RAO ENERGY SYSTEM OF EAST GROUP

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

AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2014

CONTENTS

Report on Review of Interim Financial Information

To the Shareholders and Board of Directors of Open Joint Stock Company RAO Energy System of East

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Open Joint Stock Company RAO Energy System of East and its subsidiaries (the "Group") as of 30 June 2014 and the related condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

26 August 2014

Moscow, Russian Federation

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

	Note	30 June 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	6	85,906	84,640
Investments in associates		1,155	1,046
Available-for-sale financial assets		337	381
Deferred tax assets		759	500
Other non-current assets		1,709	1,358
Total non-current assets		**89,866**	**87,925**
Current assets			
Cash and cash equivalents	7	8,438	7,552
Income tax receivable		476	309
Accounts receivable and prepayments	8	29,887	22,805
Inventories	9	17,641	19,036
Other current assets		807	51
Total current assets		**57,249**	**49,753**
TOTAL ASSETS		**147,115**	**137,678**
EQUITY AND LIABILITIES			
Equity			
Share capital	10	22,717	22,717
Treasury shares		(410)	(410)
Revaluation reserve		8,116	8,131
Retained losses and other reserves		(11,887)	(12,775)
Equity attributable to shareholders of parent company		**18,536**	**17,663**
Non-controlling interest		11,180	10,617
Total equity		**29,716**	**28,280**
Non-current liabilities			
Deferred tax liabilities		2,354	2,019
Non-current debt	12	54,211	49,950
Other non-current liabilities	13	7,174	7,222
Total non-current liabilities		**63,739**	**59,191**
Current liabilities			
Current debt and current portion of non-current debt	12	23,260	14,724
Accounts payable and accruals	14	25,521	29,953
Current income tax payable		5	53
Other taxes payable	15	4,874	5,477
Total current liabilities		**53,660**	**50,207**
Total liabilities		**117,399**	**109,398**
TOTAL EQUITY AND LIABILITIES		**147,115**	**137,678**

First Deputy General Director – Executive Director N. L. Zapryagaeva

Chief Accountant Y. G. Medvedeva

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО
ИНН 2801133630
"РАО Энергетические системы Востока"
ОГРН 1087760000052
г. Хабаровск

26 August 2014

	Note	Six months ended 30 June 2014	Six months ended 30 June 2013
Revenue	16	75,054	70,433
Government grants	17	5,607	5,408
Expenses	18	(76,434)	(70,598)
Operating profit		**4,227**	**5,243**
Finance income	19	250	364
Finance expenses	19	(3,145)	(2,659)
Share of income of associates		109	89
Profit before income tax		**1,441**	**3,037**
Total income tax expense	11	(178)	(357)
Profit for the period		**1,263**	**2,680**
Attributable to:			
Shareholders of parent company		780	1,512
Non-controlling interest		483	1,168
Profit per ordinary and preferred share from profit attributable to the shareholders of parent company – basic and diluted (in Russian Rubles per share)	20	0.0175	0.0339
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

(in millions of Russian Rubles unless noted otherwise)

	Six months ended 30 June 2014	Six months ended 30 June 2013
Profit for the period	**1,263**	**2,680**
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss		
Remeasurements of pension benefit obligations	162	303
Total items that will not be reclassified to profit or loss	**162**	**303**
Items that may be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	10	(136)
Total items that may be reclassified subsequently to profit or loss	**10**	**(136)**
Total comprehensive income for the period	**1,435**	**2,847**
Attributable to:		
Shareholders of parent company	873	1,593
Non-controlling interest	562	1,254

