

OJSC Enel OGK-5

Interim Condensed Consolidated Financial Statements
for the six months ended 30 June 2013 (unaudited)

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Report on review of interim condensed consolidated financial statements

To the shareholders of OJSC Enel OGC-5

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC Enel OGC-5 and its subsidiaries (hereinafter collectively referred to as the "Company"), comprising the interim consolidated statement of financial position as at 30 June 2013, the related interim consolidated statement of comprehensive income for the six month period ended 30 June 2013, the related interim consolidated statements of changes in equity and cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst & Young LLC

30 July 2013

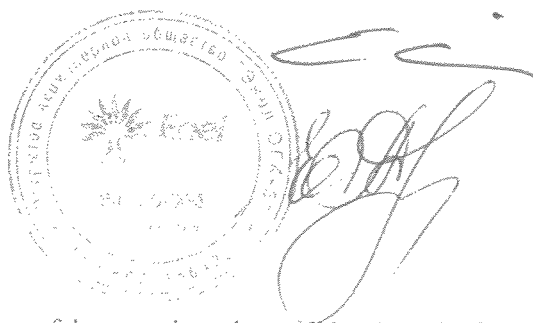
OJSC Enel OGK-5
Interim Consolidated Statement of Financial Position
Thousands of Russian Roubles, unless otherwise stated

	Note	30 June 2013 (unaudited)	31 December 2012 (unaudited) (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	4	107,981,384	108,132,493
Intangible assets		669,160	809,876
Available-for-sale financial assets	7	31,540	44,230
Non-current derivative assets	7	276,690	14,990
Other non-current assets		385,566	555,790
Total non-current assets		109,344,340	109,557,379
Current assets			
Inventories		4,277,430	3,654,960
Trade and other receivables		7,080,520	9,065,500
Income tax receivable		709,800	231,857
Current derivative assets	7	305,580	3,660
Cash and cash equivalents	5	2,260,840	5,350,480
Total current assets		14,634,170	18,306,457
TOTAL ASSETS		123,978,510	127,863,836
EQUITY AND LIABILITIES			
Equity			
Share capital	6	35,371,898	35,371,898
Share premium		6,818,747	6,818,747
Treasury shares		(411,060)	(411,060)
Fair value reserve	6	3,936	11,680
Hedge reserve	6	76,154	(30,763)
Retained earnings	6	34,167,223	32,149,211
Total equity attributable to equity holders of OJSC Enel OGK-5		76,026,898	73,909,713
Non-controlling interest		(10,717)	1,813
TOTAL EQUITY		76,016,181	73,911,526
Non-current liabilities			
Loans and borrowings		21,384,950	25,077,980
Deferred tax liabilities		8,034,019	7,704,799
Employee benefits		2,588,230	2,666,001
Provisions		503,100	566,120
Non-current derivative liabilities	7	206,500	477,660
Other non-current liabilities		270	150
Total non-current liabilities		32,717,069	36,492,710
Current liabilities			
Loans and borrowings		6,317,380	5,240,610
Trade and other payables		6,545,172	10,582,721
Current derivative liabilities	7	10	39,240
Other taxes payable		1,510,030	811,300
Provisions		872,668	785,729
Total current liabilities		15,245,260	17,459,600
Total liabilities		47,962,329	53,952,310
TOTAL EQUITY AND LIABILITIES		123,978,510	127,863,836

General Director

Chief Accountant

29 July 2013



E. Viale

E.A. Dubtcova

The notes on pages 6 to 14 are an integral part of these condensed consolidated interim financial statements.

