

**RAO ENERGY SYSTEM OF EAST GROUP**

**CONSOLIDATED INTERIM CONDENSED  
FINANCIAL INFORMATION (UNAUDITED),  
PREPARED IN ACCORDANCE WITH IFRS 34**

**AS AT AND FOR THE THREE MONTHS ENDED 31 MARCH 2014**

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**RAO Energy System of East Group**  
**Consolidated Interim Condensed Statement of Financial Position (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)

	Note	31 March 2014	31 December 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	84,551	84,640
Investments in associates		1,107	1,046
Available-for-sale financial assets		357	381
Deferred tax assets		530	500
Other non-current assets		1,323	1,358
<b>Total non-current assets</b>		<b>87,868</b>	<b>87,925</b>
<b>Current assets</b>			
Cash and cash equivalents	7	8,236	7,552
Income tax receivable		171	309
Accounts receivable and prepayments	8	30,077	22,805
Inventories	9	15,604	19,036
Other current assets		8	51
<b>Total current assets</b>		<b>54,096</b>	<b>49,753</b>
<b>TOTAL ASSETS</b>		<b>141,964</b>	<b>137,678</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	22,717	22,717
Treasury shares		(410)	(410)
Revaluation reserve		8,130	8,131
Retained losses and other reserves		(10,027)	(12,775)
<b>Equity attributable to shareholders of parent company</b>		<b>20,410</b>	<b>17,663</b>
Non-controlling interest		12,531	10,617
<b>Total equity</b>		<b>32,941</b>	<b>28,280</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		2,548	2,019
Non-current debt	12	52,932	49,950
Other non-current liabilities	13	7,211	7,222
<b>Total non-current liabilities</b>		<b>62,691</b>	<b>59,191</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	12	15,124	14,724
Accounts payable and accruals	14	24,137	29,953
Current income tax payable		392	53
Other taxes payable	15	6,679	5,477
<b>Total current liabilities</b>		<b>46,332</b>	<b>50,207</b>
<b>Total liabilities</b>		<b>109,023</b>	<b>109,398</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>141,964</b>	<b>137,678</b>

First Deputy General Director – Executive Director

N. L. Zapryagaeva

Deputy Chief Accountant

E. N. Makina

03 July 2014



The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Information

**RAO Energy System of East Group**  
**Consolidated Interim Condensed Income Statement (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)

	Note	Three months ended 31 March 2014	Three months ended 31 March 2013
Revenue	16	44,968	41,917
Government grants	17	3,100	2,776
Expenses	18	(41,284)	(38,736)
<b>Operating profit</b>		<b>6,784</b>	<b>5,957</b>
Finance income	19	187	179
Finance expenses	19	(1,399)	(1,201)
Share of income of associates		61	57
<b>Profit before income tax</b>		<b>5,633</b>	<b>4,992</b>
Total income tax expense	11	(972)	(524)
<b>Profit for the period</b>		<b>4,661</b>	<b>4,468</b>
Attributable to:			
Shareholders of parent company		2,747	2,618
Non-controlling interest		1,914	1,850
Profit per ordinary and preferred share from profit attributable to the shareholders of parent company – basic and diluted (in Russian Rubles per share)	20	0.0616	0.0587
Weighted average number of ordinary shares (in thousands)	20	42,537,972	42,537,972
Weighted average number of preference shares (in thousands)	20	2,075,149	2,075,149

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Information

**RAO Energy System of East Group**  
**Consolidated Interim Condensed Statement of Comprehensive Income (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)

	Three months ended 31 March 2014	Three months ended 31 March 2013
<b>Profit for the period</b>	<b>4,661</b>	<b>4,468</b>
<b>Other comprehensive income, net of tax:</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Change in fair value of available-for-sale financial assets	-	(62)
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>-</b>	<b>(62)</b>
<b>Total comprehensive income for the period</b>	<b>4,661</b>	<b>4,406</b>
Attributable to:		
Shareholders of parent company	2,747	2,584
Non-controlling interest	1,914	1,822

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Information

**RAO Energy System of East Group**  
**Consolidated Interim Condensed Statement of Cash Flows (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)

	Note	Three months ended 31 March 2014	Three months ended 31 March 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		5,633	4,992
Depreciation of property, plant and equipment	19	1,943	1,194
Loss/(profit) from disposal of property, plant and equipment	19	86	(165)
Finance expense, net	20	1,212	1,022
Accrual/(reversal) of impairment of accounts receivable	19	44	(197)
Profit from associates		(61)	(57)
Other expenses/(income)		92	(3)
<b>Operating cash flows before working capital changes and income tax paid</b>		<b>8,949</b>	<b>6,786</b>
Working capital changes:			
Increase in accounts receivable and prepayments		(7,135)	(4,857)
Decrease in inventories		3,359	3,068
Decrease in accounts payable and accruals		(6,269)	(1,610)
Increase in other taxes payable		1,202	1,121
Decrease in other non-current assets		122	33
(Decrease)/increase in other non-current liabilities		(43)	121
Income tax received/(paid)		90	(44)
<b>Net cash generated in operating activity</b>		<b>275</b>	<b>4,618</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(1,574)	(1,872)
Proceeds from sale of property, plant and equipment		9	88
Interest received		81	96
Issue of loans and deposits placed		(8)	(2,538)
Proceeds from issued loans and deposits		24	1,397
<b>Net cash used in investing activity</b>		<b>(1,468)</b>	<b>(2,829)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from debt		14,098	13,768
Repayment of debt		(10,713)	(15,429)
Interest paid		(1,349)	(1,367)
Finance lease payments		(159)	(157)
<b>Net cash generated/(used) in financing activity</b>		<b>1,877</b>	<b>(3,185)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>684</b>	<b>(1,396)</b>
Cash and cash equivalents at the beginning of the period	7	7,552	5,819
Cash and cash equivalents at the end of the period	7	8,236	4,423