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2014	Six months ended 30 June 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**1,441**	**3,037**
Depreciation of property, plant and equipment	18	3,765	2,444
Loss from disposal of property, plant and equipment	18	78	51
Finance expense, net	19	2,895	2,295
Accrual of impairment of accounts receivable	18	618	592
Profit from associates		(109)	(89)
Curtailment in pension plan		-	(1,609)
Other income		(23)	(18)
Operating cash flows before working capital changes, income tax paid and change in other assets and liabilities		**8,665**	**6,703**
Working capital changes:			
Increase in accounts receivable and prepayments		(7,576)	(1,424)
Decrease in inventories		1,332	1,624
Decrease in accounts payable and accruals		(4,627)	(2,038)
Decrease in other taxes payable		(497)	(1,169)
Increase in other non-current assets		(361)	(121)
(Decrease)/increase in other non-current liabilities		(76)	406
Income tax paid		(465)	(507)
Net cash (used in)/generated by operating activity		**(3,605)**	**3,474**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(4,941)	(4,755)
Proceeds from sale of property, plant and equipment		337	106
Interest received		205	192
Issue of loans and deposits placed		(808)	(2,539)
Proceeds from issued loans and deposits		51	3,921
Net cash used in investing activity		**(5,156)**	**(3,075)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt		29,408	34,402
Repayment of debt		(16,609)	(27,657)
Interest paid		(2,837)	(2,682)
Finance lease payments		(315)	(388)
Net cash generated by financing activity		**9,647**	**3,675**
Increase in cash and cash equivalents		**886**	**4,074**
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**	**8,438**	**9,893**

(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 earnings/ (losses)	Total	Non-controlling interest	Total equity
Balance as at 01 January 2013	**22,717**	**(410)**	**82**	**8,518**	**1,150**	**(16,930)**	**15,127**	**8,957**	**24,084**
Profit for the period	-	-	-	-	-	1,512	1,512	1,168	2,680
Change in fair value of available-for-sale financial assets	-	-	(82)	-	-	-	(82)	(54)	(136)
Remeasurements of pension benefit obligations	-	-	-	-	163	-	163	140	303
Total comprehensive income for the period	**-**	**-**	**(82)**	**-**	**163**	**1,512**	**1,593**	**1,254**	**2,847**
Transfer of revaluation reserve to retained earnings	-	-	-	(12)	-	12	-	-	-
Dividends declared	-	-	-	-	-	-	-	(4)	(4)
Balance as at 30 June 2013	**22,717**	**(410)**	**-**	**8,506**	**1,313**	**(15,406)**	**16,720**	**10,207**	**26,927**
Balance as at 01 January 2014	**22,717**	**(410)**	**-**	**8,131**	**1,326**	**(14,101)**	**17,663**	**10,617**	**28,280**
Profit for the period	-	-	-	-	-	780	780	483	1,263
Change in fair value of available-for-sale financial assets	-	-	7	-	-	-	7	3	10
Remeasurements of pension benefit obligations	-	-	-	-	86	-	86	76	162
Total comprehensive income for the period	**-**	**-**	**7**	**-**	**86**	**780**	**873**	**562**	**1,435**
Transfer of revaluation reserve to retain earnings	-	-	-	(15)	-	15	-	-	-
Dividends declared earlier unclaimed up to expiry date	-	-	-	-	-	-	-	1	1
Balance as at 30 June 2014	**22,717**	**(410)**	**7**	**8,116**	**1,412**	**(13,306)**	**18 536**	**11,180**	**29,716**

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 incorporated and is domiciled in the Russian Federation, is a joint responsibility of shareholders in the value of their shares and was incorporated under the laws of the Russian Federation.

As at 30 June 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 Exchange.

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

The Group's principal business activities are:

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

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.

Principal subsidiaries are disclosed in Note 3.

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:

- electricity, capacity and heat tariff regulation;
- ratification of the Company and some of subsidiaries 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.

Operating environment. The economy of the Russian Federation has some characteristics of an emerging economy including relatively high inflation and high interest rates. It is particularly sensitive to oil and gas prices.

The tax, currency and customs legislation of the Russian Federation continues to develop and is subject to varying interpretations. Political and economic instability, observed in the region, including the events happening in Ukraine, have had and may have in future a negative impact on the economy of the Russian Federation as well as weakening of the ruble and difficulty in external borrowing.

The Group has no assets and does not carry out operations in Ukraine, therefore is not directly affected by these events. However, there remains uncertainty about future economic growth, access to capital markets and its cost.

A number of international sanctions, the effect of which is currently difficult to determine, are introduced against the Russian Federation and its official representatives. In addition, there is a threat of additional sanctions. Financial markets are in a state of uncertainty and volatility.

These and other events may have on the Group's business, its future financial position, operating results and business prospects a significant impact, the results of which at the moment, management is not able to predict. Management believes it is taking all 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.

Net cash outflow from operating activity for the six months ended 30 June 2014 comprised RR 3,605 million. The main reasons for negative cash flow from operating activity for interim period are seasonality of Group production and purchasing activity and peculiarities of trade accounts receivable accrual and redemption (Note 8).

