OJSC Territorial’naya generiruyuschaya kompaniya #11

Interim condensed consolidated financial statements

for the six months ended 30 June 2012

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for the six months ended 30 June 2012

Contents

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Report on review of interim condensed consolidated financial statements

To the Board of Directors of Open Joint Stock Company Territorial'naya generiruyuschaya kompaniya # 11 (OJSC TGK-11)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC TGK-11 and its subsidiaries ("the Group"), comprising the interim consolidated statement of financial position as at 30 June 2012 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

29 August 2012

OJSC Territorial'naya generiruyuschaya kompaniya #11

Interim consolidated statement of financial position as at 30 June 2012

(All amounts are in thousands of rubles, unless expressly stated otherwise)

	Note	30 June 2012 (unaudited)	31 December 2011
Assets			
Non-current assets			
Property, plant and equipment	7	18,486,554	16,479,356
Intangible assets		91,367	94,136
Prepayments	7	501,989	1,794,551
Trade and other receivables		3,125	3,694
Total non-current assets		**19,083,035**	**18,371,737**
Current assets			
Inventories		1,399,408	1,069,998
Trade and other receivables		2,524,363	2,202,042
Prepayments		102,057	77,020
Current income tax		12,673	14,241
VAT recoverable		51,511	1,275
Cash and cash equivalents		60,782	69,266
Total current assets		**4,150,794**	**3,433,842**
Total assets		**23,233,829**	**21,805,579**

The notes set out on pages from 8 to 18 are an integral part of these interim condensed consolidated financial statements.

OJSC Territorial'naya generiruyuschaya kompaniya #11

Interim consolidated statement of financial position as at 30 June 2012 (continued)

(All amounts are in thousands of rubles, unless expressly stated otherwise)

	Note	30 June 2012 (unaudited)	31 December 2011
Equity			
Share capital	8	5,128,277	5,128,277
Treasury shares	8	(20,671)	(20,671)
Additional paid-in capital		125,590	125,590
Retained earnings		7,527,168	7,495,338
Total equity		**12,760,364**	**12,728,534**
Liabilities			
Non-current liabilities			
Loans and borrowings	9	4,132,323	4,825,477
Employee benefits		530,802	490,120
Provisions		221,422	142,379
Deferred tax liabilities		1,333,088	1,284,196
Other non-current liabilities		12,195	13,400
Total non-current liabilities		**6,229,830**	**6,755,572**
Current liabilities			
Loans and borrowings	9	1,822,395	523,369
Trade and other payables		1,437,754	921,008
Taxes payable other than income tax		229,230	202,730
Prepayments received		337,296	293,921
Payables to employees		409,676	338,706
Provisions		7,284	41,739
Total current liabilities		**4,243,635**	**2,321,473**
Total liabilities		**10,473,465**	**9,077,045**
Total equity and liabilities		**23,233,829**	**21,805,579**

General Director — Kozhemyako S.I.

Chief Accountant — Chizhenko I.V.

Открытое акционерное общество «Территориальная генерирующая компания № 11» ТГК11 ОГРН 1055406226237 г. Новосибирск

29 August 2012

The notes set out on pages from 8 to 18 are an integral part of these interim condensed consolidated financial statements.

OJSC Territorial'naya generiruyuschaya kompaniya #11

Interim consolidated statement of comprehensive income for the six months ended 30 June 2012

(All amounts are in thousands of rubles, unless expressly stated otherwise)

	Note	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Revenue		11,262,945	10,972,946
Other operating income		211,224	138,078
Operating expenses		(11,306,090)	(10,541,635)
Operating profit		**168,079**	**569,389**
Finance income		1,044	1,962
Finance expenses		(86,764)	(71,070)
Net finance expenses		**(85,720)**	**(69,108)**
Profit before tax		**82,359**	**500,281**
Income tax	6	(50,529)	(111,153)
Profit for the period		**31,830**	**389,128**
Other comprehensive income		–	–
Total comprehensive income for the period		**31,830**	**389,128**
Earnings per ordinary share, basic and diluted (RUR per share)		**0.0001**	**0.0008**

The notes set out on pages from 8 to 18 are an integral part of these interim condensed consolidated financial statements.