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Information

**RAO Energy System of East Group**  
**Consolidated Interim Condensed Statement of Changes in Equity (unaudited)**

(In millions of Russian Rubles unless noted otherwise)

	Share capital	Treasury shares	Available-for-sale financial assets	Revaluation reserve	Revaluation of pension benefit obligations	Retained losses	Total	Non-controlling interest	Total equity
<b>Balance as at 01 January 2013</b>	<b>22,717</b>	<b>(410)</b>	<b>82</b>	<b>8,518</b>	<b>1,150</b>	<b>(16,930)</b>	<b>15,127</b>	<b>8,957</b>	<b>24,084</b>
Profit for the period	-	-	-	-	-	2,618	2,618	1,850	4,468
<i>Other comprehensive income</i>									
Change in fair value of available-for-sale financial assets	-	-	(34)	-	-	-	(34)	(28)	(62)
Total other comprehensive income	-	-	(34)	-	-	-	(34)	(28)	(62)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(34)</b>	<b>-</b>	<b>-</b>	<b>2,618</b>	<b>2,584</b>	<b>1,822</b>	<b>4,406</b>
Transfer of revaluation reserve to retained earnings	-	-	-	(4)	-	4	-	-	-
<b>Balance as at 31 March 2013</b>	<b>22,717</b>	<b>(410)</b>	<b>48</b>	<b>8,514</b>	<b>1,150</b>	<b>(14,308)</b>	<b>17,711</b>	<b>10,779</b>	<b>28,490</b>
<b>Balance as at 01 January 2014</b>	<b>22,717</b>	<b>(410)</b>	<b>-</b>	<b>8,131</b>	<b>1,326</b>	<b>(14,101)</b>	<b>17,663</b>	<b>10,617</b>	<b>28,280</b>
Profit for the period	-	-	-	-	-	2,747	2,747	1,914	4,661
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,747</b>	<b>2,747</b>	<b>1,914</b>	<b>4,661</b>
Transfer of revaluation reserve to retained earnings	-	-	-	(1)	-	1	-	-	-
<b>Balance as at 31 March 2014</b>	<b>22,717</b>	<b>(410)</b>	<b>-</b>	<b>8,130</b>	<b>1,326</b>	<b>(11,353)</b>	<b>20,410</b>	<b>12,531</b>	<b>32,941</b>

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Information

This is an English translation of the Russian original, which is the official version and takes absolute precedence

## RAO Energy System of East Group

### Notes to the Consolidated Interim Condensed Financial Information as at and for the three months ended 31 March 2014 (unaudited)

(in millions of Russian Rubles unless noted otherwise)

#### Note 1. RAO Energy System of East Group and its Operations

The Open Joint Stock Company RAO Energy System of East (hereinafter referred to as "the Company") was established on 1 July 2008 as a result of the final stage of reorganization of Russian Open Joint Stock Company for Energy and Electrification Unified Energy System of Russia (hereinafter referred to as "RAO UES") through a spin-off in accordance with the decision approved by the Extraordinary General Meeting of Shareholders of RAO UES on 26 October 2007. As a result of the reorganization, the Company became a shareholder of a number of energy companies in the Far East region of Russia and a number of energy retail companies and non-core companies that were transferred to the Company according to the separation balance sheet. The consolidated interim condensed financial information presents the financial performance of the Company and its subsidiaries (together referred to as the "Group" or "RAO Energy System of East Group"). The Group's principal subsidiaries are presented in Note 3.

The Company was incorporated and is domiciled in the Russian Federation. The Company was set up in accordance with Russian regulations.

As at 31 March 2014 OJSC RusHydro owns 84.39 percent of the Company (as at 31 December 2013 84.39 percent). The ultimate controlling party is the Russian Federation. Related party transactions are disclosed in Note 5.

The shares of the Company are traded on the Moscow Stock Exchange.

The Group's principal business activities are:

- electricity and heat generation;
- electricity and heat distribution;
- electricity and heat retail;
- electricity wholesale.

The Company's registered office is located at 46, Leningradskaya str., Khabarovsk, Russia, 680021.

The Group operates in the Far East Federal region, which comprises Republic of Sakha (Yakutiya), Kamchatka territory, Primorye territory, Khabarovsk territory, Amur region, Magadan region, Sakhalin region, Evreiskaya autonomous district and Chukotka autonomous district and also in the Khanty-Mansi and Yamalo-Nenets autonomous districts.

**Relations with the State and current regulation.** Many consumers of electricity and heat supplied by the Group are controlled by or affiliated with the Russian Federation. Moreover, the Russian Federation controls a number of fuel suppliers and suppliers of other materials for the Group (Note 5).

The Government affects the Group's operations through:

- tariff regulation within wholesale electricity and capacity as well as retail electricity and heat markets;
- ratification of the Group's investment programs, including volume and sources of their financing, control over their implementation;
- existing antimonopoly regulation.

The Russian Federation directly influences the activities of the Group by regulating the wholesale purchases of electricity via the Federal Tariff Service (hereinafter, "FTS") and the retail sale of electricity, capacity and heat via executive bodies of constituents of the Russian Federation in charge of state price (tariffs) regulation. The activities of generating and grid companies (except operating within technologically isolated territories of electric power system) are operated by OJSC System Operator of the Unified Energy System (hereinafter, "SO UES") to maintain the effective operation of the electricity market.

Tariffs on electricity sold by the Group's energy companies are set by regional regulating authorities based on maximum possible tariffs approved by FTS.