The Group manages the liquidity risk of encountering difficulties in meeting its obligations under various scenarios covering both normal and more severe market conditions.

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 for income tax which is accrued in the interim periods using the tax rate that would be applicable to expected total annual profit or loss, and new standards and interpretations effective from 1 January 2014.

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

New standards and interpretations. The Group has adopted all new standards and interpretations that were effective from 1 January 2014. The impact of the adoption of these new standards and interpretations has not been significant with respect to this Condensed Consolidated Interim Financial Information.

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the Consolidated Financial Statements as at and for the year ended 31 December 2013, have been issued but are not effective for the financial year beginning 1 January 2014 and which the Group has not early adopted.

In addition, the following new amendments to standards have been issued in May 2014 and are effective for annual periods beginning 1 January 2016 and which the Group has not early adopted:

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 *(issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).* This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 *(issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).*

In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

IFRS 15, Revenue from Contracts with Customers *(issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017).* The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

IFRS 9, Financial instruments *(issued in 24 July 2014 and effective for the periods beginning on or after 1 January 2018).* Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the amendments on its financial statements

Critical accounting estimates and judgements. The preparation of Condensed Consolidated Interim 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 Condensed Consolidated Interim 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 weighted average annual income tax rate (Note 11) and discounting rate used for calculation of pension obligation (Note 13).

(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 30 June 2014 and 31 December 2013:

	30 June 2014		31 December 2013	
Name	**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
Isolated energy systems:				
OJSC Kamchatskenergo	98.74	98.74	98.74	98.74
OJSC Magadanenergo*	49.00	49.00	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 "Subgroup DEK" - OJSC DEK Group's segment includes OJSC DGK and OJSC DRSK that generate, transport, distribute electricity and heat in Amur region, Khabarovsk territory, Primorye territory and Evreiskaya autonomous district. Other OJSC DEK subsidiaries provide transportation and repair services, modernization and reconstruction of power equipment, and also engaged in the construction of energy facilities and performing service functions.
- Segment "Subgroup Kamchatskenergo" - OJSC Kamchatskenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Kamchatka territory.
- Segment "Subroup Magadanenergo" - 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 "Subgroup Sakhalinenergo" - OJSC Sakhalinenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Sakhalin region.
- Segment "Subgroup Yakutskenergo" - 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 Group DEK for the six months ended 30 June 2014 includes depreciation of OJSC DRSK. For the six months ended 30 June 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.

Starting from year 2013, due to changes in the business planning, management of the Group, responsible for making operating decisions, analyzes the results of the operating segments and other information prepared on the same basis as in the consolidated financial statements in accordance with IFRS. Comparative data for 6 months ended 30 June 2013 were changed to comply with the current presentation.

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, long-term promissory notes, goodwill and intangible assets, loss on disposal of property, plant and equipment, curtailment in pension plan. 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 30 June 2014 and 31 December 2013 and for the six months ended 30 June 2014 and 30 June 2013 is presented below:

(in millions of Russian Rubles unless noted otherwise)

