RAO ENERGY SYSTEM OF EAST GROUP

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2012

Report on Review of consolidated interim condensed financial information

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

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Open Joint Stock Company RAO Energy System of East and its subsidiaries (the "Group") as at 30 June 2012 and the related consolidated interim condensed income statement, statements of comprehensive income, cash flows and changes in equity for the six months then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Conclusion

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

ZAO PricewaterhouseCoopers Audit

16 October 2012

Moscow, Russian Federation

Consolidated Interim Condensed Statement of Financial Position as at 30 June 2012 (unaudited)

(in millions of Russian Rubles unless noted otherwise)

		30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	6	50,953	49,671
Investments in associates		958	947
Available-for-sale financial assets	7	644	785
Deferred tax assets		133	180
Other non-current assets	8	1,003	839
Total non-current assets		**53,691**	**52,422**
Current assets			
Cash and cash equivalents	9	8,250	4,330
Accounts receivable and prepayments	10	21,947	22,623
Inventories	11	14,725	16,188
Other current assets	12	3,498	6,875
Total current assets		**48,420**	**50,016**
Assets of disposal group classified as held for sale	13	27,176	27,873
TOTAL ASSETS		**129,287**	**130,311**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	22,717	21,558
Treasury shares	14	(410)	-
Revaluation reserve		9,983	10,394
Retained losses and other reserves		(17,389)	(14,422)
Equity attributable to shareholders of OJSC RAO Energy System of East		**14,901**	**17,530**
Non-controlling interest		8,307	11,637
Total equity		**23,208**	**29,167**
Non-current liabilities			
Deferred tax liabilities		3,610	4,087
Non-current debt	16	22,007	34,102
Other non-current liabilities	17	9,862	9,246
Total non-current liabilities		**35,479**	**47,435**
Current liabilities			
Current debt and current portion of non-current debt	16	35,726	18,061
Accounts payable and accruals	18	17,259	18,059
Current income tax payable		13	245
Other taxes payable	19	3,426	4,251
Total current liabilities		**56,424**	**40,616**
Liabilities of disposal group classified as held for sale	13	14,176	13,093
Total liabilities		**106,079**	**101,144**
TOTAL EQUITY AND LIABILITIES		**129,287**	**130,311**

General Director — S. N. Tolstoguzov

Chief Accountant — A. P. Vaynilavichute

Открытое акционерное общество «РАО Энергетические системы Востока» г. Благовещенск

16 October 2012

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Revenue	20	67,190	64,948
Government grants	21	5,367	4,147
Expenses	22	(72,201)	(61,785)
Loss on disposal group remeasurement and impairment of property, plant and equipment	6,13	(4,953)	(17,999)
Operating loss		**(4,597)**	**(10,689)**
Finance income	23	404	373
Finance expenses	23	(2,443)	(2,021)
Share of income of associates		12	3
Loss before income tax		**(6,624)**	**(12,334)**
Total income tax benefit	15	785	2,909
Loss for the period		**(5,839)**	**(9,425)**
Attributable to:			
Shareholders of OJSC RAO Energy System of East		(2,943)	(4,606)
Non-controlling interest		(2,896)	(4,819)
Loss per share from loss attributable to the shareholders of OJSC RAO Energy System of East – basic and diluted (in Russian Rubles per share)	24	**(0.0655)**	**(0.1068)**
Weighted average number of ordinary shares (in thousands)	24	42,885,168	41,041,754
Weighted average number of preference shares (in thousands)	24	2,075,149	2,075,149

General Director — S. N. Tolstoguzov

Chief Accountant — A. P. Vaynilavichute

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «РАО Энергетические системы Востока» г. Благовещенск

16 October 2012

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Loss for the period		**(5,839)**	**(9,425)**
Other comprehensive income, net of tax:			
Change in fair value of available-for-sale financial assets, net of tax		(130)	(26)
Revaluation of property, plant and equipment, net of tax		(715)	21,011
Total comprehensive income for the period		**(6,684)**	**11,560**
Attributable to:			
Shareholders of OJSC RAO Energy System of East		(3,378)	5,920
Non-controlling interest		(3,306)	5,640

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Chief Accountant — A. P. Vaynilavichute

Открытое акционерное общество «РАО Энергетические системы Востока» * г. Благовещенск *

16 October 2012

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before income tax		**(6,624)**	**(12,334)**
Depreciation of property, plant and equipment	22	2,399	3,401
Loss on disposal group remeasurement and impairment of property, plant and equipment	6, 13	4,953	17,999
Income on disposal of property, plant and equipment	22	(103)	(329)
Finance cost, net	23	2,039	1,648
Accrual / (reversal) of impairment of accounts receivable	22	2,908	(2,059)
Other expenses / (income)		13	(19)
Operating cash flows before working capital changes and income tax paid		**5,585**	**8,307**
Working capital changes:			
Increase in accounts receivable and prepayments		(1,593)	(4,441)
Decrease / (increase) in inventories		1,239	(656)
(Decrease) / increase in accounts payable and accruals		(515)	2,899
Decrease in other taxes payable		(593)	(555)
(Increase) / decrease in other non-current assets		(19)	3
Increase in other non-current liabilities		308	383
Income tax paid		(1,451)	(1,861)
Net cash generated by operating activities		**2,961**	**4,079**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(7,608)	(9,185)
Proceeds from sale of property, plant and equipment		113	110
Proceeds from sale of other short-term investments		15	-
Purchase of other short-term investments		(37)	-
Purchase of associates and other investments		-	(400)
Interest received		348	379
Issue of loans and deposits placed		(6,439)	(6,438)
Proceeds from issued loans and deposits		9,810	6,770
Net cash used in investing activities		**(3,798)**	**(8,764)**

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt		29,287	30,723
Repayment of debt		(21,632)	(24,551)
Interest paid		(2,347)	(1,657)
Finance lease payments		(512)	(378)
Net cash generated by financing activities		**4,796**	**4,137**
Increase / (Decrease) in cash and cash equivalents		**3,959**	**(548)**
Cash and cash equivalents at the beginning of the period	**9, 13**	**4,407**	**3,853**
Cash and cash equivalents at the end of the period	**9, 13**	**8,366**	**3,305**