Tariffs on heat sold by the Group's energy companies to all types of consumers are set by regional regulating authorities of the Russian Federation constituents in charge of state tariffs regulation.



## RAO Energy System of East Group

### Notes to the Consolidated Interim Condensed Financial Information as at and for the three months ended 31 March 2014 (unaudited)

(in millions of Russian Rubles unless noted otherwise)

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**Operating environment.** The economy of Russian Federation has some characteristics of an emerging economy. The tax, currency and customs legislation of Russian Federation continues to develop and is subject to varying interpretations (Note 21).

Management determined impairment provisions considering the economic situation and outlook at the end of the reporting period. The Group's assets are tested for impairment using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how probable those future events are. Future economic situation and regulatory environment can differ from existing expectations of management.

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

**Seasonality of business.** The demand for the Group's heat and electricity generation and supply depends on weather conditions and the season. Heat and electricity production by the heat generation assets, is significantly higher in autumn and in winter than in spring and in summer. The seasonal nature of heat and electricity generation has a significant influence on the volume of fuel consumed by heat generation assets and electricity purchased by the Group.

#### Note 2. Summary of significant accounting policies and new accounting pronouncements

**Statement of compliance.** This Consolidated Interim Condensed Financial Information has been prepared in accordance with and complies with IAS 34, Interim Financial Reporting and should be read in conjunction with the annual Consolidated Financial Statements as at and for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

This Consolidated Interim Condensed Financial Information is unaudited and does not contain certain information and disclosures required in annual IFRS financial statements. Disclosures duplicating information included in the annual Consolidated Financial Statements as at and for the year ended 31 December 2013 have been omitted or condensed.

**Accounting policy.** The accounting policies followed in the preparation of this Consolidated Interim Condensed Financial Information are consistent with those applied in the annual Consolidated Financial Statements as at and for the year ended 31 December 2013 except changes described below:

**Reclassifications.** Certain reclassifications have been made to prior period data to conform to the current period presentation. These reclassifications are not material.

**Income tax expense.** Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year.

**Critical accounting estimates and judgements.** The preparation of Consolidated Interim Condensed Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this Consolidated Interim Condensed Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2013 with the exception of changes in estimates that are required in determining the provision for income taxes (Note 11).

**RAO Energy System of East Group****Notes to the Consolidated Interim Condensed Financial Information as at and for the three months ended 31 March 2014 (unaudited)**

(in millions of Russian Rubles unless noted otherwise)

**Note 3. Principal subsidiaries**

All subsidiaries are incorporated and operate in the Russian Federation. The following are the principal subsidiaries as at 31 March 2014 and 31 December 2013:

Name	31 March 2014		31 December 2013	
	Ownership %	Voting %	Ownership %	Voting %
OJSC DEK	51.08	51.13	51.08	51.13
OJSC DGK (subsidiary of OJSC DEK)	51.08	100.00	51.08	100.00
OJSC DRSK (subsidiary of OJSC DEK)	51.08	100.00	51.08	100.00
<b>Isolated energy systems:</b>				
OJSC Kamchatskenergo	98.74	98.74	98.74	98.74
OJSC Magadanenergo	49.00	64.39	49.00	64.39
OJSC Yakutskenergo*	49.37	49.37	49.37	49.37
OJSC Sakhalinenergo	55.55	55.55	55.55	55.55

\* Control is based on the ability to secure a majority of votes on the shareholders meeting.

**Note 4. Segment information**

Operating segments are components of the Group engaged in operations from which they may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Group. The individual financial information of the segments is available and is regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated and the performance of segments' operating activities.

CODM analysed information about the Group in respect of five main reporting segments:

- Segment 1 - OJSC DEK Group's segment (including OJSC DGK, OJSC DRSK and other OJSC DEK subsidiaries) consists of companies that generate electricity and heat and provide transportation, distribution, construction, repair and other services in the Far Eastern region.
- Segment 2 - OJSC Kamchatskenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Kamchatka territory.
- Segment 3 - OJSC Magadanenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Magadan region and Chukotka autonomous district.
- Segment 4 - OJSC Sakhalinenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Sakhalin region.
- Segment 5 - OJSC Yakutskenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Republic of Sakha (Yakutiya).

The Group also includes entities supporting Group's operations which are not considered as separate segment by the CODM due to immaterial quantitative data for reporting periods.

Depreciation of property, plant and equipment of Segment 1 for the three months ended 31 March 2014 includes depreciation of OJSC DRSK. For the three months ended 31 March 2013 depreciation of fixed assets of OJSC DRSK was not charged as OJSC DRSK was classified as disposal group.

Management of operating activities of segments is performed with direct participation of individual segment managers accountable to the CODM. Segment managers on a regular basis submit for approval to the CODM results of operating activities and financial performance of segments. The CODM approves the annual business plan at the level of reportable segments as well as analyses actual financial performance of segments. Management bears responsibility for execution of approved plan and management of operating activities at the level of segments.

The segments' operational results are estimated on the basis of EBITDA, which is calculated as operating profit / loss excluding depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, impairment of available-for-sale financial assets, accounts receivable,

**RAO Energy System of East Group**

**Notes to the Consolidated Interim Condensed Financial Information as at and for the three months ended 31 March 2014 (unaudited)**

(in millions of Russian Rubles unless noted otherwise)

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long-term promissory notes, goodwill and intangible assets, loss on disposal of property, plant and equipment. This method of definition of EBITDA may differ from the methods applied by other companies. CODM believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Company and the Group's subsidiaries, as it reflects the earnings trends without showing the impact of certain charges.

Segment information also contains capital expenditures and the amount of debt as these indicators are analysed by the CODM. Intersegment debt's balances are excluded.

Other information provided to the CODM complies with the information presented in the consolidated financial statements.