Six month ended 30 June 2014	Subgroup DEK	Subgroup Kamchatskenergo	Subgroup Magadanenergo	Subgroup Sakhalinenergo	Subgroup Yakutskenergo	Other	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	**79,838**	**5,751**	**5,453**	**4,071**	**17,186**	**2,019**	**114,318**	**(39,264)**	**75,054**
including:									
from external companies:	46,895	5,715	5,199	4,050	12,217	978	75,054	-	**75,054**
sales of electricity	27,659	2,224	2,952	3,184	8,874	390	45,283	-	**45,283**
sales of capacity	1,844	-	-	-	-	162	2,006	-	**2,006**
heat sales	11,355	3,405	2,007	692	2,084	-	19,543	-	**19,543**
other revenue	6,037	86	240	174	1,259	426	8,222	-	**8,222**
from intercompany operations	32,943	36	254	21	4,969	1,041	39,264	(39,264)	**-**
Government grants	223	1,990	766	389	2,087	152	5,607	-	**5,607**
Expenses (excluding depreciation and other non-monetary items)	(75,277)	(7,218)	(6,424)	(3,555)	(16,873)	(1,662)	(111,009)	39,036	**(71,973)**
including:									
from intercompany operations	(28,939)	(56)	(208)	(167)	(5,766)	(40)	(35,176)	35,176	**-**
EBITDA	**4,784**	**523**	**(205)**	**905**	**2,400**	**509**	**8,916**	**(228)**	**8,688**
Depreciation of property, plant and equipment	(2,398)	(71)	(122)	(385)	(601)	(245)	(3,822)	57	**(3,765)**
Other non-monetary items	(314)	(210)	53	(2)	(120)	(103)	(696)	-	(696)
including:									
accrual of impairment for accounts receivable, net	(290)	(210)	36	(4)	(137)	(13)	(618)	-	**(618)**
profit on disposal of property, plant and equipment, net	(24)	-	17	2	17	(90)	(78)	-	**(78)**
Operating profit	**2,072**	**242**	**(274)**	**518**	**1,679**	**161**	**4,398**	**(171)**	**4,227**
Finance income									**250**
Finance expenses									**(3,145)**
Share of income of associates									**109**
Profit before income tax									**1,441**
Total income tax expense									**(178)**
Profit for the period									**1,263**
Capital expenditure	**2,476**	**127**	**264**	**402**	**1,076**	**1,361**	**5,706**	**-**	**5,706**
30 June 2014									
Non-current and current debt	**(50,936)**	**(5,659)**	**(1,395)**	**(4,318)**	**(10,300)**	**(4,863)**	**(77,471)**	**-**	**(77,471)**

(in millions of Russian Rubles unless noted otherwise)

Six month ended 30 June 2013	Subgroup DEK	Subgroup Kamchatskenergo	Subgroup Magadanenergo	Subgroup Sakhalinenergo	Subgroup Yakutskenergo	Other	Total segments	Unallocated adjustments and intercompany operations	TOTAL
Revenue	**76,105**	**5,534**	**5,220**	**3,882**	**15,265**	**1,883**	**107,889**	**(37,456)**	**70,433**
including:									
from external companies:	44,240	5,487	4,969	3,840	10,987	910	70,433	-	**70,433**
sales of electricity	27,015	2,041	2,775	2,923	7,878	352	42,984	-	**42,984**
sales of capacity	1,223	-	-	-	-	162	1,385	-	**1,385**
heat sales	11,235	3,354	1,975	718	1,962	-	19,244	-	**19,244**
other revenue	4,767	92	219	199	1,147	396	6,820	-	**6,820**
from intercompany operations	31,865	47	251	42	4,278	973	37,456	(37,456)	**-**
Government grants	207	2,030	944	286	1,813	128	5,408	-	**5,408**
Expenses (excluding depreciation and other non-monetary items)	(73,158)	(6,900)	(6,232)	(3,429)	(15,391)	(1,565)	(106,675)	37,555	**(69,120)**
including:									
from intercompany operations	(28,113)	(76)	(202)	(202)	(5,361)	(49)	(34,003)	34,003	**-**
EBITDA	**3,154**	**664**	**(68)**	**739**	**1,687**	**446**	**6,622**	**99**	**6,721**
Depreciation of property, plant and equipment	(1,310)	(74)	(65)	(331)	(523)	(205)	(2,508)	64	**(2,444)**
Other non-monetary items	1,603	(699)	134	(16)	29	(69)	982	(16)	**966**
including:									
accrual of impairment for accounts receivable, net	37	(690)	57	(18)	35	(13)	(592)	-	**(592)**
curtailment in pension plan	1,609	-	-	-	-	-	1,609	-	**1,609**
profit on disposal of property, plant and equipment, net	(43)	(9)	77	2	(6)	(56)	(35)	(16)	**(51)**
Operating profit	**3,447**	**(109)**	**1**	**392**	**1,193**	**172**	**5,096**	**147**	**5,243**
Finance income									**364**
Finance expenses									**(2,659)**
Share income of associates									**89**
Profit before income tax									**3,037**
Total income tax expense									**(357)**
Profit for the period									**2,680**
Capital expenditure	**1,579**	**145**	**426**	**869**	**1,610**	**617**	**5,246**	**-**	**5,246**
31 December 2013									
Non-current and current debt	**(43,367)**	**(4,717)**	**(890)**	**(4,248)**	**(7,106)**	**(4,346)**	**(64,674)**	**-**	**(64,674)**