General Director S. N. Tolstoguzov

Chief Accountant A. P. Vaynilavichute

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «РАО Энергетические системы Востока» г. Благовещенск

16 October 2012

Consolidated Interim Condensed Statement of Changes in Equity for the six months ended 30 June 2012 (unaudited)

(in millions of Russian Rubles unless noted otherwise)

	Note	Share capital	Treasury shares	Available-for-sale financial assets	Revaluation reserve	Retained losses	Total	Non-controlling interest	Total equity
Balance as at 01 January 2012		**21,558**	**-**	**152**	**10,394**	**(14,574)**	**17,530**	**11,637**	**29,167**
Loss for the period		-	-	-	-	(2,943)	(2,943)	(2,896)	(5,839)
Other comprehensive income									
Revaluation reserve write-down due to impairment of property, plant and equipment	6	-	-	-	(457)	-	(457)	(437)	(894)
Income tax recorded in other comprehensive income (impairment of property, plant and equipment)		-	-	-	92	-	92	87	179
Fair value loss on available-for-sale financial assets		-	-	(87)	-	-	(87)	(75)	(162)
Income tax recorded in other comprehensive income (available-for-sale financial assets)		-	-	17	-	-	17	15	32
Total other comprehensive income		-	-	(70)	(365)	-	(435)	(410)	(845)
Total comprehensive income for the period		**-**	**-**	**(70)**	**(365)**	**(2,943)**	**(3,378)**	**(3,306)**	**(6,684)**
Shares issue	14	1,159	(410)	-	-	-	749	-	749
Dividends declared		-	-	-	-	-	-	(24)	(24)
Transfer of revaluation reserve to retain earnings		-	-	-	(57)	57	-	-	-
Income tax related to transfer of revaluation reserve to retain earnings		-	-	-	11	(11)	-	-	-
Balance at 30 June 2012		**22,717**	**(410)**	**82**	**9,983**	**(17,471)**	**14,901**	**8,307**	**23,208**

Consolidated Interim Condensed Statement of Changes in Equity for the six months ended 30 June 2012 (unaudited)

(in millions of Russian Rubles unless noted otherwise)

	Note	Share capital	Treasury shares	Available-for-sale financial assets	Revaluation reserve	Retained losses	Total	Non-controlling interest	Total equity
Balance as at 01 January 2011		**21,558**	**-**	**258**	**-**	**(4,660)**	**17,156**	**8,201**	**25,357**
Loss for the period		-	-	-	-	(4,606)	(4,606)	(4,819)	(9,425)
Other comprehensive income									
Fair value gains on available-for-sale financial assets		-	-	(24)	-	-	(24)	(9)	(33)
Income tax recorded in other comprehensive income (available-for-sale financial assets)		-	-	5	-	-	5	2	7
Revaluation of fixed assets	6	-	-	-	13,181	-	13,181	13,082	26,263
Income tax recorded in other comprehensive income (revaluation of fixed assets)		-	-	-	(2,636)	-	(2,636)	(2,616)	(5,252)
Total other comprehensive income		-	-	(19)	10,545	-	10,526	10,459	20,985
Total comprehensive income for the period		-	-	(19)	10,545	(4,606)	5,920	5,640	11,560
Dividends declared		-	-	-	-	-	-	(30)	(30)
Balance at 30 June 2011		**21,558**	**-**	**239**	**10,545**	**(9,266)**	**23,076**	**13,811**	**36,887**

General Director — S. N. Tolstoguzov

Chief Accountant — A. P. Vaynilavichute

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «РАО Энергетические системы Востока» г. Благовещенск

16 October 2012

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 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 financial statements present 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 December 2010 Russian Federation owned 52.68% of the Group and 47.32% was owned by non-controlling shareholders. According to the decision of the Government of Russian Federation, No. 1174-p dated 07 July 2011, the Government and other Company's shareholders made an additional contribution to the share capital of OJSC RusHydro by shares of the Company. As a result as at 31 December 2011 the OJSC RusHydro owns 69.28% of the Company and 30.72% is owned by non-controlling shareholders. 07 February 2012 the additional issue of shares was registered, after additional share issue as at 30 June 2012 OJSC RusHydro owns 65.75% of the Company and 34.25% is owned by non-controlling shareholders. The ultimate controlling party is the Russian Federation. Related party transactions are detailed in Note 5.

The shares of the Company are traded on the MICEX-RTS.

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 28, Shevchenko str., Blagoveshchensk, the Amur region, Russia, 675000.

The Group operates in the Far East region. The Far East Federal region comprises Republic of Sakha (Yakutiya), Kamchatka territory, Primorye territory, Khabarovsk territory, Amur region, Magadan region, Sakhalin region, Evreiskaya autonomous district and Chukotka autonomous district.

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

The Government affects the Group's operations through:

- participation of its representatives in the Company's Board of Directors;
- tariff regulation within wholesale electricity and capacity as well as retail electricity and heat markets;
- agreement procedures for the Group's investment program, volume and sources of their financing, control over its implementation;
- existing antimonopoly regulation.

The Russian Federation directly influences the activities of the Group by regulating the wholesale purchases of electricity via the Federal Service of Tariff (hereinafter, "FST") and the retail sale of electricity, capacity and heat via Regional Energy Commission (hereinafter, "REC"). The activities of all generating companies are coordinated by OJSC "System Operator of the United Energy System" (hereinafter, "SO UES") to maintain the effective operation of the electricity market.

Tariffs on electricity and heat for the Group are set on the basis of regulatory documents covering the generation of electricity and heat and regulations applied to natural monopolies. The Government of the Russian Federation during the privatization of 1992 laid down conditions obligating RAO UES to supply Russian consumers with electricity and heat.

Operating environment. During the six months ended 30 June 2012 no substantial changes to the rules of Russian wholesale and retail electricity and capacity markets, their functioning and tariffs setting mechanisms have been made.

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.