Transactions between the operating segments are on normal commercial terms. Sales between segments are carried out as between independent parties.

Segment information as at and for the three months ended 31 March 2014 and 31 March 2013 is presented below:

**RAO Energy System of East Group**  
**Notes to the Consolidated Interim Condensed Financial Information as at and for the three months ended 31 March 2014 (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)

	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Other	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Three month ended 31 March 2014</b>	<b>47,157</b>	<b>3,296</b>	<b>2,865</b>	<b>2,313</b>	<b>10,412</b>	<b>916</b>	<b>66,959</b>	<b>(21,991)</b>	<b>44,968</b>
Revenue									
including:									
from external companies:									
sales of electricity	28,709	3,290	2,743	2,301	7,452	473	44,968	-	44,968
sales of capacity	15,923	1,200	1,549	1,763	5,210	311	25,956	-	25,956
heat sales	975	-	-	-	-	-	975	-	975
other revenue	8,555	2,043	1,150	461	1,538	-	13,747	-	13,747
from intercompany operations	3,256	47	44	77	704	162	4,290	-	4,290
	18,448	6	122	12	2,960	443	21,991	(21,991)	-
Government grants	94	1,086	105	260	1,463	92	3,100		3,100
Expenses									
(excluding depreciation and other non-monetary items)	(41,800)	(3,925)	(3,359)	(1,799)	(9,419)	(772)	(61,074)	21,863	(39,211)
including:									
from intercompany operations	(16,985)	(20)	(92)	(33)	(3,499)	(18)	(20,648)	20,648	-
<b>EBITDA*</b>	<b>5,452</b>	<b>457</b>	<b>(389)</b>	<b>774</b>	<b>2,456</b>	<b>237</b>	<b>8,985</b>	<b>(128)</b>	<b>8,857</b>
Depreciation of property, plant and equipment	(1,214)	(36)	(84)	(226)	(300)	(119)	(1,979)	36	(1,943)
Other non-monetary items	(3)	(78)	83	-	(116)	(16)	(130)	-	(130)
including:									
accrual of impairment for accounts receivable, net	45	(76)	73	-	(70)	(16)	(44)	-	(44)
profit on disposal of property, plant and equipment, net	(48)	(2)	10	-	(46)	-	(86)	-	(86)
<b>Operating profit</b>	<b>4,235</b>	<b>343</b>	<b>(390)</b>	<b>548</b>	<b>2,040</b>	<b>102</b>	<b>6,876</b>	<b>(92)</b>	<b>6,784</b>
Finance income									187
Finance expenses									(1,399)
Share of income of associates									61
<b>Profit before income tax</b>									<b>5,633</b>
Total income tax (expense)/benefit									(972)
<b>Profit for the period</b>									<b>4,661</b>
Capital expenditure	865	30	88	104	384	530	2,002	-	2,002
<b>31 March 2014</b>									
<b>Non-current and current debt</b>	<b>(46,463)</b>	<b>(5,352)</b>	<b>(880)</b>	<b>(4,178)</b>	<b>(6,822)</b>	<b>(4,361)</b>	<b>(68,056)</b>	-	<b>(68,056)</b>

**RAO Energy System of East Group**  
**Notes to the Consolidated Interim Condensed Financial Information as at and for the three months ended 31 March 2014 (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)

	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Other segments	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Three month ended 31 March 2013</b>	<b>45,054</b>	<b>3,129</b>	<b>2,744</b>	<b>2,194</b>	<b>9,210</b>	<b>1,107</b>	<b>63,438</b>	<b>(21,521)</b>	<b>41,917</b>
Revenue									
including:									
from external companies:									
sales of electricity	26,895	3,095	2,619	2,180	6,624	504	41,917	-	41,917
sales of capacity	15,598	1,097	1,443	1,599	4,611	210	24,558	-	24,558
heat sales	591	-	-	-	-	-	591	-	591
other revenue	8,612	1,941	1,133	471	1,298	-	13,455	-	13,455
from intercompany operations	2,094	57	43	110	715	294	3,313	-	3,313
	18,159	34	125	14	2,586	603	21,521	(21,521)	-
Government grants	147	1,078	-	208	1,269	74	2,776	-	2,776
Expenses (excluding depreciation and other non-monetary items)	(41,072)	(3,781)	(3,150)	(1,809)	(8,766)	(792)	(59,370)	21,467	(37,903)
including:									
from intercompany operations	(16,475)	(66)	(94)	(115)	(3,228)	(24)	(20,002)	20,002	-
<b>EBITDA*</b>	<b>4,129</b>	<b>426</b>	<b>(406)</b>	<b>593</b>	<b>1,713</b>	<b>389</b>	<b>6,844</b>	<b>(54)</b>	<b>6,790</b>
Depreciation of property, plant and equipment	(538)	(39)	(35)	(204)	(265)	(117)	(1,198)	4	(1,194)
Other non-monetary items	133	(69)	163	(3)	(57)	(14)	153	209	362
including:									
accrual of impairment for accounts receivable, net	67	(75)	67	(3)	(52)	(16)	(12)	209	197
profit on disposal of property, plant and equipment, net	66	6	96	-	(5)	2	165	-	165
<b>Operating loss</b>	<b>3,724</b>	<b>318</b>	<b>(278)</b>	<b>386</b>	<b>1,391</b>	<b>258</b>	<b>5,799</b>	<b>159</b>	<b>5,957</b>
Finance income									179
Finance expenses									(1,201)
Share income of associates									57
<b>Loss before income tax</b>									<b>4,992</b>
Total income tax (expense)/benefit									(524)
<b>Loss for the period</b>									<b>4,468</b>
Capital expenditure	682	63	159	147	617	379	2,047	-	2,047
<b>31 December 2013</b>									
<b>Non-current and current debt</b>	<b>(43,367)</b>	<b>(4,717)</b>	<b>(890)</b>	<b>(4,248)</b>	<b>(7,106)</b>	<b>(4,346)</b>	<b>(64,674)</b>	-	<b>(64,674)</b>

\* EBITDA is determined as earnings before interest, tax, depreciation and amortisation and increased by the amount of loss (reduced by the amount of income) from revaluation of financial investments and others non-cash items.