(in millions of Russian Rubles unless noted otherwise)

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. 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 six months ended 30 June 2014 and 30 June 2013 and balances outstanding as at 30 June 2014 and 31 December 2013 with a number of government-related banks. 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 35 percent of total sales for the six months ended 30 June 2014 (for the six months ended 30 June 2013: approximately 38 percent). The Group's purchases from government-related entities comprised approximately 25 percent of total expenses on purchased goods and services for the six months ended 30 June 2014 (for the six months ended 30 June 2013: approximately 23 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 six months ended 30 June 2014 was RR 393 million (for the six months ended 30 June 2013: RR 292 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 30 June 2014 and at 31 December 2013 the outstanding balances with entities controlled by OJSC RusHydro were as follows:

	30 June 2014	31 December 2013
Accounts receivable and prepayments	140	11
Accounts payable and accruals	635	1,029
Current debt	-	1,460
Non-current debt	23,416	18,721

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

	Six months ended 30 June 2014	Six months ended 30 June 2013
Other revenue	487	241
Expenses	3,877	3,625
Finance expenses	1,035	408

(in millions of Russian Rubles unless noted otherwise)

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

	30 June 2014	31 December 2013
Accounts receivable and prepayments	3	6
Accounts payable and accruals	395	692
Current debt	-	1,460
Non-current debt	23,416	18,721

The income and expense items with parent company OJSC RusHydro:

	Six months ended 30 June 2014	Six months ended 30 June 2013
Other revenue	2	2
Expenses	2,720	2,683
Finance expenses	1,035	408

Associates. At 30 June 2014 and at 31 December 2013 the outstanding balances with associates were as follows:

	30 June 2014	31 December 2013
Accounts receivable and prepayments	141	188
Accounts payable and accruals	129	-

The income and expense items with associates:

	Six months ended 30 June 2014	Six months ended 30 June 2013
Revenue	1,308	1,272
Expenses	139	13

(in millions of Russian Rubles unless noted otherwise)

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
Opening balance as at 1 January 2014	**26,473**	**51,984**	**48,888**	**16,996**	**6,985**	**151,326**
Additions	42	10	246	5,138	270	5,706
Transfers	557	415	360	(1,358)	26	-
Disposals	(53)	(70)	(141)	(517)	(137)	(918)
Closing balance as at 30 June 2014	**27,019**	**52,339**	**49,353**	**20,259**	**7,144**	**156,114**
Accumulated depreciation (including impairment)						
Opening balance as at 1 January 2014	**(11,374)**	**(25,652)**	**(24,192)**	**(2,557)**	**(2,911)**	**(66,686)**
Depreciation charge	(410)	(1,521)	(1,540)	-	(364)	(3,835)
Transfers	(251)	(63)	(49)	363	-	-
Disposals	22	42	122	3	124	313
Closing balance as at 30 June 2014	**(12,013)**	**(27,194)**	**(25,659)**	**(2,191)**	**(3,151)**	**(70,208)**
Net book value as at 30 June 2014	**15,006**	**25,145**	**23,694**	**18,068**	**3,993**	**85,906**
Net book value as at 1 January 2014	**15,099**	**26,332**	**24,696**	**14,439**	**4,074**	**84,640**
Opening balance as at 1 January 2013	**21,263**	**29,128**	**30,787**	**11,095**	**5,274**	**97,547**
Additions	37	57	163	4,671	318	**5,246**
Transfers	89	530	793	(1,451)	39	**-**
Disposals	(290)	(18)	(38)	(43)	(40)	**(429)**
Closing balance as at 30 June 2013	**21,099**	**29,697**	**31,705**	**14,272**	**5,591**	**102,364**
Accumulated depreciation (including impairment)						
Opening balance as at 1 January 2012	**(9,135)**	**(15,579)**	**(15,942)**	**(2,619)**	**(1,908)**	**(45,183)**
Depreciation charge	(290)	(657)	(1,213)	-	(357)	(2,517)
Transfers	(5)	(69)	(84)	164	(6)	-
Disposals	87	9	22	8	20	146
Closing balance as at 30 June 2013	**(9,343)**	**(16,296)**	**(17,217)**	**(2,447)**	**(2,251)**	**(47,554)**
Net book value as at 30 June 2013	**11,756**	**13,401**	**14,488**	**11,825**	**3,340**	**54,810**
Net book value as at 1 January 2013	**12,128**	**13,549**	**14,845**	**8,476**	**3,366**	**52,364**

Included in the above carrying amount of RR 2,165 million (31 December 2013: RR 2,198 million) represents cost of assets relating to office buildings of the Group which are stated at non-revalued deemed cost.