OJSC Enel OGK-5
Interim Consolidated Statement of Comprehensive Income
Thousands of Russian Roubles, unless otherwise stated

Note	for the six months ended 30 June 2013 (unaudited)	for the six months ended 30 June 2012 (unaudited) (Restated)
Revenue	32,656,000	31,238,360
Operating expenses	(28,900,160)	(26,924,054)
Other operating income	402,130	699,235
Operating profit	4,157,970	5,013,541
Finance income	806,550	341,402
Finance expenses	(2,443,990)	(1,952,704)
Profit before income tax	2,520,530	3,402,239
Income tax expense	(515,048)	(707,746)
Profit for the period	2,005,482	2,694,493
Other comprehensive income		
Other comprehensive income to be reclassified to profit and loss in subsequent periods:		
Net change in the fair value of available-for-sale financial assets		
	(9,680)	(9,263)
Income tax effect	7 1,936	1,853
	(7,744)	(7,410)
Fair value change on Cash Flow Hedge derivatives	133,646	104,175
Income tax effect	(26,729)	(20,835)
	106,917	83,340
Net other comprehensive income to be reclassified to profit and loss in subsequent periods	99,173	75,930
Total comprehensive income for the period	2,104,655	2,770,423
Profit attributable to:		
Owners of OJSC Enel OGK-5	2,018,012	2,707,213
Non-controlling interest	(12,530)	(12,720)
Total comprehensive income attributable to:		
Owners of OJSC Enel OGK-5	2,117,185	2,783,143
Non-controlling interest	(12,530)	(12,720)
Earnings per ordinary share for profit attributable to the equity holders of OJSC Enel OGK-5 – basic and diluted (in Russian Roubles per share)	0.0573	0.0769

General Director

E. Viale

Chief Accountant

E.A. Dubtcova

29 July 2013



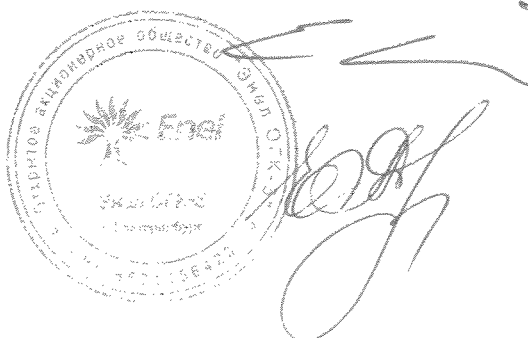
OJSC Enel OGK-5
Interim Consolidated Statement of Cash Flows
Thousands of Russian Roubles, unless otherwise stated

	Note	for the six months ended 30 June 2013 (unaudited)	for the six months ended 30 June 2013 (unaudited) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		2,520,530	3,402,239
<i>Adjustments for:</i>			
Depreciation and amortisation		3,035,500	2,381,981
Loss on disposal of property, plant and equipment		(10,650)	(13,499)
Finance income		(806,550)	(341,402)
Finance expenses		2,443,990	1,952,704
Increase in allowance for impairment of trade and other receivables		1,117,870	8,910
Adjustments for other non-cash transactions		47,939	88,005
Operating cash flows before working capital changes		8,348,629	7,478,940
Decrease in trade and other receivables		1,140,178	386,708
Increase in inventories		(625,458)	(361,003)
(Decrease)/increase/in trade and other payables and prepaid expenses		(2,427,748)	1,963,075
Increase/(decrease) in taxes payable, other than income tax		698,730	(647,560)
Net cash inflows from operating activities before income tax paid		7,134,331	8,820,160
Income tax (paid)/received/		(860,200)	40,560
Net cash from operating activities		6,274,131	8,860,720
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(4,828,178)	(5,814,461)
Interest received		41,527	114,650
Net cash used in investing activities		(4,786,651)	(5,699,811)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from non-current loans and borrowings		1,000,000	-
Repayment of loans and borrowings		(4,640,728)	(625,727)
Other transaction costs		(65,473)	-
Proceeds from derivatives		2,585,718	15,261,280
Payment on derivatives		(2,750,867)	(16,198,082)
Interest paid		(705,770)	(585,860)
Net cash from financing activities		(4,577,120)	(2,148,389)
Net (decrease)/increase in cash and cash equivalents		(3,089,640)	1,012,520
Cash and cash equivalents at 1 January	5	5,350,480	4,736,990
Cash and cash equivalents at 30 June	5	2,260,840	5,749,510