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**Note 5. Related party transactions**

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions, as described by IAS 24, *Related Parties Disclosure*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

**Government-related entities.** In the normal course of business the Group enters into transactions with the entities controlled by the Government. The Group had transactions during the three months ended 31 March 2014 and 31 March 2013 and balances outstanding as at 31 March 2014 and 31 December 2013 with the following government-related banks: OJSC Sberbank of Russia, OJSC Gazprombank, OJSC Bank of Moscow etc. (Note 12). Loans are provided at commercial terms.

The Group sells electricity, capacity and heat to government-related entities. Prices for such electricity and capacity sales are based on tariffs set by FTS and Regional Energy Commissions. The Group's sales to government-related entities comprised approximately 31 percent of total sales for the three months ended 31 March 2014 (for the three months ended 31 March 2013: approximately 34 percent). The Group's purchases from government-related entities comprised approximately 28 percent of total expenses on purchased for the three months ended 31 March 2014 (for the three months ended 31 March 2013: approximately 26 percent).

**Transactions with Key management of the Group.** Compensation and bonuses are paid to the members of the Management Board of the Company and the major subsidiaries for their services in full time management positions. The compensation is made up of a contractual salary and performance bonus depending on the results of the work for the period based on key performance indicators. The key performance indicators are approved by the Board of Directors.

Fees, compensation or allowances to the members of the Board of Directors of the Company and the major subsidiaries are paid for attending Board meetings.

Major part of compensation for Key management personnel is generally short-term excluding future payments under pension plans with defined benefits. Defined benefit payments to Key management of the Group are calculated based on the same terms as for the other employees.

Short-term remuneration paid to the key management of the Group for the three months ended 31 March 2014 was RR 115 million (for the three months ended 31 March 2013: RR 82 million).

**Parent company and entities under common control.** In the normal course of business the Group enters into transactions with the OJSC RusHydro and entities under common control.

At 31 March 2014 and at 31 December 2013 the outstanding balances with entities controlled by OJSC RusHydro were as follows:

	31 March 2014	31 December 2013
Trade and other receivables	49	11
Trade and other payables	784	2,059
Current debt and current portion of non-current debt	245	1,430
Non-current debt	23,073	18,613

The income and expense items with entities controlled by OJSC RusHydro:

	Three months ended 31 March 2014	Three months ended 31 March 2013
Other revenue	102	67
Expenses	2,167	2,194
Finance expenses	473	207

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The above balances include the following amounts of transactions and balances with parent company OJSC RusHydro:

	31 March 2014	31 December 2013
Trade and other receivables	3	6
Trade and other payables	570	1,722
Current debt and current portion of non-current debt	245	1,430
Non-current debt	23,073	18,613

The income and expense items with parent company OJSC RusHydro:

	Three months ended 31 March 2014	Three months ended 31 March 2013
Other revenue	3	1
Expenses	2,035	1,709
Finance expenses	473	207

**Associates**

At 31 March 2014 and at 31 December 2013 the outstanding balances with associates were as follows:

	31 March 2014	31 December 2013
Trade and other receivables	301	188
Trade and other payables	1	-

The income and expense items with associates:

	Three months ended 31 March 2014	Three months ended 31 March 2013
Revenue	802	787
Expenses	1	-

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

Movements in the carrying amount of property, plant and equipment were as follows:

Cost	Production buildings	Facilities	Machinery and equipment	Construction in progress	Other	Total
<b>Opening balance as at 1 January 2014</b>	<b>26,473</b>	<b>51,984</b>	<b>48,888</b>	<b>16,996</b>	<b>6,985</b>	<b>151,326</b>
Additions	-	2	60	1,857	83	2,002
Transfers	42	158	253	(479)	26	-
Disposals	(8)	(52)	(52)	(38)	(45)	(195)
<b>Closing balance as at 31 March 2014</b>	<b>26,507</b>	<b>52,092</b>	<b>49,149</b>	<b>18,336</b>	<b>7,049</b>	<b>153,133</b>
<b>Accumulated depreciation (including impairment)</b>						
<b>Opening balance as at 1 January 2014</b>	<b>(11,374)</b>	<b>(25,652)</b>	<b>(24,192)</b>	<b>(2,557)</b>	<b>(2,911)</b>	<b>(66,686)</b>
Depreciation charge	(212)	(689)	(877)	-	(201)	(1,979)
Transfers	(4)	(25)	(5)	35	(1)	-
Disposals	3	21	41	1	17	83
<b>Closing balance as at 31 March 2014</b>	<b>(11,587)</b>	<b>(26,345)</b>	<b>(25,033)</b>	<b>(2,521)</b>	<b>(3,096)</b>	<b>(68,582)</b>
<b>Net book value as at 31 March 2014</b>	<b>14,920</b>	<b>25,747</b>	<b>24,116</b>	<b>15,815</b>	<b>3,953</b>	<b>84,551</b>
<b>Net book value as at 1 January 2014</b>	<b>15,099</b>	<b>26,332</b>	<b>24,696</b>	<b>14,439</b>	<b>4,074</b>	<b>84,640</b>
<b>Opening balance as at 1 January 2013</b>	<b>21,290</b>	<b>29,128</b>	<b>30,788</b>	<b>11,094</b>	<b>5,275</b>	<b>97,575</b>
Additions	5	2	54	1,820	166	2,047
Transfers	48	78	457	(616)	33	-
Disposals	(47)	(16)	(31)	(55)	(26)	(175)
<b>Closing balance as at 31 March 2013</b>	<b>21,296</b>	<b>29,192</b>	<b>31,268</b>	<b>12,243</b>	<b>5,448</b>	<b>99,447</b>
<b>Accumulated depreciation (including impairment)</b>						
<b>Opening balance as at 1 January 2012</b>	<b>(9,158)</b>	<b>(15,578)</b>	<b>(15,946)</b>	<b>(2,619)</b>	<b>(1,910)</b>	<b>(45,211)</b>
Depreciation charge	(152)	(354)	(639)	-	(184)	(1,329)
Transfers	(5)	(13)	(12)	37	(6)	-
Disposals	34	15	31	5	16	101
<b>Closing balance as at 31 March 2013</b>	<b>(9,281)</b>	<b>(15,930)</b>	<b>(16,566)</b>	<b>(2,577)</b>	<b>(2,084)</b>	<b>(46,439)</b>
<b>Net book value as at 31 March 2013</b>	<b>12,015</b>	<b>13,262</b>	<b>14,702</b>	<b>9,665</b>	<b>3,364</b>	<b>53,008</b>
<b>Net book value as at 1 January 2013</b>	<b>12,132</b>	<b>13,550</b>	<b>14,842</b>	<b>8,475</b>	<b>3,365</b>	<b>52,364</b>