Impairment as at 30 June 2014. Management of the Group considered the market and economic environment in which the Group operates to assess whether any indicators of property, plant and equipment being impaired existed, or that an impairment loss recognised in prior periods may no longer exist or may have decreased for each reporting date. As a result of this analysis as at 30 June 2014 no such indicators were revealed.

(in millions of Russian Rubles unless noted otherwise)

Note 7. Cash and cash equivalents

	30 June 2014	31 December 2013
Cash at bank	4,449	4,462
Deposits less than three month and others cash equivalents	3,968	3,077
Cash in hand	21	13
Total cash and cash equivalents	**8,438**	**7,552**

Note 8. Accounts receivable and prepayments

	30 June 2014	31 December 2013
Trade receivables	26,547	24,249
Provision for impairment of trade receivables	(8,215)	(7,747)
Trade receivables, net	**18,332**	**16,502**
Other receivables	2,201	1,663
Provision for impairment of other receivables	(664)	(606)
Other receivables, net	**1,537**	**1,057**
Advances to suppliers and prepayments	7,376	3,322
Provision for impairment of advances to suppliers and other prepayments	(164)	(125)
Advances to suppliers and other prepayments, net	**7,212**	**3,197**
Value added tax recoverable	2,806	2,049
Total accounts receivable and advances given	**29,887**	**22,805**

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

Note 9. Inventories

	30 June 2014	31 December 2013
Fuel	10,800	13,326
Materials and supplies	5,339	4,489
Spare parts	1,258	987
Other materials	315	310
Total inventories, gross	**17,712**	**19,112**
Provision for inventory obsolescence	(71)	(76)
Total inventories	**17,641**	**19,036**

Note 10. Equity

Share capital. As at 30 June 2014 and 31 December 2013 share capital of the Company is RR 22,717 million and consists from 43,358,822,914 ordinary shares and 2,075,149,384 preference share with nominal value 0.5 RR each.

Dividends. In accordance with general annual shareholders meeting of the Company for the year ended 31 December 2013 the dividends were not declared and paid. Due to the non-payment of dividends on preferred shares their owners were given voting rights until the first payment of dividends on such shares will be made in full.

(in millions of Russian Rubles unless noted otherwise)

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 six months ended 30 June 2014 was 23 percent (for the six months ended 30 June 2013: 23 percent).

	Six months ended 30 June 2014	Six months ended 30 June 2013
Current income tax expense	(145)	(245)
Deferred income tax (expense)/income	(33)	(112)
Total income tax expense	**(178)**	**(357)**

Note 12. Current and non-current debt

Non-current borrowings

	Year of maturity	30 June 2014	31 December 2013
OJSC RusHydro	2014-2021	23,416	18,721,
OJSC Sberbank	2014-2018	15,486	15,231,
OJSC Bank of Moscow	2015	7,724	7,721,
OJSC Bank VTB	2018	4,521	4,522,
EBRD	2014-2025	4,438	3,814,
OJSC AKB Rosbank	2015-2016	1,792	1,561,
OJSC Gazprombank	2014-2016	1,439	2,000,
OJSC Rosselkhozbank	2014-2018	91	103,
Other	2014-2036	495	495,
Finance lease liabilities		1,439	1,679,
Total		**60,841**	**55,847**
Less current portion of loans and borrowings		(6,009)	(5,263)
Less current finance lease liabilities		(621)	(634)
Total Non-current borrowings		**54,211**	**49,950**

Current borrowings

	30 June 2014	31 December 2013
OJSC AKB Rosbank	6,716	3,416
OJSC Sberbank	3,967	2,244
OJSC Gazprombank	2,529	224
OJSC Bank VTB	2,294	929
PJSC RRDB	472	-
OJSC Rosselkhozbank	220	294
CJSC AKB Peresvet	201	171
OJSC Kamchatkomargoprombank	160	-
OJSC Asian-Pacific Bank	29	77
OJSC Sobinbank	14	-
OJSC RusHydro	-	1,460
Other	28	12
Total	**16,630**	**8,827**
Current portion of loans and borrowings	6,009	5,263
Current finance lease liabilities	621	634
Total current borrowings and current part of non-current borrowings	**23,260**	**14,724**

(in millions of Russian Rubles unless noted otherwise)

OJSC RusHydro. In January 2014 the Group obtained RR 3,530 million under the agreements of loan with OJSC RusHydro to refinance the existing liability of OJSC DRSK, the period for repaying was set to 2025, interest rate Mosprime Rate3m+2.765% was determined.