General Director

Chief Accountant

29 July 2013



E. Viale

E.A. Dubtcova

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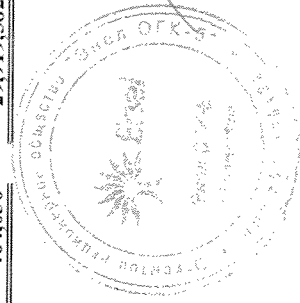
OJSC Enel OGC-5
Interim Consolidated Statement of Changes in Equity
Thousands of Russian Roubles, unless otherwise stated

	Attributable to equity holders of OJSC Enel OGC-5							Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Fair value reserve	Hedge reserve	Retained earnings	Total		
Balance at 1 January 2013 (restated)	35,371,898	6,818,747	(411,060)	11,680	(30,763)	32,149,211	73,909,713	1,813	73,911,526
Profit/(loss) for the period	-	-	-	-	-	2,018,012	2,018,012	(12,530)	2,005,482
Other comprehensive income									
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	-	-	106,917	-	106,917	-	106,917
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	(7,744)	-	-	(7,744)	-	(7,744)
Total other comprehensive income/(loss)	-	-	-	(7,744)	106,917	-	99,173	-	99,173
Balance at 30 June 2013 (unaudited)	35,371,898	6,818,747	(411,060)	3,936	76,154	34,167,223	76,026,898	(10,717)	76,016,181
Balance at 1 January 2012 (restated)	35,371,898	6,818,747	(411,060)	21,360	380,690	27,212,369	69,394,004	16,783	69,410,787
Profit/(loss) for the period	-	-	-	-	-	2,707,213	2,707,213	(12,720)	2,694,493
Other comprehensive income									
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	-	-	83,340	-	83,340	-	83,340
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	(7,410)	-	-	(7,410)	-	(7,410)
Total other comprehensive income	-	-	-	(7,410)	83,340	-	75,930	-	75,930
Balance at 30 June 2012 (unaudited) (restated)	35,371,898	6,818,747	(411,060)	13,950	464,030	29,919,582	72,177,147	4,063	72,181,210

General Director

Chief Accountant

29 July 2013



E. Viale

E.A. Dubitcova

The notes on pages 6 to 14 are an integral part of these condensed consolidated interim financial statements.

1. BACKGROUND

a) Organisation and operations

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

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

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

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

- a wholly-owned subsidiary LLC “OGK-5 Finance”;
- 60% interest subsidiary OJSC “Teploprogress”. The State Property Committee of Sredneursk holds the remaining 40% ownership interest in OJSC “Teploprogress”.

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

b) Regulatory environment

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

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

c) Russian business environment

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

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Company’s future financial position, results of operations and business prospects.

Management believes it is taking appropriate measures to support the sustainability of the Company’s business in the current circumstances.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IAS 19 (Revised 2011) *Employee Benefits*, IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 Clarification of the Requirement for Comparative Information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 Tax Effects of Distributions to Holders of Equity Instruments (Amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there were no distributions to equity holders.

2. BASIS OF PREPARATION (continued)

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated at the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

In case of the Group, the transition to IAS 19R had an impact on the net defined benefit plan obligations due to the difference in accounting for previously unrecognized unvested past service costs. The effect of the adoption of IAS 19R is explained in Note 8.

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 7.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied and disclosed in the Company's IFRS annual consolidated financial statements for the year ended 31 December 2012, with the effect of adoption of new standards and amendments as described in Note 2.

a) Seasonality of operations

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

4. PROPERTY, PLANT AND EQUIPMENT

a) Acquisitions and disposals

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

During the six months ended 30 June 2012 the Group acquired assets with a total cost of RR 4,156,638 thousand.