Liquidity. As at 30 June 2012 the Group's current liabilities exceeded current assets by RR 8,004 million. The Group manages the liquidity risk of encountering difficulties in meeting its obligations under various scenarios covering both normal and more severe market conditions.

The Group maintains its current liquidity position and covers the liquidity shortage through obtaining long-term financing to meet its current debt service requirements (Note 26).

Electricity and heat tariffs are set for the Group on cost plus basis, covering the majority of Group's operating expenses. In addition, some subsidiaries of the Group continuously receive financial support in the form of government grants to compensate for the operating losses where tariffs set for the Group are low (Note 21).

Significant part of current liabilities (Note 18) represented by advances received for future services and electricity supply, which also guarantee the demand on Group's entities products.

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 2011, 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 2011 have been omitted or condensed.

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 2011 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.

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

The Group has adopted all new standards and interpretations that were effective from 1 January 2012. The impact of the adoption of these new standards and interpretations has not been significant with respect to this Consolidated Interim Condensed 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 2011, have been issued but are not effective for the financial year beginning 1 January 2012 and which the Group has not early adopted.

In addition, the following new amendments to standards have been issued in May–June 2012 but are not effective for the financial year beginning 1 January 2012 and which the Group has not early adopted.

Improvements to IFRS *(issued in May 2012 and effective for annual periods beginning on or after 1 January 2013).* IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

(in millions of Russian Rubles unless noted otherwise)

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 *(issued in June 2012 and effective for annual periods beginning on or after 1 January 2013).* The amendments clarify the transition guidance in IFRS 10. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

The Group is currently considering the implications of these new accounting pronouncements, their impact on the Group and the timing of their adoption by the Group.

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 2011 with the exception of changes in estimates that are required in determining the provision for income taxes.

Note 3. Principal subsidiaries

All subsidiaries are incorporated and operate in the Russian Federation. The following are the principal subsidiaries which have been consolidated into these consolidated financial statements as at 30 June 2012 and 31 December 2011.

	30 June 2012		31 December 2011	
Name	**Ownership %**	**Voting %**	**Ownership %**	**Voting %**
OJSC DEK	51.03	51.03	51.03	51.03
OJSC DGK (subsidiary of OJSC DEK)	51.03	100.00	51.03	100.00
OJSC DRSK (subsidiary of OJSC DEK)*	51.03	100.00	51.03	100.00
Isolated energy systems:				
OJSC Kamchatskenergo	98.68	98.68	98.68	98.68
OJSC Magadanenergo**	49.00	64.39	49.00	64.39
OJSC Yakutskenergo**	47.39	55.32	47.39	55.32
OJSC Sakhalinenergo	55.55	55.55	55.55	55.55

* Group has classified this equity investment as assets held for sale and a disposal group (Note 13).
** Control is based on the ability to govern the operating policies of the company through the majority of votes of the Board of Directors. Differences between the ownership interest and voting interest held by some subsidiaries represent the effect of preference shares and / or effects of indirect ownership.

Note 4. Segment information

In accordance with IFRS 8 Operating Segments the Group presents an analysis of its performance in the context of the operating segments.

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance of the entity. The functions of CODM are performed by the Board of Directors of the Company.

Description of products and services from which each reportable segment derives its revenue

The Group is organised in five main operating segments:

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

Included in Segment 1 is OJSC DRSK that was classified as a disposal group (Note 13).

The Group also includes entities supporting Group's operations which are not considered as separate segments by the CODM. These entities render financial, managerial, repair and maintenance and other (such as educational, recreation, etc.) services to the Group and external parties.

Factors that management used to identify the reportable segments

The Group's segments represent five sub-holdings which were created mainly in accordance with different geographical areas. The CODM monitors the operating results of its sub-holdings/business units separately for the purpose of making decisions about resource allocation and performance assessment.

Measurement of operating segment profit or loss, assets and liabilities

Segment performance is evaluated based on gross profit or loss and is measured under RAR which differs significantly from the gross profit or loss in the IFRS consolidated financial statements. The differences between the measurements and presentation of reportable segment's profit or losses, assets and liabilities and Group's profit and losses, assets and liabilities are:

- income tax is not allocated to the segments;
- liabilities for the Group's post-employment obligations are not recognized;
- provisions for accounts receivable are recognized based on management judgment and availability of information rather than based on the incurred loss model prescribed in IAS 39;
- investments in subsidiaries are not consolidated, investments in associates are not accounted for using the equity method;
- government grants are classified as revenue or other income;
- impairment of property, plant and equipment is not considered;
- other intercompany assets and liabilities balances are not eliminated.

Transactions between the operating segments are made on normal commercial terms and conditions. Sales between segments are carried out at arm's length. Revenue from external parties reported to the CODM is measured in a manner consistent with that in the income statement and the statement of comprehensive income.

(in millions of Russian Rubles unless noted otherwise)

Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the six month ended 30 June 2012 is set out below:

	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Other	Reconciliation	Total
Six month ended 30 June 2012								
External revenues	44,003	5,467	4,423	3,937	10,039	1,042	(1,721)	67,190
Revenues from other segments	2,555	-	104	9	230	519	(3,417)	-
Government grants	-	-	-	-	-	-	5,367	5,367
Total revenues	**46,558**	**5,467**	**4,527**	**3,946**	**10,269**	**1,561**	**229**	**72,557**
Other operating expenses	(44,566)	(7,063)	(5,381)	(4,026)	(10,971)	(1,828)	1,634	(72,201)
Incl. depreciation & amortization	(2,698)	(165)	(217)	(229)	(983)	(127)	2,020	(2,399)
Impairment losses on property, plant and equipment	-	-	-	-	-	-	(4,953)	(4,953)
Segment result	**1,992**	**(1,596)**	**(854)**	**(80)**	**(702)**	**(267)**	**(3,090)**	**(4,597)**
Share of income of associates	-	-	4	-	-	-	8	12

(in millions of Russian Rubles unless noted otherwise)

Segment information for the reportable segments for the six month ended 30 June 2011 is set out below:

	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Other	Reconciliation	Total
Six month ended 30 June 2011								
External revenues	42,628	5,501	4,425	4,115	9,391	708	(1,820)	64,948
Revenues from other segments	1,966	1	95	3	307	544	(2,916)	-
Government grants	-	-	-	-	-	-	4,147	4,147
Total revenues	**44,594**	**5,502**	**4,520**	**4,118**	**9,698**	**1,252**	**(589)**	**69,095**
Other operating expenses	(40,625)	(6,395)	(4,983)	(3,937)	(9,500)	(1,531)	5,186	(61,785)
Incl. depreciation & amortization	(2,343)	(122)	(198)	(186)	(962)	(91)	501	(3,401)
Impairment losses on property, plant and equipment	-	-	-	-	-	-	(17,999)	(17,999)
Segment result	**3,969**	**(893)**	**(463)**	**181**	**198**	**(279)**	**(13,402)**	**(10,689)**
Share of income of associates	-	-	3	-	-	-	-	3

(in millions of Russian Rubles unless noted otherwise)

Reconciliation of reportable segment revenues, profit or loss

	Six month ended 30 June 2012	Six month ended 30 June 2011
Total reportable segment result	**(1,507)**	**2,714**
Adjustments from RAP to IFRS:		
Impairment losses on property, plant and equipment	(4,953)	(17,999)
Reconciliation adjustment related to revenue	22	194
Write-off of revenue not accepted by the contractor (DRSK)	(1,743)	(2,016)
Accrual of allowance for impairment of trade and other receivables (including write-off of allowance for DRSK receivables in the amount of RR 2,056 million)	(1,153)	4,441
Pension benefit obligations	103	(81)
Net difference in depreciation	2,019	502
Reconciliation adjustment related to Other income and expenses*	1,962	80
Finance leases expenses	296	283
Provisions for legal claims and restoration expenses	28	269
Write-off of prepaid expenses (RAP)	40	95
Work-in-process adjustment	52	61
Net difference in the value of fixed assets and construction in progress	(208)	19
Provision for unused vacations and travel expenses for holidays	(173)	(123)
Reconciliation adjustments related to operating expenses	618	872
Gross Loss	**(4,597)**	**(10,689)**
Finance income	404	373
Finance costs	(2,443)	(2,021)
Share of result of associates	12	3
Loss before income tax	**(6,624)**	**(12,334)**

* In RAP accounting certain expenses reflected as other income and expenses, while in IFRS they are part of Expenses.

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 six month ended 30 June 2012 and 30 June 2011 and balances outstanding as at 30 June 2012 and 31 December 2011 with the following government-related banks: OJSC Sberbank of Russia, The Central Bank of the Russian Federation, OJSC VTB, OJSC Rosselkhozbank and etc. (Notes 9, 16). 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 FST and Regional Energy Commissions. The Group's sales to government-related entities comprised approximately 30 percent of total sales for the six month ended 30 June 2012 (for the six month ended 30 June 2011: 29 percent). The Group's purchases from government-related entities comprised approximately 21 percent of total expenses on purchased for the six month ended 30 June 2012 (for the six month ended 30 June 2011: 22 percent).

Operating lease commitments accounted by the Group with the Government are disclosed in Note 6.

(in millions of Russian Rubles unless noted otherwise)

Transactions with Key management of the Group. Compensation is paid to the members of the Management Board of the Company and the 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 compensation and 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 for their services in their capacity and for attending Board meetings are paid depending on the results for the year.

Total remuneration paid to the members of the Management Boards and Boards of Directors of the Company and the major subsidiaries for the six month ended 30 June 2012 was RR 271 million (for the six month ended 30 June 2011: RR 339 million).

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

At 30 June 2012 and at 31 December 2011 the outstanding balances with entities controlled by OJSC RusHydro were as follows:

	30 June 2012	31 December 2011
Trade and other receivables	42	30
Trade and other payables	814	611

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

	Six month ended 30 June 2012	Six month ended 30 June 2011
Other revenue	102	97
Expenses	3,335	3,400

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

	30 June 2012	31 December 2011
Trade and other receivables	5	-
Trade and other payables	407	460

The income and expense items with parent company OJSC RusHydro:

	Six month ended 30 June 2012	Six month ended 30 June 2011
Other revenue	3	2
Expenses	2,550	2,611

Associates. The Group sells electricity to its associates for RR 380 million for the six month ended 30 June 2012 and RR 343 million for the six month ended 30 June 2011. Accounts receivables with associates comprise RR 59 million as at 30 June 2012 and RR 101 as at 31 December 2011.

(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 31 December 2011	**21,198**	**27,778**	**24,307**	**10,326**	**4,602**	**88,211**
Revaluation reserve (net)	(256)	(149)	(489)	-	-	(894)
Additions	11	297	603	5,678	167	6,756
Transfers	134	569	831	(1,590)	56	-
Disposals	(17)	(4)	(144)	(97)	(387)	(649)
Closing balance as at 30 June 2012	**21,070**	**28,491**	**25,108**	**14,317**	**4,438**	**93,424**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2011	**(8,186)**	**(12,842)**	**(11,705)**	**(3,257)**	**(2,550)**	**(38,540)**
Impairment charge	(498)	(16)	(565)	(734)	(68)	(1,881)
Depreciation charge	(266)	(549)	(1,393)	-	(278)	(2,486)
Transfers	(45)	(133)	(307)	511	(26)	-
Disposals	5	4	125	94	208	436
Closing balance as at 30 June 2012	**(8,990)**	**(13,536)**	**(13,845)**	**(3,386)**	**(2,714)**	**(42,471)**
Net book value as at 30 June 2012	**12,080**	**14,955**	**11,263**	**10,931**	**1,724**	**50,953**
Net book value as at 31 December 2011	**13,012**	**14,936**	**12,602**	**7,069**	**2,052**	**49,671**