The Group leases equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. As at 31 March 2014 the net book value of leased equipment was RR 1,469 million (31 December 2013: RR 1,577 million). The leased equipment is pledged as a security for the lease obligation.



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**Note 7. Cash and cash equivalents**

	31 March 2014	31 December 2013
Cash at bank	4,877	4,462
Deposits less than three month and others cash equivalents	3,341	3,077
Cash in hand	18	13
<b>Total cash and cash equivalents</b>	<b>8,236</b>	<b>7,552</b>

**Note 8. Accounts receivable and prepayments**

	31 March 2014	31 December 2013
Trade receivables (Net of provision for impairment of accounts receivable of RR 7,704 million as at 31 March 2014 and RR 7,747 million as at 31 December 2013)	22,154	16,502
Advances to suppliers and prepayments (Net of provision for impairment of accounts receivable of RR 153 million as at 31 March 2014 and RR 125 million as at 31 December 2013)	4,792	3,197
Value added tax recoverable	1,818	2,049
Other receivables (Net of provision for impairment of accounts receivable of RR 671 million as at 31 March 2014 and RR 606 million as at 31 December 2013)	1,313	1,057
<b>Total accounts receivable and prepayments</b>	<b>30,077</b>	<b>22,805</b>

The Group does not hold any accounts receivable pledged as collateral.

**Note 9. Inventories**

	31 March 2014	31 December 2013
Fuel	9,643	13,326
Materials and supplies	4,694	4,489
Spare parts	1,011	987
Other materials	332	310
<b>Total inventories, gross</b>	<b>15,680</b>	<b>19,112</b>
Provision for inventory obsolescence	(76)	(76)
<b>Total inventories</b>	<b>15,604</b>	<b>19,036</b>

**Note 10. Equity**

	Number of issued and fully paid shares (in thousands)	In thousands of Russian Rubles		
		Ordinary shares	Preference shares	Total share capital
As at 31 December 2013	45,433,972	21,679,411	1,037,575	22,716,986
As at 31 March 2014	45,433,972	21,679,411	1,037,575	22,716,986

Company was established on 1 July 2008 and as at 31 March 2014 and as at 31 December 2013 all Company's shares were fully paid (Note 1).

Nominal value per each share equal 0.5 RR for ordinary share and 0.5 RR for preference share.

**Ordinary shares and preference shares.** The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholders meetings of the Company.

Holders of preference shares are entitled to receive annual dividends. Preference shares are entitled to a minimum annual dividend of 10 percent of net statutory profit of the Company divided by number of shares which constitute 25 percent from equity of the Company on the date of state registration of the Company as

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a legal entity.

The amount of dividends paid on each preference share may not be less than the amount of dividends paid on each ordinary share. If the preferred dividends are not paid or are paid not in full, then the preference shares give their holders the right to vote on all matters within the competence of the general meeting of shareholders, since the meeting following the annual meeting, which, irrespective of the reasons it was decided not to pay dividends or decided on partial payment of preferred dividends. Such a voice is terminated with the first payment of dividends on such shares in full.

**Dividends.** In accordance with Russian legislation the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with RSA. For the three months ended 31 March 2014 the Company had retained income of RR 325 million under RSA, (for the three months ended 31 March 2013 retained loss equalled RR 1,475 million). Dividends were not declared and paid.

**Note 11. Income tax**

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional or one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the three months ended 31 March 2014 was 17 percent (for the three months ended 31 March 2013: 10 percent).