At 30 June 2013 Group's property, plant and equipment includes capital advances in amount of RR 4,166,680 thousand (31 December 2012: 3,849,225 thousand).

During the six months ended 30 June 2013 the Group did not capitalize borrowing costs into property, plant and equipment (30 June 2012: RR 94,538 thousand).

b) Capital commitments

Future capital expenditures for which contracts have been signed amount to RR 4 350 025 thousand at 30 June 2013 (31 December 2012: RR 10 159 534 thousand).

5. CASH AND CASH EQUIVALENTS

	<u>30 June 2013</u>	<u>31 December 2012</u>
Current accounts	718,360	172,758
Call deposits	1,542,480	5,177,722
Total	<u>2,260,840</u>	<u>5,350,480</u>

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

6. EQUITY

a) Share capital

The Group's share capital as at 30 June 2013 and 31 December 2012 was RR 35,371,898 thousand comprising 35,371,898,370 ordinary shares with a par value of RR 1.00. All shares authorised are issued and fully paid.

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

b) Fair value reserve

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

c) Hedge reserve

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

7. DERIVATIVE ASSETS AND LIABILITIES

The following are the contractual maturities of financial liabilities, excluding estimated interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Fair values	30 June 2013	31 December 2012
Currency and interest rate swap	276,690	14,988
Forwards	303,204	-
Derivative assets	579,894	14,988
Currency and interest rate swap	(206,500)	(477,664)
Forwards	-	(39,243)
Derivative liabilities	(206,500)	(516,907)

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

These hedges were assessed to be highly effective and net unrealised gains of RR 106,917 thousand, net of deferred tax liability of RR 26,729 thousand are included within other comprehensive income during the period ended 30 June 2013 (6 months ended 30 June 2012: gains of RR 83,340 thousand net of deferred tax liability of RR 20,835 thousand). No significant element of ineffectiveness required recognition in the consolidated income statement.

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

Fair value hierarchy

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

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

30 June 2013	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Available-for-sale financial assets	31,540	-	-	31,540
Forward exchange contracts	-	303,204	-	303,204
Interest rate swaps used for hedging	-	276,690	-	276,690
	31,540	579,894	-	611,434
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	-	206,500	-	206,500
	-	206,500	-	206,500

7. DERIVATIVE ASSETS AND LIABILITIES (continued)

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Available-for-sale financial assets	44,230	–	–	42,020
Interest rate swaps used for hedging		14,988		14,988
	<u>44,230</u>	<u>14,988</u>	<u>–</u>	<u>57,008</u>
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	477,664	–	477,664
Forward exchange contracts	–	39,243	–	39,243
	<u>–</u>	<u>516,907</u>	<u>–</u>	<u>516,907</u>

8. EMPLOYEE BENEFITS

The Group operates a defined benefit pension plan under Collective agreement, which requires contributions to be made to a separately administered fund.

IAS 19R has been applied retrospectively from 1 January 2012. As a result for the Group, unvested past service costs can no longer be deferred and recognised over the future vesting period.

Instead, all past service costs are recognised at the earlier of when the amendment occurs and when the Group recognises related restructuring or termination costs. Until 2012, the Group's unvested past service costs were recognised as an expense on a straight-line basis over the average period until the benefits become vested.

Upon transition to IAS 19R, past service costs are recognised immediately if the benefits have vested immediately following the introduction of, or changes to, a pension plan.

Impact of transition to IAS 19R:

	30 June 2013	31 December 2012
Impact on interim condensed consolidated statement of financial position		
Increase in the defined benefit plan obligation (non-current)	(2,019,331)	(2,019,331)
Decrease in deferred tax liabilities (non-current)	390,090	390,090
Net impact on total equity	<u>(1,629,241)</u>	<u>(1,629,241)</u>
Equity holders of the parent	(1,629,241)	(1,629,241)
Non-controlling interest	–	–
	For the six months ended	
	30 June 2013	30 June 2012
Impact on interim condensed consolidated income statement		
Increase in operating expenses	–	(315,413)
Increase in finance costs	–	(36,000)
Decrease in current tax expense	–	70,283
Net decrease of profit for the period	<u>–</u>	<u>(281,131)</u>
Attributable to equity holders of parent	–	(281,131)
Non-controlling interest	–	–
Net increase in total comprehensive income	<u>–</u>	<u>(281,131)</u>
Attributable to equity holders of parent	–	(281,131)
Non-controlling interest	–	–

9. CONTINGENCIES

(a) Political environment

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russia.