OJSC Territorial'naya generiruyuschaya kompaniya #11

Interim consolidated statement of cash flows for the six months ended 30 June 2012

(All amounts are in thousands of rubles, unless expressly stated otherwise)

	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Operating activities		
Profit before tax	**82,359**	**500,281**
Adjustments for:		
Depreciation and impairment losses	616,146	577,739
Allowance for impairment of accounts receivable	130,718	207,028
Changes in accruals for bonuses and unused vacations	52,184	18,151
Changes in other provisions	(29,725)	7,326
Net finance expenses	85,720	69,108
Profit on disposal of property, plant and equipment	(223)	(446)
Other non-cash transactions	(7,337)	(14,748)
Operating profit before changes in working capital, income taxes and interest paid	**929,842**	**1,364,439**
Changes in working capital:		
Increase in trade and other receivables	(444,799)	(420,841)
Increase in inventories	(329,410)	(666,118)
Increase in prepayments	(24,498)	(244,266)
(Increase)/decrease in VAT recoverable	(50,236)	1,298
Increase in trade and other payables	595,763	445,827
Increase/(decrease) in taxes payable other than income tax	26,500	(208,975)
Increase in payables to employees	18,787	5,536
Increase/(decrease) in employee benefits	40,682	(19,367)
Decrease in other non-current liabilities	(1,205)	–
Increase in prepayments received	43,375	10,411
Cash flows from operating activities before income taxes and interest paid	**804,801**	**267,944**
Interest paid	(234,519)	(123,855)
Income tax paid	(3,612)	(8,072)
Net cash flows from operating activities	**566,670**	**136,017**

The notes set out on pages from 8 to 18 are an integral part of these interim condensed consolidated financial statements.

OJSC Territorial'naya generiruyuschaya kompaniya #11

Interim consolidated statement of cash flows
for the six months ended 30 June 2012 (continued)

(All amounts are in thousands of rubles, unless expressly stated otherwise)

	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Investing activities		
Purchase of property, plant and equipment	(1,181,753)	(1,483,185)
Proceeds from disposal of property, plant and equipment	390	1,308
Other	337	1,127
Net cash flows used in investing activities	**(1,181,026)**	**(1,480,750)**
Financing activities		
Proceeds from loans and borrowings	4,069,529	5,997,566
Repayment of loans and borrowings	(3,461,798)	(4,762,074)
Dividends paid	–	(36)
Other	(1,859)	(1,962)
Net cash flows from financing activities	**605,872**	**1,233,494**
Net decrease in cash and cash equivalents	**(8,484)**	**(111,239)**
Cash and cash equivalents at the beginning of the period	69,266	153,075
Cash and cash equivalents at the end of the period	**60,782**	**41,836**

The notes set out on pages from 8 to 18 are an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of changes in equity for the six months ended 30 June 2012

(All amounts are in thousands of rubles, unless expressly stated otherwise)

	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Total equity
At 1 January 2011	**5,128,277**	**(20,671)**	**125,590**	**7,280,359**	**12,513,555**
Total comprehensive income for the period (unaudited)	–	–	–	389,128	389,128
At 30 June 2011 (unaudited)	**5,128,277**	**(20,671)**	**125,590**	**7,669,487**	**12,902,683**
At 1 January 2012	**5,128,277**	**(20,671)**	**125,590**	**7,495,338**	**12,728,534**
Total comprehensive income for the period (unaudited)	–	–	–	31,830	31,830
At 30 June 2012 (unaudited)	**5,128,277**	**(20,671)**	**125,590**	**7,527,168**	**12,760,364**

The notes set out on pages from 8 to 18 are an integral part of these interim condensed consolidated financial statements.