Cost	Production buildings	Facilities	Machinery and equipment	Construction in progress	Other	Total
Opening balance as at 31 December 2010	**19,418**	**36,024**	**22,947**	**7,399**	**5,282**	**91,070**
Revaluation reserve (net)	6,555	9,879	8,870	-	959	26,263
Additions	159	387	541	8,401	582	10,070
Transfers	107	453	384	(1,038)	94	-
Elimination of accumulated depreciation	(1,521)	(5,744)	(4,304)	-	(1,298)	(12,867)
Disposals	(28)	(71)	(29)	(129)	(267)	(524)
Closing balance as at 30 June 2011	**24,690**	**40,928**	**28,409**	**14,633**	**5,352**	**114,012**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2010	**(7,596)**	**(12,979)**	**(9,109)**	**(2,134)**	**(2,203)**	**(34,021)**
Revaluation write-down and impairment charge to profit or loss	(3,714)	(13,335)	(7,181)	(5,250)	(1,617)	(31,097)
Reversal of impairment through profit or loss	2,524	5,652	3,204	1,193	525	13,098
Depreciation charge	(536)	(866)	(1,687)	-	(353)	(3,442)
Transfers	(52)	(195)	(158)	416	(11)	-
Elimination of accumulated depreciation	1,521	5,744	4,304	-	1,298	12,867
Disposals	23	12	30	123	50	238
Closing balance as at 30 June 2011	**(7,830)**	**(15,967)**	**(10,597)**	**(5,652)**	**(2,311)**	**(42,357)**
Net book value as at 30 June 2011	**16,860**	**24,961**	**17,812**	**8,981**	**3,041**	**71,655**
Net book value as at 31 December 2010	**11,822**	**23,045**	**13,838**	**5,265**	**3,079**	**57,049**

(in millions of Russian Rubles unless noted otherwise)

Included in the property, plant and equipment disclosure carrying amount of RR 2,126 million as at 30 June 2012 (31 December 2011: RR 2,191 million) represents cost of assets relating to office buildings of the Group which are stated at non-revalued deemed cost.

Assets under construction represent the carrying amount of property, plant and equipment that has not yet been put into operation and advances to construction companies and suppliers of property, plant and equipment. As at 30 June 2012 such advances amounted to RR 1,719 million (31 December 2011: RR 1,790 million).

Additions to assets under construction include capitalized borrowing cost of RR 429 million (capitalized borrowing cost during 6 month ended 30 June 2011: RR 187 million). The capitalization rate was 8.6% (2011: 8.72%). Up to 31 December 2008, borrowing costs incurred to finance the construction of property, plant and equipment were expensed.

Other property, plant and equipment include motor vehicles, computer equipment, office fixtures and other equipment.

Starting from 01 January 2011 the Group changed its accounting policy for property, plant and equipment (except for assets under construction, office buildings and land) which are stated at revalued cost starting from 1 January 2011. The revaluation of property, plant and equipment was performed as at 01 January 2011. As at 30 June 2011 the Group performed impairment test and for the six months ended 30 June 2011 recognised RR 26,263 million of revaluation reserve and 17,999 million impairment charge to the income statement, including revaluation results.

Impairment for the six months ended 30 June 2012. 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 2012 no indicators of significant changes of management's assumptions used to determine the recoverable amounts of cash-generating units as at 31 December 2011 were revealed.

Based on the assumptions used as of 31 December 2011, the Group recognised impairment loss in the amount of RR 1,881 million for the six months ended 30 June 2012 related to cash-generating units impaired in previous periods.

Leased equipment. Assets held under finance lease are included in property, plant and equipment with a carrying value of RR 854 million (RR 708 million as at 31 December 2011).

Assets held under leaseback are included in property, plant and equipment with a carrying value of RR 158 million (RR 171 million as at 31 December 2011), leaseback assets of disposal group amounted at RR 210 million as at 30 June 2012 (RR 215 million as at 31 December 2011).

Pledged assets. As at 30 June 2012 RR 17 million of property, plant and equipment have been pledged as collateral borrowings. 49 million of property, plant and equipment have been pledged as collateral for borrowings as at 31 December 2011 (Note 16).

Operating lease. The Group leases a number of land areas owned by local governments and production buildings under non-cancellable operating lease agreements. Land lease payments are determined by lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2012	31 December 2011
Less than one year	1,388	1,361
Between one year and five years	4,339	4,270
After five years	21,737	23,594
Total	**27,464**	**29,225**

The major parts are the land areas leased by the Group at the territories on which the Group's electric power stations, substations and other assets are located. According to the Land Code of the Russian Federation such land areas are limited in their alienability and cannot become private property. The Group's leases typically run for an initial period of 5 – 49 years with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

(in millions of Russian Rubles unless noted otherwise)

Note 7. Available-for-sale financial assets

	30 June 2012		31 December 2011	
	% of ownership	Fair value	% of ownership	Fair value
OJSC FGC UES	0.13%	325	0.13%	466
OJSC RusHydro	0.04%	97	0.04%	117
OJSC Eksperimentalnaya TES	9.86%	68	9.86%	68
LLC IT Energy Service	20.00%	49	20.00%	49
Other available-for-sale investments		105		85
Total available-for-sale financial assets		**644**		**785**

The fair values of available-for-sale financial assets were calculated based on quoted market prices, for those which are not publicly traded fair values were estimated by reference to the discounted cash flows of the investees.

Loss arising on available-for-sale financial assets for the six months ended 30 June 2012 totaled RR 130 million, net of tax and was recorded within other comprehensive income (for the six months ended 30 June 2011: loss of RR 26 million, net of tax).

Note 8. Other non-current assets

	30 June 2012	31 December 2011
Non-current accounts receivable (Net of provision for impairment of accounts receivable of RR 118 million as at 30 June 2012 and RR 120 million as at 31 December 2011)	346	363
Other non-current assets	657	476
Total other non-current assets	**1,003**	**839**

Note 9. Cash and cash equivalents

	30 June 2012	31 December 2011
Cash at bank	2,494	2,408
Cash equivalents (contractual interest rate: 2.10-8.75%)	5,737	1,907
Cash in hand	19	15
Total cash and cash equivalents	**8,250**	**4,330**

Cash equivalents held as at 30 June 2012 and 31 December 2011 comprised short-term bank deposits with original maturities of three months or less.