	Three months ended 31 March 2014	Three months ended 31 March 2013
Current income tax expense	(474)	(552)
Deferred income tax (expense)/income	(498)	28
<b>Total income tax expense</b>	<b>(972)</b>	<b>(524)</b>

**Note 12. Current and non-current debt***Non-current borrowings*

	Year of maturity	31 March 2014	31 December 2013
OJSC RusHydro	2014-2021	23,073	18,613
OJSC Sberbank	2014-2018	13,487	15,225
OJSC Bank of Moscow	2014-2015	7,700	7,700
OJSC Bank VTB	2018	4,500	4,500
EBRD	2014-2025	3,743	3,744
OJSC AKB Rosbank	2014-2015	1,058	1,558
OJSC Gazprombank	2014-2016	916	1,997
OJSC Rosselkhozbank	2014-2018	97	103
Other	2014-2036	478	479
Finance lease liabilities		1,571	1,679
<b>Total</b>		<b>56,623</b>	<b>55,598</b>
Less current portion of loans and borrowings		(3,053)	(5,014)
Less current finance lease liabilities		(638)	(634)
<b>Total Non-current borrowings</b>		<b>52,932</b>	<b>49,950</b>

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*Current borrowings*

	31 March 2014	31 December 2013
OJSC AKB Rosbank	3,994	3,413
OJSC Sberbank	3,456	2,240
OJSC Gazprombank	1,753	225
OJSC Bank VTB	947	920
OJSC Rosselkhozbank	275	294
OJSC RusHydro	245	1,430
CJSC Raiffeisenbank	200	-
CJSC AKB Peresvet	189	170
OJSC Asian-Pacific Bank	77	77
Other	297	307
<b>Total</b>	<b>11,433</b>	<b>9,076</b>
Current portion of loans and borrowings	3,053	5,014
Current finance lease liabilities	638	634
<b>Total current borrowings and current part of non-current borrowings</b>	<b>15,124</b>	<b>14,724</b>

Currency of all non-current and current borrowings is Russian Rubles.

**Finance lease liabilities.** Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 2 and 5 years	Total
<b>Minimum lease payments at 31 March 2014</b>	<b>681</b>	<b>1,218</b>	<b>1,899</b>
Less future interest charges	(43)	(285)	(328)
<b>Present value of minimum lease payments at 31 March 2014</b>	<b>638</b>	<b>933</b>	<b>1,571</b>
<b>Minimum lease payments at 31 December 2013</b>	<b>678</b>	<b>1,381</b>	<b>2,059</b>
Less future interest charges	(44)	(336)	(380)
<b>Present value of minimum lease payments at 31 December 2013</b>	<b>634</b>	<b>1,045</b>	<b>1,679</b>

**Note 13. Other non-current liabilities**

	31 March 2014	31 December 2013
Pension benefit obligations	5,792	5,792
Reserve for ash dump	667	693
Other non-current liabilities	752	737
<b>Total other non-current liabilities</b>	<b>7,211</b>	<b>7,222</b>

Other non-current liabilities include non-current advances received under the contracts of technological connection to the grids and others, in the amount of RR 250 million as at 31 March 2014 and RR 224 million as at 31 December 2013 and accounts payable under finance lease-back agreements in the amount of RR 282 million as at both 31 March 2014 and 31 December 2013.

**Note 14. Accounts payable and accruals**

	31 March 2014	31 December 2013
Trade payables	10,900	16,052
Advances received	5,847	7,296
Settlements with personnel	5,494	4,891
Dividends payable	12	12
Other accounts payable	1,884	1,702

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<b>Total accounts payable and accruals</b>	<b>24,137</b>	<b>29,953</b>
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All accounts payable nominated in Russian Rubles.

Payables to suppliers of property, plant and equipment of RR 1,087 million (31 December 2013: RR 1,566 million) included in current accounts payable.

**Note 15. Other taxes payable**

	<b>31 March 2014</b>	<b>31 December 2013</b>
Value added tax	3,883	3,450
Insurance contribution	1,715	1,291
Property tax	697	337
Other taxes	384	399
<b>Total other taxes payable</b>	<b>6,679</b>	<b>5,477</b>

**Note 16. Revenue**

	<b>Three months ended 31 March 2014</b>	<b>Three months ended 31 March 2013</b>
Sales of electricity and capacity	26,931	25,149
Heat and hot water sales	13,747	13,455
Other revenue	4,290	3,313
<b>Total revenue</b>	<b>44,968</b>	<b>41,917</b>

Other revenue mainly includes revenue from transportation of electricity and heat, repair and construction services, technological connection, resale of goods, rentals and communication services.

**Note 17. Government grants**

In accordance with laws about budgets of Far East regions for 2013, 2014 some subsidiaries are entitled to government subsidies, these government subsidies appropriated for compensation of the difference between approved economically viable electricity and heat tariffs and actual reduced tariffs and for compensation of losses on purchased fuel. During the three months ended 31 March 2014 the Group received government subsidies in amount of RR 3,100 million (for the three months ended 31 March 2013 in the amount of RR 2,776 million) in the following subsidised territories: Kamchatka territory, Republic of Sakha (Yakutiya), Magadan region and other Far East regions.

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**Note 18. Expenses**

	Three months ended 31 March 2014	Three months ended 31 March 2013
Fuel expenses	15,094	15,511
Employee benefit expenses (including payroll taxes and pension benefit expenses)	11,501	10,160
Electricity distribution expenses	4,062	3,685
Purchased electricity and capacity	2,587	2,563
Depreciation of property, plant and equipment	1,943	1,194
Other materials	1,275	1,417
Third parties services, including:		
Purchase and transportation of heat power	877	553
Rent	308	308
Security expenses	307	284
Repairs and maintenance	233	278
Consulting, legal and information expenses	230	121
Services of subcontracting companies	212	232
Services of SO-CDU, NP Council Market, CFS	183	174
Transportation expenses	160	194
Agency expenses	84	130
Insurance cost	65	55
Other third parties services	681	835
Taxes other than income tax	504	445
Water usage expenses	450	457
Social charges	92	96
Loss / (profit) on disposal of property, plant and equipment, net	86	(164)
Accrual / (reversal) of impairment for accounts receivable, net	44	(197)
Insurance indemnity	(20)	(4)
Other expenses	326	409
<b>Total expenses</b>	<b>41,284</b>	<b>38,736</b>