(All amounts are in thousands of rubles, unless expressly stated otherwise)

1 General information

(a) The Group and its operations

Open Joint Stock Company Territorial'naya generiruyuschaya kompaniya # 11 (hereinafter – the "Company" or "TGK-11") was established on 26 August 2005 in the course of reforming the Russian power industry. The reorganization of TGK-11 was completed on 1 November 2007 as a result of the merger of OJSC Omsk Electricity Generation Company (hereinafter – "OEGC") and JSC Tomskenergo (hereinafter – "Tomskenergo") with TGK-11. The head office of TGK-11 is located at 5 Sovetskaya st., Novosibirsk, 630007, Russia.

As at 30 June 2012 and 31 December 2011, OJSC Territorial'naya generiruyuschaya kompaniya # 11 comprises TGK-11 and its subsidiaries (hereinafter – the "Group"):

	Ownership, %
OJSC Production and Repairs Enterprise Omskenergoremont	100
OJSC Engineering and Construction Company	100
OJSC Energoservis	100
LLC SibEnergoFinance	100

The Group's main activity is electricity and heat generation and sale.

The Group's consolidated financial statements as at and for the year ended 31 December 2011 are available upon request from TGK-11's head office or at the official website www.tgk11.com.

(b) Business environment in the Russian Federation

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government. The global financial crisis has affected the Russian economy. While there are signs of economic recovery, the persisting uncertainty over the future economic growth, access to capital markets and cost of capital could affect the Group's financial position, results of operations and business prospects.

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

1 General information (continued)

(c) Government regulation of tariffs for electricity and heat energy

The government affects the Group's activities by controlling tariffs for electricity and heat energy. The Federal Tariff Service and Regional Energy Commissions do not always approve increase of tariffs in line with the increase of the Group's expenses; therefore, certain tariffs may not be sufficient to cover all the Group's energy generation expenses. Tariffs are determined based on the expenses calculated in accordance with the Russian Accounting Standards. In accordance with the Decision of Russian Government in 2012, tariffs for heat energy were increased since 1 July, instead of 1 January in prior years. Electric power produced in excess of volumes sold at regulated tariffs is realized at market prices on a non-regulated market.

2 Basis of preparation

(a) Statement of compliance

These interim condensed consolidated financial statements for the six months ended 30 June 2012 (hereinafter – "Financial statements") have been prepared in accordance with International Accounting Standard 34 (IAS 34) *Interim Financial Reporting*.

These financial statements do not include all the information and data to be disclosed in the annual financial statements and shall be considered collectively with the Group's consolidated financial statements as at and for the year ended 31 December 2011.

(b) Basis of cost measurement

These financial statements are prepared on the historical cost basis unless otherwise set forth in the Group's accounting policy.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian ruble (hereinafter – "ruble" or "RUR"), which is the functional currency of the Group entities and the presentation currency of these financial statements. All amounts in these financial statements are presented in rubles and have been rounded to the nearest thousand.

(d) Use of professional judgments, estimates and assumptions

For the purposes of preparing these financial statements, the Group's management made a number of estimates and assumptions in respect of assets, liabilities, income, expenses and contingent assets and liabilities. Estimates and assumptions are analyzed on an ongoing basis and are based on the practical experience of the Group's management and other factors, including future expectations, which are deemed reasonable in current circumstances. The actual data may differ from these estimates.

2 Basis of preparation (continued)

(d) Use of professional judgments, estimates and assumptions (continued)

Judgments, estimates and assumptions made by the Group's management to prepare these financial statements correspond to the judgments, estimates and assumptions made for the preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

(e) New standards, interpretations and amendments

Accounting principles used in preparation of these financial statements correspond with the principles applied in preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2011.

Amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- Amendment to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

The amendment to IAS 12 introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, deferred tax should be determined on the basis of the presumption that it will be sold. The presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Furthermore, IAS 12 requires that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012.

- Amendment to IFRS 7 *Disclosures – Transfers of Financial Assets*

The IASB issued an amendment to IFRS 7, introducing improvements to disclosure requirements for financial assets. These disclosure requirements apply to transferred assets (as defined by IAS 39). Where transferred assets are not derecognized in their entirety, the entity is required to disclose information that enables the user of the financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. Where such assets are derecognized in their entirety but a continuing involvement is retained, the entity is required to disclose information that will enable the user of financial information to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment is effective for annual periods beginning on or after 1 July 2011, with no comparative data required.

- Amendment to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

When an entity's date of transition to IFRS is on, or after, the functional currency normalization date, the entity may elect to measure all assets and liabilities, held before the functional currency normalization date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011, with early application permitted.

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

3 Seasonality of operations

Demand level for heat and electricity is subject to seasonal fluctuations and depends on weather conditions. The highest revenues from heat sales are generated in the period from October to March. Electricity sales are also subject to seasonal fluctuations, though to a lesser extent, with the highest revenue period also falling on October through March. The seasonality of operations has a corresponding impact on the usage of fuel and the purchase of power. Furthermore, equipment repair and maintenance costs tend to grow in the period from April to September. The seasonality of operations does not have any impact on the accounting of operating income and expenses in accordance with the Group's accounting policy.

4 Changes of presentation

The Group's interest accrued on employee benefits presented in the interim condensed consolidated financial statements for the six months ended 30 June 2011 was reclassified in order to ensure comparability with similar items presented in the interim condensed consolidated financial statements for the six months ended 30 June 2012.

	After reclassification	**Before reclassification**	**Difference**
Operating expenses	(10,541,635)	(10,521,895)	(19,740)
Operating profit	**569,389**	**589,129**	**(19,740)**
Finance expenses	(71,070)	(90,810)	19,740
Net finance expenses	**(69,108)**	**(88,848)**	**19,740**

5 Operating segments

The Group identifies the following operating segments:

- Generation (heat and electricity production) in the Omsk region;
- Generation (heat and electricity production) in the Tomsk region.

In accordance with a decision of the Board of Directors, beginning from 1 January 2012, the Group determines the segment performance for management accounting purposes as profit before tax calculated at segment-level and adjusted by the amount of depreciation and interest. Comparative data for the six months ended 30 June 2011 have been presented correspondingly.

5 Operating segments (continued)

Information on the Group's segment performance is presented in the tables below:

For the six months ended 30 June 2012 (unaudited):

	Omsk	**Tomsk**	**Total**
Revenue from external sales	7,833,503	3,377,503	11,211,006
Revenue from sales to Group entities	8,522	467	8,989
Depreciation	(318,587)	(236,172)	(554,759)
Interest expenses	(56,675)	(31,676)	(88,351)
Reporting segment performance result	785,252	594,933	1,380,185

For the six months ended 30 June 2011 (unaudited):

	Omsk	**Tomsk**	**Total**
Revenue from external sales	7,904,883	3,045,334	10,950,217
Revenue from sales to Group entities	9,857	1,093	10,950
Depreciation	(317,144)	(241,342)	(558,486)
Interest expenses	(66,156)	(38,459)	(104,615)
Reporting segment performance result	944,948	312,985	1,257,933

Reconciliation of reporting segment performance by revenue, profit or loss for the period (unaudited):

	Six months ended 30 June 2012	**Six months ended 30 June 2011**
Total revenue of reporting segments	11,219,995	10,961,167
Unallocated amounts	95,135	40,402
Eliminated revenue from sales to Group entities	(8,989)	(10,950)
Other items	(43,196)	(17,673)
Consolidated revenue	**11,262,945**	**10,972,946**