As at 30 June 2012 the line Cash and cash equivalents in the Consolidated Statement of Cash Flows included RR 116 million of cash and cash equivalents held by disposal group classified as held for sale (31 December 2011: RR 77 million) (Note 13).

Note 10. Accounts receivables and prepayments

	30 June 2012	31 December 2011
Trade receivables (Net of provision for impairment of accounts receivable of RR 7,393 million as at 30 June 2012 and RR 4,442 million as at 31 December 2011)	13,195	14,964
Advances to suppliers and prepayments (Net of provision for impairment of accounts receivable of RR 199 million as at 30 June 2012 and RR 122 million as at 31 December 2011)	4,199	3,258
Value added tax recoverable	1,922	1,866
Income tax receivables	1,219	173
Other receivables (Net of provision for impairment of accounts receivable of RR 617 million as at 30 June 2012 and RR 584 million as at 31 December 2011)	1,412	2,362
Total accounts receivable and prepayments	**21,947**	**22,623**

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

(in millions of Russian Rubles unless noted otherwise)

Note 11. Inventories

	30 June 2012	31 December 2011
Fuel	9,198	11,216
Materials and supplies	3,929	3,181
Spare parts	1,099	929
Other materials	576	924
Total inventories, gross	**14,802**	**16,250**
Provision for inventory obsolescence	(77)	(62)
Total inventories	**14,725**	**16,188**

Inventories of RR 191 million (31 December 2011: RR 259 million) have been pledged as collateral for borrowings.

Note 12. Other current assets

	30 June 2012	31 December 2011
Current deposits	3,452	6,844
Other short-term investments	46	31
Total other current assets	**3,498**	**6,875**

Note 13. Assets and liabilities of a disposal group classified as held for sale

The resolution of the Russian Government No. 1174-p dated 07 July 2011 stipulated integration of grid assets of OJSC DRSK (subsidiary of the Company) into OJSC Federal Grid Company. On 19 December 2011 Management Board of the Company (minutes No. 33 dated 19 December 2011) voted for a sale of all shares of OJSC DRSK to OJSC FGC to be considered and approved by Board of Directors of the Company and OJSC DEK. As completion of the transaction became highly probable, the Group has classified the equity investments in OJSC DRSK as assets held for sale and a disposal group as at that date. Result of disposal group operation is summarised below:

	30 June 2012	31 December 2011
Non-current assets		
Property, plant and equipment	25,403	26,842
Other non-current assets	101	112
Total non-current assets	**25,504**	**26,954**
Current assets		
Cash and cash equivalents	116	77
Trade receivables	458	162
Advances to suppliers and prepayments	12	29
Other receivables	676	387
Inventories	410	264
Total current assets	**1,672**	**919**
Total assets of disposal group classified as held for sale	**27,176**	**27,873**

Trade receivables, advances to suppliers and other receivables include provision for impairment RR 154 million as at 30 June 2012 and RR 271 million as at 31 December 2011.

	30 June 2012	31 December 2011
Non-current liabilities		
Deferred income tax liabilities	2,010	2,658
Non-current	5,115	3,596
Other non-current liabilities	1,946	1,888
Total non-current liabilities	**9,071**	**8,142**
Current liabilities		
Current debt and current portion of non-current debt	2,422	2,022
Trade accounts payable	1,447	2,068
Advances received	365	263
Other payables	435	388
Taxes payable	436	210
Total current liabilities	**5,105**	**4,951**
Total liabilities of disposal group classified as held for sale	**14,176**	**13,093**

Assets and liabilities of disposal group were remeasured to the lower of carrying amount and fair value less cost to sell at date of held for sale classification and further reporting dates. Subsequent measurement resulted in RR 3,072 million of impairment of non-current assets of OJSC DRSK, disclosed within line Loss on disposal group remeasurement and impairment of property, plant and equipment of Consolidated Interim Condensed Income Statement for the six months ended 30 June 2012. Impairment was recognized at 30 June 2012 to reduce carrying value of net assets of OJSC DRSK to its expected sale price of RR 13,000 million.

Note 14. Equity

		In thousands of Russian Rubles		
	Number of issued and fully paid shares (in thousands)	**Ordinary shares**	**Preference shares**	**Total share capital**
As at 31 December 2011	43,116,903	20,520,877	1,037,575	21,558,452
As at 30 June 2012	45,433,972	21,679,412	1,037,575	22,716,987

Shares issue. In March 2011 the Board of Directors of the Company made a decision (minutes No. 55 dated 23 March 2011) to increase share capital by issuing additional ordinary shares of the Company. In accordance with the decision 3,636,867,919 ordinary shares of par value RR 0.5 per share will be placed through public subscription.

On 07 February 2012 2,317,068,930 ordinary shares were placed, including 1,492,472,400 ordinary shares acquired by the Russian Federation, represented by the Federal Agency for State Property Management, for a consideration of RR 749 million. The Report on the share issue was registered with the FSFM on 07 February 2012. Prior the registration of share issue these shares were accounted and disclosed within accounts payable of the Group (Note 18).

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.

Preference shares have no right of conversion or redemption, but are entitled to a minimum annual dividend of 10 percent of net statutory profit of the Company.

In total the preference dividend may not be less than the ordinary dividend and is not cumulative. Preference shares carry no voting rights except when dividends on preference shares have not been declared fully at the Annual Shareholders' meeting, in which case the preference shares acquire voting rights. At 31 December 2011 and 30 June 2012 preference shares rights were considered equaled to ordinary shares rights in terms of earnings per share calculation (Note 24).

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 RAR. For the six month ended 30 June 2012 the Company had retained loss of RR 2,674 million under RAR, for the six month ended 30 June 2011 such loss equaled RR 4,004 million. Dividends were not declared and paid.

(in millions of Russian Rubles unless noted otherwise)

Treasury shares. Treasury shares as at 30 June 2012 represented by 820,835,079 ordinary shares in the amount of RR 410 million (31 December 2011: nil ordinary shares) were acquired in process of shares issue, registered on 07 February 2012.

Treasury shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by entities within the Group are effectively controlled by management of the Group.

Note 15. 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.