(b) Insurance

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

(c) Legal proceedings

An overseas contractor has commenced an action against the Group claiming, among other matters, losses and damages associated with the equipment idle time. The Company filed a counter claim for losses due to failure by the contractor to meet scheduled construction timeline. A trial date is scheduled for January 2014. The Group has been advised by its legal counsel that it is only possible, but not probable, that either action will succeed. Accordingly, no provision for any liability has been made in these financial statements. The Group was not a party to any other significant legal proceedings which, upon final disposition, will have a material adverse effect on the financial position of the Group, except those for which provision has been accrued and recorded in this financial statement.

(d) Tax contingency

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

Effective January 1, 2012, the market price defining rules were changed and the list of entities that could be recognized as interdependent entities and list of managed deals were expanded. Due to the absence of law enforcement precedents based on the new rules and certain contradictions in the provisions of the new law, such rules cannot be considered clear and precise. To eliminate influence of the significant risks associated with transfer pricing to the consolidated financial statements, the Company developed methods of pricing for all types of controlled transactions, a standard on preparation of reporting documentation, also the Company systematically researches databases to determine the market price level (ROI) of the controlled transactions.

(e) Environmental matters

The Group and its predecessor have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluate its obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

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

9. CONTINGENCIES (continued)**(e) Environmental matters (continued)**

This circumstance significantly reduces the risks of the Company as well as the fact that the Company is a material subsidiary of the Enel Group, which pays special attention to environmental and safety matters.

A provision has been recognized for incremental decommissioning cost associated with future restoration of the underlying ash dump in the amount of RR 141,672 thousand as of 30 June 2013 (as of 31 December 2012: RR 141,000 thousand). Another provision was created in 2012 in respect of sanitary protection of water sources in the area near Konakovskaya SDPP, which amounts to RR 44,000 thousand as of 30 June 2013 (as of 31 December 2012: RR 39,164 thousand).

(f) Restructuring provision

As at 31 December 2012, a restructuring provision of RR 290,838 thousand had been recognized for the optimization of organizational structure and redundancy of employees. Expenditures of RR 52,086 thousand were charged against the provision during the first six months of 2013.

10. RELATED PARTIES DISCLOSURES

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

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

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

Transactions with Enel Group

For the period ended 30 June 2013 the Group had the following transactions with Enel Group entities:

	For the six months ended	
	30 June 2013	30 June 2012
Sale of electricity	287,949	229,500
Other revenue	42,168	83,135
Purchases	(510,273)	(315,554)

As at 30 June 2013 the Group had the following balances with Enel Group entities:

	30 June 2013	31 December 2012
Trade and other receivables	261,814	238,147
Advances issued for capital construction	13,366	50,171
Trade and other payables	(1,912,765)	(3,059,845)

Transactions with other related parties

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

	For the six months ended	
	30 June 2013	30 June 2012
Other expenses	303,549	247,404

As at 30 June 2013 the Group had no balances with other related parties.

10. RELATED PARTIES DISCLOSURES (continued)*Transactions with key management personnel*

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

Total remuneration accrued to the members of the Board of Directors and Management Board for the period ended 30 June 2013 and 2012 was as follows:

	For the six months ended	
	30 June 2013	30 June 2012
Remuneration	42,228	46,081

There were no loans provided to key management personnel during the period ended 30 June 2013.

At 30 June 2013 there were 11 members of the Board of Directors and 6 members of the Management Board.