	Six months ended 30 June 2012	**Six months ended 30 June 2011**
Reporting segments performance result	**1,380,185**	**1,257,933**
Unallocated amounts	(457,500)	(84,720)
Additional gain/(loss) from provision for bonuses	(52,184)	(18,151)
Depreciation and impairment losses	(616,146)	(577,739)
Changes in employee benefit obligations	(40,682)	19,367
Other items	(45,594)	(27,301)
Operating results according to IFRS	**168,079**	**569,389**
Net finance expenses	(85,720)	(69,108)
Profit before tax	**82,359**	**500,281**

Other items are represented by other adjustments, which represent the difference between methods used for management accounting and financial reporting purposes.

6 Income tax

As at 30 June 2012, the Group recalculated taxable profit:

- for 2010–2011 and simultaneously included in the expenses for tax accounting purposes the amounts of mobilization expenses and environmental expenses of RUR 1,106,726 thousand which were already capitalized in financial accounting records. The Group also adjusted the respective amounts of depreciation charge and writing down allowance of RUR 242,276 thousand.
- for 2008–2011 and included in the expenses for tax accounting purposes the depreciation charges (using an accelerated method) for assets operating in an aggressive environment and (or) used by an increased number of shifts in the amount of RUR 165,578 thousand.

The Group, therefore, filed amended income tax returns.

The Group's deferred tax asset related to prior period losses per tax accounting records, resulting primarily from this recalculation, increased by RUR 203,262 thousand. During the six months ended 30 June 2012, the Group utilized part of this asset amounting to RUR 48,559 thousand to cover current income tax expenses.

As at 30 June 2011, the Group recalculated its taxable profit for the years ended 31 December 2009 and 31 December 2010 and deducted for tax accounting purposes its mobilization expenses of 2,449,705 thousand which were capitalized in financial accounting records. The Group also adjusted the respective amounts of depreciation charge and writing down allowance of RUR 996,400 thousand. The Group, therefore, filed amended income tax returns.

As a result of this recalculation, the Group's deferred tax asset related to prior period losses per tax accounting records increased by RUR 290,661 thousand. During the six months ended 30 June 2011, the Group utilized part of this asset amounting to RUR 81,315 thousand to cover current income tax expenses.

7 Property, plant and equipment

For the six months ended 30 June 2012, the Group acquired items of property, plant and equipment for the total amount of RUR 2,620,676 thousand (for the six months ended 30 June 2011: RUR 584,693 thousand), for part of which the Group had advances issued at the beginning of the period.

As at 30 June 2012 long-term prepayments issued comprises RUR 501,989 thousand (as at 31 December 2011: RUR 1,794,551 thousand).

8 Equity

(a) Share capital

As at 30 June 2012 and 31 December 2011, the Company has authorized and fully paid share capital of 512,827,729,472 ordinary shares with a par value of RUR 0.01.

As at 30 June 2012 and 31 December 2011, JSC INTER RAO UES had a controlling interest in the share capital of TGK-11.

(b) Treasury shares

In September 2008, the Group purchased 725,282,150 treasury shares for the total amount of RUR 20,671 thousand. These shares are held by one of the Group's subsidiaries and carried at the acquisition cost.

9 Loans and borrowings

The table below shows summarized information on the Group's loans and borrowings.

	Currency	Maturity	31 December 2011
Non-current liabilities			
Long-term bank loans	RUR	2012–2016	4,819,232
Finance lease liabilities	RUR	2016	6,245
			4,825,477
Current liabilities			
Short-term bank loans	RUR	2012	519,766
Finance lease liabilities, current portion	RUR	2012	3,603
			523,369

	Currency	Maturity	30 June 2012
Non-current liabilities			
Long-term bank loans	RUR	2014–2017	4,127,151
Finance lease liabilities	RUR	2016	5,172
			4,132,323
Current liabilities			
Short-term bank loans	RUR	2012–2013	1,819,578
Finance lease liabilities, current portion	RUR	2012–2013	2,817
			1,822,395

10 Financial instruments and risk management

The Group's activities are exposed to a variety of financial risks, including credit risk, liquidity risk and market risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not hedge these risks.