Deferred income tax benefit for six months ended 30 June 2012 was caused mainly by impairment of non-current assets of OJSC DRSK recognized as at 30 June 2012. Revaluation of property, plant and equipment, performed as of 01 January 2011 followed by impairment of property plant and equipment as of 30 June 2011 resulted in deferred income tax benefit charge for six months ended 30 June 2011.

	Six months ended 30 June 2012	Six months ended 30 June 2011
Current income tax expense	(105)	(715)
Deferred income tax benefit	890	3,624
Total income tax benefit	**785**	**2,909**

In accordance with the tax legislation, tax losses and current income tax assets of different Group's entities may not be offset against current income tax liabilities and taxable profits of other Group's entities and, accordingly, taxes may be accrued even where there is a consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only when they relate to the same taxable entity.

Note 16. Current and non-current debt

Non-current debt

	Currency	Effective interest rate, %	Year of maturity	30 June 2012	31 December 2011
OJSC Sberbank	RR	6.50-11.85	2012-2016	22,402	20,652
OJSC Rosbank	RR	6.46-9.00	2012-2014	6,291	7,458
OJSC Gasprombank	RR	7.30-11.00	2012-2016	6,738	7,149
OJSC Transcreditbank	RR	10.80-12.00	2013-2014	1,201	300
Ministry of Finance of the Republic Sakha (Yakutiya)	RR	2.63	2012-2013	380	409
OJSC Sobinbank	RR	11.00	2012	228	323
OJSC Dalnevostochnuy bank	RR	7.80-11.00	2013-2014	200	100
OJSC AKB Bank of Moscow	RR	10.35-11.44	2013-2015	161	-
OSJC Rosselkhozbank	RR	15.00-16.00	2013-2018	123	127
Other	RR	7.00-16.00	2013-2014	944	313
Total				**38,668**	**36,831**
Current portion of loans and borrowings	RR			(20,455)	(7,594)
Unsecured bonds issued (OJSC "Yakutskenergo" & OJSC "DGK")	RR	7.75-8.25	2013	3,002	3,960
Non-current finance lease liabilities	RR			792	905
Total non-current debt				**22,007**	**34,102**

(in millions of Russian Rubles unless noted otherwise)

Current debt

	Currency	Effective interest rate, %	30 June 2012	31 December 2011
OJSC Sberbank	RR	6.30-10.50	6,014	5,323
OJSC AKB Bank of Moscow	RR	9.00-11.95	2,613	109
OJSC Gasprombank	RR	8.50-10.00	2,062	-
OJSC Rosbank	RR	6.75-8.74	1,949	1,278
OJSC AB Rossiya	RR	8.00-9.50	800	2,300
OJSC RRDB	RR	8.90	415	-
OJSC Transcreditbank	RR	7.00-11.25	345	212
OJSC Nomos-Regiobank	RR	9.00-11.50	194	221
OJSC Vozrozhdenie Bank	RR	10.00-11.00	18	13
Other	RR	0.44-13.00	205	288
Total			**14,615**	**9,744**
Current portion of loans and borrowings	RR	2.63-16.00	20,455	7,594
Current finance lease liabilities	RR		528	576
Interest payable	RR		128	147
Total current debt			**35,726**	**18,061**

As at 30 June 2012 some of the Group's credit contracts are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators. The Group entities did not fulfill the requirements regarding to EBITDA/Interest ratio relation with OJSC AKB Bank of Moscow and gearing and other ratios with OJSC Rosbank. Due to breach of the covenant clauses, the banks were contractually entitled to request early repayment of the outstanding amount of RR 1,440 million. The outstanding balance as at 30 June 2012 was classified as a current liability.

As at 31 December 2011 certain individual Group entities did not fulfill the requirements regarding to gearing and other ratios with OJSC Rosbank. Before the year end management received a covenant waiver from the bank confirming absence of intention to request early repayment of loans.

Debt maturity (excluding finance lease liabilities)	30 June 2012	31 December 2011
Between one and two years	15,644	27,836
Between two and three years	1,256	1,306
Between three and four years	3,772	3,466
Between four and five years	525	224
After five years	18	365
Total	**21,215**	**33,197**

Effective interest rate. The effective interest rate is the market interest rate applicable to the loans at the date of origination. The Group has not entered into any hedging arrangements in respect of interest rate exposures.

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	Due after 5 years	Total
Minimum lease payments as at 30 June 2012	762	1,108	-	1,870
Less future finance charges	(234)	(316)	-	(550)
Present value of minimum lease payments as at 30 June 2012	528	792	-	1,320
Minimum lease payments as at 31 December 2011	747	1,029	-	1,776
Less future finance charges	(171)	(124)	-	(295)
Present value of minimum lease payments as at 31 December 2011	576	905	-	1,481

(in millions of Russian Rubles unless noted otherwise)

Note 17. Other non-current liabilities

	30 June 2012	31 December 2011
Pension benefit obligations*	8,299	7,971
Assets retirement obligation (Reserve for ash dump)	577	527
Other non-current liabilities	986	748
Total other non-current liabilities	**9,862**	**9,246**

*As at 30 June 2012 the amount of pension benefit obligations does not include liabilities of a disposal group in the amount of RR 1,708 million (RR 1,635 million as at 31 December 2011)

The main changes in actuarial assumptions used for calculation of pension benefit obligation are provided below:

	Six month ended 30 June 2012	Year ended 31 December 2011
Discount rate	8.50%	8.50%
Inflation rate (per year)	6.00%	5.50%
Expected return on plan assets	9.39%	9.13%
Future salary increases	7.50%	9.72%
Future pension increases	6.00%	5.50%
Staff turnover	Group's statistical data	5.00% for employees younger than 50 years, 0% for remain employees
Employees' average remaining working life (years)	Group's statistical data	10
Possibility of pension retirement with non-state pension fund	75% for employees of OJSC DEK, OJSC Nerungrienergoremont, OJSC Kamchatskenergo, OJSC Sahalinenergo, 100% for remain employees	100% for all employees of the Group
Mortality	Rosstat's Russian population table for 1998	Rosstat's Russian population table for 1998

As a result following movements in net liability occurred:

	Six month ended 30 June 2012	Year ended 31 December 2011
Present value of defined benefit obligation (DBO)	6,779	8,964
Fair value of plan assets	(175)	(294)
Present value of unfunded obligation	6,604	8,670
Unrecognised actuarial gains/(losses)	3,267	801
Unrecognised past service (cost)/asset	136	135
Net liability in balance sheet*	**10,007**	**9,606**

*Including liabilities of a disposal group in the amount of RR 1,708 million as of 30 June 2012 (RR 1,635 million as at 31 December 2011).