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

Note 13. Other non-current liabilities

	30 June 2014	31 December 2013
Pension benefit obligations	5,801	5,792
Reserve for ash dump	646	693
Other non-current liabilities	727	737
Total other non-current liabilities	**7,174**	**7,222**

Principal actuarial assumptions at 31 December 2013 and on 30 June 2014 remained unchanged except for the discount rate, which increased from 7.9% as at 31 December 2013 to 8.3% as at 30 June 2014.

Other non-current liabilities include mainly non-current accounts payable under finance lease-back agreements and advances received under the contracts of technological connection to the grids.

Note 14. Accounts payable and accruals

	30 June 2014	31 December 2013
Trade payables	11,757	16,052
Advances received	5,930	7,296
Settlements with personnel	5,166	4,891
Dividends payable	10	12
Other accounts payable	2,658	1,702
Total accounts payable and accruals	**25,521**	**29,953**

All accounts payable nominated in Russian Rubles.

Payables to suppliers of property, plant and equipment of RR 1,356 million (31 December 2013: RR 1,566 million) included in current accounts payable.

Note 15. Other taxes payable

	30 June 2014	31 December 2013
Value added tax	2,328	3,450
Insurance contribution	1,672	1,291
Property tax	463	337
Other taxes	411	399
Total other taxes payable	**4,874**	**5,477**

Note 16. Revenue

	Six months ended 30 June 2014	Six months ended 30 June 2013
Sales of electricity and capacity	47,289	44,369
Heat and hot water sales	19,543	19,244
Other revenue	8,222	6,820
Total revenue	**75,054**	**70,433**

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

(in millions of Russian Rubles unless noted otherwise)

Note 17. Government grants

In accordance with law 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 six months ended 30 June 2014 the Group received government subsidies in amount of RR 5,607 million (for the six months ended 30 June 2013 in the amount of RR 5,408 million) in the following subsidised territories: Kamchatka territory, Republic of Sakha (Yakutiya), Magadan region and other Far East regions.

Note 18. Expenses

	Six months ended 30 June 2014	**Six months ended 30 June 2013**
Fuel expenses	24,074	24,332
Employee benefit expenses (including payroll taxes and pension benefit expenses)	23,042	20,295
Electricity distribution expenses	7,321	6,446
Purchased electricity and capacity	4,615	4,766
Depreciation of property, plant and equipment	3,765	2,444
Other materials	3,053	3,257
Third parties services, including:		
Purchase and transportation of heat power	1,510	1,476
Repairs and maintenance	766	804
Rent	583	620
Security expenses	578	570
Services of subcontracting companies	481	1,252
Transportation expenses	399	421
Consulting, legal and information expenses	396	291
Services of SO-CDU, NP Council Market, CFS	360	340
Agency expenses	297	261
Insurance cost	155	105
Other third parties services	1,203	1,094
Taxes other than on income	1,028	932
Water usage expenses	889	894
Accrual of impairment for accounts receivable, net	618	592
Social charges	359	202
Purchase of oil products for sale	243	113
Loss on disposal of property, plant and equipment, net	78	51
Insurance indemnity	(28)	(9)
Curtailment in pension plan	-	(1,609)
Other expenses	649	658
Total expenses	**76,434**	**70,598**

Note 19. Finance income, expenses

	Six months ended 30 June 2014	Six months ended 30 June 2013
Finance income		
Interest income	222	186
Foreign exchange gain, net	28	175
Other finance income	-	3
Finance income	**250**	**364**
Finance expenses		
Interest expense	(2,721)	(2,257)
Finance lease expense	(76)	(149)
Other finance expenses	(348)	(253)
Finance expenses	**(3,145)**	**(2,659)**

Note 20. Earnings per share

	Six months ended 30 June 2014	Six months ended 30 June 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
Profit attributable to ordinary and preference shareholders, thousand Russian Rubles	**780,027**	**1,512,090**
Basic and diluted profit per share for profit from operations attributable to the owners of the Company (in RR per share)	**0.0175**	**0.0339**

Note 21. Contingencies and commitments

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.