During the six months ended 30 June 2012, there were no material changes in financial risks and in the Group's financial risk management policies which are disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

11 Contingent liabilities

(a) Insurance

As at 30 June 2012, the Group has insurance coverage for its property, plant and equipment in the amount of RUR 103,266,026 thousand (as at 31 December 2011: RUR 99,181,756 thousand). As at 30 June 2012, the Group has insurance coverage for liabilities to third parties in respect of damage to the environment and life and health injury arising from accidents or the Group's activities in the amount of RUR 875,000 thousand (as at 31 December 2011: RUR 189,272 thousand). Nevertheless, the Group is exposed to a risk of negative impact on the Group's performance and financial position in case of a loss or damage to assets which have no or partial insurance coverage.

(b) Litigation

The Group's entities are parties to a number of legal proceedings arising in the ordinary course of business. The Group's management believes that there are no current legal proceedings or claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group.

(c) Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Management's interpretation of such legislation as applied to the transactions and activity of the Group entities may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Consequently, tax authorities may challenge transactions and accounting methods that they had never challenged before. As a result, significant additional taxes, penalties and interest may be assessed. It is not possible to determine the amounts of constructive claims or evaluate probability of their negative outcome. 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, reviews may cover longer periods.

As at 30 June 2012, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

11 Contingent liabilities (continued)

(d) Environmental liabilities

The Group's entities are subject to extensive environmental control and regulation by federal and regional authorities. The management believes that the Group's production technologies comply with all requirements of environmental regulations of the Russian Federation. However, environmental laws and regulations continue to evolve. The Group is unable to predict timing or extent of such changes. Such changes, if they occur, may require the Group to modernize its technology in order to comply with more strict regulations.

(e) Contingencies related to compliance with instructions of state authorities for technical supervision

State authorities for technical supervision monitor the technical condition of the Group's production equipment on a regular basis. As a result of such reviews, the Group may be required to perform modernization or repairs of its production equipment. The total amount necessary to fulfill the requirements of state authorities for technical supervision issued to the Group as a result of such reviews as at 30 June 2012 cannot be estimated reliably, given that the volume, estimates and timing of the required measures are now under consideration and approval by the Group's management.

(f) Capital construction obligation

Due to the entry into force of Decree of the Government of the Russian Federation No. 89 dated 24 February 2010, Concerning certain issues related to organizing long-term capacity takeoff on a competitive basis on the wholesale market for electricity (capacity), Decree of the Government of the Russian Federation No. 238 dated 13 April 2010, Concerning the determination of pricing parameters for trading in capacity on the wholesale market for electricity (capacity) of the transition period, and Instruction of the Government of the Russian Federation No. 1334-r dated 11 August 2010, Concerning the approval of the list of generating facilities to be used for supplying capacity under capacity supply agreements, NP Market Council, together with wholesale market participants, developed a contractual framework for selling the capacity of new generating facilities which are under construction in accordance with suppliers' investment programs approved by the Government of the Russian Federation under the comprehensive investment program of OJSC RAO UES of Russia.

In accordance with the contractual framework, suppliers will enter into an agency agreement with CJSC FSC, OJSC TSA, NP Market Council and OJSC SO UPS to sell investment capacities. In compliance with this agreement JSC FSC will enter into capacity supply agreements with all buyers of electrical energy (capacity) for and on behalf of the supplier.

On 1 November 2010, the Company entered into an Agency Agreement with JSC FSC, JSC TSA, NP Market Council and JSC SO UPS, in accordance with which JSC FSC undertakes to enter into capacity supply agreements in the interests of the Company.