Note 18. Accounts payable and accruals

	30 June 2012	31 December 2011
Trade payables	7,609	8,873
Advances received	4,149	3,504
Settlements with personnel	3,703	3,703
Dividends payable	44	21
Accounts payable in respect of share issue	-	748
Other accounts payable	1,754	1,210
Total accounts payable and accruals	**17,259**	**18,059**

(in millions of Russian Rubles unless noted otherwise)

All accounts payable and accruals are denominated in Russian Rubles.

Accounts payable in respect of share issue as at 31 December 2011 RR 748 million were reclassified to Share capital after share issue was registered (Note 14).

Note 19. Other taxes payable

	30 June 2012	31 December 2011
Value added tax	1,293	2,570
Social contribution	1,343	995
Property tax	343	322
Other taxes	447	364
Total other taxes payable	**3,426**	**4,251**

Note 20. Revenue

	Six months ended 30 June 2012	Six months ended 30 June 2011
Sales of electricity	42,489	41,522
Sales of heat	16,282	16,084
Sales of capacity	576	528
Other revenue	7,843	6,814
Total revenue	**67,190**	**64,948**

Other revenue includes revenue earned from transportation of electricity and heat, connections to the grid, rendering of construction, repairs and other services.

Note 21. Government grants

In accordance with government decrees some regions of the Russian Federation are entitled to government subsidies. These government subsidies represent compensation for the low electricity tariffs at which electricity is sold in these regions. During the six months ended 30 June 2012 the Group received government subsidies in the amount of RR 5,367 million (for the six months ended 30 June 2011: RR 4,147 million) in the following subsidised territories: Khabarovskiy region, Primorskiy region and other Far East regions.

(in millions of Russian Rubles unless noted otherwise)

Note 22. Expenses

	Six months ended 30 June 2012	Six months ended 30 June 2011
Fuel expenses	24,548	21,383
Employee benefit expenses (including payroll taxes and pension benefit expenses)	19,067	17,752
Electricity distribution expenses	6,312	5,958
Third parties services, including:		
Repairs and maintenance	982	679
Rent	648	593
Security expenses	512	465
Services of subcontracting companies	491	510
Consulting, legal and information expenses	410	330
Services of SO-CDU, NP Council Market, CFS	311	319
Transportation expenses	226	142
Agency expenses	119	125
Insurance cost	110	84
Other third parties services	2,187	1,903
Purchased electricity and capacity	4,212	4,240
Other materials	3,259	2,997
Accrual / (Reversal) of impairment for accounts receivable, net	2,908	(2,059)
Depreciation of property, plant and equipment	2,399	3,401
Water usage expenses	892	871
Taxes other than on income	815	759
Social charges	283	521
Insurance indemnity	(87)	(5)
Income on disposal of property, plant and equipment, net	(103)	(329)
Other expenses, net	1,700	1,146
Total expenses	**72,201**	**61,785**

Note 23. Finance income, expenses

	Six months ended 30 June 2012	Six months ended 30 June 2011
Finance income		
Interest income	344	363
Foreign exchange gain	60	-
Other finance income	-	10
Finance income	**404**	**373**
Finance expenses		
Interest expense	(1,900)	(1,489)
Finance lease expense	(102)	(131)
Other finance expenses	(441)	(401)
Finance expenses	**(2,443)**	**(2,021)**
Finance expenses, net	**(2,039)**	**(1,648)**

Note 24. Earnings per share

	Six months ended 30 June 2012	Six months ended 30 June 2011
Weighted average number of ordinary shares, in thousands	42,885,168	41,041,754
Weighted average number of preference shares, in thousands	2,075,149	2,075,149
Loss attributable to ordinary and preference shareholders, thousand rubles	(2,942,694)	(4,605,305)
Basic and diluted loss per share for loss from operations attributable to the owners of the Company (in RR per share)	**(0.0655)**	**(0.1068)**

Note 25. Contingencies and commitments

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 commitments. Future capital expenditures in accordance with the contractual obligations amounted to RR 7,802 million as at 30 June 2012 (31 December 2011: RR 6,746 million).

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.

Insurance. The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed for those risks for which it does not have insurance.

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. The Russian tax, currency and customs legislation is 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 proceeding the year of review. Under certain circumstances review may cover longer periods.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Co-operation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

During the six months ended 30 June 2012 the Group subsidiaries had controlled transactions and transactions which highly probably will be considered by tax authorities to be controlled based on the results of the year 2012. Management has implemented internal controls to be in compliance with the new transfer pricing legislation. Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

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. Group accrued assets retirement obligation for ash damps used by the Group as at 30 June 2012 and 31 December 2011 (Note 17).

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.

Note 26. Subsequent events

On 27 August 2012 the Group signed the loan agreement with OJSC RusHydro (parent company) for the total amount of RR 8,000 million. The loan bears interest of 8.83%, with possibility to change to MOSPRIME+3.09% and is repayable on 15 September 2021. The funds raised are planned to be used for covering the Group's liquidity shortage by restructuring its current debt portfolio (Note 1).

In accordance with Federal Law on Joint-Stock Companies the Company made an obligatory share purchase offer to the non-controlling shareholders of OJSC Yakutskenergo on 8 October 2012. The share purchase offer was made after OJSC RusHydro (parent company) together with the Company started to control more than 75% of OJSC Yakutskenergo. The maximum possible buyout comprises 15.68% of total OJSC Yakutskenergo issued voting shares. Purchase price could not be less than average observable on the market for the preceding six months period - RR 0.31527 per share.