**Note 19. Finance income, expenses**

	Three months ended 31 March 2014	Three months ended 31 March 2013
<i>Finance income</i>		
Interest income	93	98
Foreign exchange gain	94	53
Other finance income	-	28
<b>Finance income</b>	<b>187</b>	<b>179</b>
<i>Finance expenses</i>		
Interest expense	(1 316)	(1,135)
Finance lease expense	(51)	(66)
Other finance expenses	(32)	-
<b>Finance expenses</b>	<b>(1 399)</b>	<b>(1,201)</b>

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**Note 20. Earnings per share**

	Three months ended 31 March 2014	Three months ended 31 March 2013
Weighted average number of ordinary shares, in thousands	42,537,972	42,537,972
Weighted average number of preference shares, in thousands	2,075,149	2,075,149
<b>Profit attributable to ordinary and preference shareholders, thousand Russian Rubles</b>	<b>2,747,313</b>	<b>2,617,618</b>
<b>Basic and diluted profit per share for profit from operations attributable to the owners of the Company (in RR per share)</b>	<b>0.0616</b>	<b>0.0587</b>

**Note 21. Contingencies and commitments**

**Political environment.** The operations and earnings of the Group's subsidiaries continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to the environmental protection, in the Russian Federation.

**Legal proceedings.** The Group's subsidiaries are parties to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the position of the Group.

**Tax contingencies.** Russian tax, currency and customs legislation are subject to varying interpretation and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may arise. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

Russian transfer pricing legislation was modified and effective from 1 January 2012. New principles are significantly detailed and have more accordance with international principles developed by Organization for Economic Co-operation and Development (OECD). The new transfer pricing legislation also provides the possibility for tax authorities to impose additional tax liabilities in respect of all controllable transactions (transactions with interdependent parties and some sort of transactions with independent parties), if transactions do not comply with market conditions.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Management believes that as at 31 March 2014 its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

**Environmental matters.** The Group's subsidiaries and their predecessor entities have operated in the utilities 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's subsidiaries 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. The Group recognised environmental provision for land recultivation as at 31 March 2014 and 31 December 2013 (Note 13).

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**Social commitments.** The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services, recreation and other social needs in the geographical areas in which it operates.

**Capital expenditure commitments.** In accordance with separate investment programmes of subsidiaries the Group has to invest RR 64,670 million for the period 2014-2016 for reconstruction of the existing and construction of capacities (RR 77,243 million for the period 2013-2015).

Capital commitments of the Group as at 31 March 2014 are as follows: 2014 year – RR 22,603 million, 2015 year – RR 21,198 million, 2016 year – RR 17,741 million.

Future capital expenditures are mainly related to reconstruction of existed equipment of power plants and grid.

The Government controls Investment programmes execution on a regular basis. Management of the Group plans to finance capital expenditures within Investment programmes both from own and borrowed funds.

Starting from 2013, the Group discloses capital commitments based on the data from Investment programs as this provides more reliable and relevant information in respect of the Group commitments for the acquisition of property, plant and equipment.

**Note 22. Fair value of financial instruments**

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

**a) Recurring fair value measurements**

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 March 2014			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Available-for-sale financial assets	194	-	163	357
<b>Non-financial assets</b>				
Property, plant and equipment (excluding construction in progress, office buildings and land)	-	-	66,450	66,450
<b>Total assets recurring fair value measurements</b>	<b>194</b>	<b>-</b>	<b>66,613</b>	<b>66,807</b>
	31 December 2013			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Available-for-sale financial assets	218	-	163	381
<b>Non-financial assets</b>				
Property, plant and equipment (excluding construction in progress, office buildings and land)	-	-	68,003	68,003
<b>Total assets recurring fair value measurements</b>	<b>218</b>	<b>-</b>	<b>68,166</b>	<b>68,384</b>

The Group had no liabilities measured at fair value as at 31 March 2014 and 31 December 2013.

**RAO Energy System of East Group**

**Notes to the Consolidated Interim Condensed Financial Information as at and for the three months ended 31 March 2014 (unaudited)**

(in millions of Russian Rubles unless noted otherwise)

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***(b) Assets and liabilities not measured at fair value but for which fair value is disclosed***

***Financial assets carried at amortised cost.*** The Group considers that the fair value of cash, short term deposits and accounts receivable approximates their carrying value. The fair value of long term accounts receivable is estimated based on future cash flows expected to be received including expected losses (Level 3 of the fair value hierarchy), the fair value of these assets approximates their carrying value.

***Liabilities carried at amortised cost.*** The fair value of floating rate liabilities approximates their carrying value. The fair value of Eurobonds and Russian bonds is based on quoted market prices (Level 1 of the fair value hierarchy). Fair value of the fixed rate liabilities is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity (Level 3 of the fair value hierarchy). The fair value of liabilities carried at amortised cost approximates their carrying value.

**Note 23. Subsequent events**

At 18 June 2014 annual general meeting of shareholders of OJSC RAO Energy System of East took place. In accordance with the recommendations of the Board of Directors it was decided not to pay dividends for the year ended 31 December 2013.

After the end of the reporting period the Group received cash under credit lines of OJSC Bank VTB in total amount of RR 4,000 million with maturity dates up to 9 January 2015 and annual interest rates from 9.50 to 9.65 percent; OJSC Gazprombank in total amount of RR 3,057 million with maturity dates up to 23 January 2015 and annual interest rate 8.00 percent; OJSC Rosbank in total amount of RR 1,700 million with maturity dates up to 27 April 2015 and annual interest rates from 9.20 to 10.00 percent; OJSC Russian Regional Development Bank in total amount of RR 621 million with maturity dates up to 12 February 2015 and annual interest rate from 9.50 to 9.70 percent.