11 Contingent liabilities (continued)

(f) Capital construction obligation (continued)

According to the terms of the Agency Agreement, should the Company fail to meet the dates of commissioning the generating facilities or supply the requisite capacity, it will pay to the Agent a penalty, the amount of which will depend on the period by which the commissioning of the generating facilities is overdue, quantity of the undersupplied capacity and the price of the capacity under the long-term capacity supply agreement. The Company's management does not expect that it will be prevented from performing its obligations under the capacity supply agreements, in whole or in part.

The amount of capital construction obligation (for objects PGU-90 and GTU-16) comprised RUR 2,159,032 thousand including VAT as at 30 June 2012 and RUR 4,820,082 thousand including VAT as at 1 January 2012.

12 Related party disclosures

In the table below there is the summary of the Group's transactions with the related parties, except for the transactions with state-controlled not-for-profit entities (unaudited):

Related parties		Sales to related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
		For the six months ended 30 June		As at 30 June 2012 and as at 31 December 2011	
Parent company OAO INTER RAO UES	2012	25,369	28,681	3,697	3,106
	2011	15,415	–	3,460	–
Companies of the Group OAO INTER RAO UES	2012	146,544	249,057	335,307	78,961
	2011	33,917	10	397,470	31,961

Related parties	Type of operation	Amounts due from related parties as at 30 June 2012 (unaudited)	Amounts due from related parties as at 31 December 2011	Amounts due to related parties as at 30 June 2012 (unaudited)	Amounts due to related parties as at 31 December 2011
Key management personnel	Salaries and other benefits	3,858	4,333	1,574	2,096

During the six months ended 30 June 2012, the Group sold a portion of heat power to state-controlled not-for-profit entities in the amount of RUR 2,568,207 thousand (22.8% of total revenue) (during the six months ended 30 June 2011: RUR 1,117,647 thousand). Terms of these agreements were similar to those to third parties. The procedure to establish tariffs for electricity and heat is disclosed in Note 1 (c).

12 Related party disclosures (continued)

During the six months ended 30 June 2012, the Group sold a major portion of heat power in the amount of RUR 979,614 thousand (8.7% of total revenue) to an entity of Gazprom Group controlled by the state (during the six months ended 30 June 2011: RUR 1,040,227 thousand).

During the six months ended 30 June 2012, the Group purchased at the contractual prices gas in the amount of RUR 3,207,086 thousand from state-controlled entities (during the six months ended 30 June 2011: RUR 2,935,117 thousand). As at 30 June 2012, the Group's accounts payable to state-controlled entities for gas supply amount to RUR 3,558 thousand (as at 31 December 2011: RUR 9,157 thousand).

During the six months ended 30 June 2012, the Group obtained loans from state-controlled banks based on market interest rates. As at 30 June 2012, the Group's liabilities to state-controlled banks amount to RUR 1,000,867 thousand (as at 31 December 2011: RUR 3,844,387 thousand).

Other purchases from state-controlled entities represented an insignificant portion of all other purchases of the Group.

Terms and conditions of transactions with related parties

At the end of reporting periods outstanding balances are unsecured, interest-free, except for loans, and settled mainly in cash.

Compensation to key management personnel

	Six months ended 30 June 2012 (unaudited)	**Six months ended 30 June 2011 (unaudited)**
Salaries and other benefits	34,731	37,476
	34,731	**37,476**

13 Events after the reporting date

On 15 August 2012, the Board of Directors of the Group's subsidiary which owns the shares of TGK-11 made a decision to sell all of such shares.

The period during which the shareholders of OJSC TGK-11 are to accept the mandatory offer of CJSC INTER RAO CAPITAL (a subsidiary of JSC INTER RAO UES) to sell the shares of the company expires on 11 September 2012. OJSC TGK-11 is planning to delist from the stock exchange after the purchase of OJSC TGK-11's shares is completed. This procedure is planned due to the expected consolidation of more than 95% of TGK-11's equity by JSC INTER RAO UES.