the period ended 30 June 2014 and 2013 was as follows:

	For the six months ended	
	30 June 2014	**30 June 2013**
Remuneration	72,057	42,228

There were no loans provided to key management personnel during six months ended 30 June 2014.

At 30 June 2014 there were 11 members of the Board of Directors and 7 members of the Management Board.

11. EVENTS AFTER THE REPORTING PERIOD

In July 2014 Group paid dividends accrued as of 30 June 2014, in the full amount.