Management believes that as at 30 June 2014 its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

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.

During the six months ended 30 June 2014 Group companies have been carrying out controlled transactions and transactions that are highly likely to be recognized as such by the end of the period.

Management believes that the prices used by the Group companies in the first half of 2014 and the preceding years, correspond to the market level, and it has implemented internal control procedures for the implementation of new regulations on transfer pricing.

Due to the specifics of Russian transfer pricing rules the impact of any challenge by tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

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 30 June 2014 and 31 December 2013. The amount of environmental provision as at 30 June 2014 RR 660 million, including short term part RR 14 million (RR 693 million as at 31 December 2013, including short term part RR nil million) Note 13, 14.

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.

Capital commitments of the Group as at 30 June 2014 are RR 56,047 million, including 2014 year – RR 17,108 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.

Note 22. Financial instruments and financial risk management

Financial risks. The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department or in any risk management policies since the year end.

(in millions of Russian Rubles unless noted otherwise)

Presentation of financial instruments by measurement category. The following table provides a reconciliation of classes of financial assets with the measurement categories of IAS 39, Financial Instruments: Recognition and Measurement as at 30 June 2014 and 31 December 2013:

	Loans and receivables	Available-for-sale financial assets	Total
30 June 2014			
Assets			
Other non-current assets	**379**	**-**	**379**
Non-current accounts receivable	379	-	379
Available-for-sale financial assets	**-**	**337**	**337**
Trade and other receivables (Note 8)	**38,865**	**-**	**38,865**
Trade receivables	18,332	-	18,332
Other receivables	20,533	-	20,533
Other current assets	**800**	**-**	**800**
Current deposits	800	**-**	800
Cash and cash equivalents (Note 7)	**8,438**	**-**	**8,438**
Total financial assets	**48,482**	**337**	**48,819**
Total non-financial assets			**98,296**
Total assets			**147,115**
31 December 2013			
Assets			
Other non-current assets	**366**	**-**	**366**
Non-current accounts receivable	366	-	366
Available-for-sale financial assets	**-**	**381**	**381**
Trade and other receivables (Note 8)	**17,559**	**-**	**17,559**
Trade receivables	16,502	-	16,502
Other receivables	1,057	-	1,057
Other current assets	**13**	**-**	**13**
Current deposits	13	**-**	13
Cash and cash equivalents (Note 7)	**7,552**	**-**	**7,552**
Total financial assets	**25,490**	**381**	**25,871**
Total non-financial assets			**111,807**
Total assets			**137,678**

All of the Group's financial liabilities are carried at amortised cost. Financial liabilities represented mainly by current and non-current debt (Note 12), trade payables and other accounts payable (Note 14).

Note 23. Fair value of assets and liabilities

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.

(in millions of Russian Rubles unless noted otherwise)

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

30 June 2014

	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	179	-	158	**337**
Non-financial assets				
Property, plant and equipment (excluding construction in progress, office buildings and land)	**-**	**-**	65,673	**65,673**
Total assets recurring fair value measurements	**179**	**-**	**65,831**	**66,010**

31 December 2013

	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	218	-	163	**381**
Non-financial assets				
Property, plant and equipment (excluding construction in progress, office buildings and land)	**-**	**-**	68,003	**68,003**
Total assets recurring fair value measurements	**218**	**-**	**68,166**	**68,384**

The Group had no liabilities measured at fair value as at 30 June 2014 and 31 December 2013.

There were no changes in valuation techniques, inputs and assumptions for recurring fair value measurements during the six months ended 30 June 2014.

(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. 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 24. Subsequent events

After the end of the reporting period the Group has concluded loan agreements (including those on credit lines) with commercial banks. The agreements were concluded with OJSC AKB Rosbank in total amount of RR 3,649 million with annual interest rates of 9.80-11.10 percent; OJSC Gazprombank in total amount of RR 2,191 million with annual interest rates of 11.00-11.20 percent; OJSC Sberbank in total amount of RR 860 million with annual interest rate of 10.40-11.06 percent.