JSC Inter RAO

Interim condensed consolidated financial statements

For the three months ended 31 March 2015 (unaudited)

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Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827

Report on review of interim condensed consolidated financial statements

To the Shareholders and Board of Directors of
JSC Inter RAO

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC Inter RAO and its subsidiaries (the "Group"), comprising the interim consolidated statement of financial position as at 31 March 2015 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-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.

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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

28 May 2015

Moscow, Russia

Interim consolidated statement of financial position

(in millions of RUR)

	Note	31 March 2015	31 December 2014
Assets			
Non-current assets			
Property, plant and equipment	6	296,315	298,625
Intangible assets		12,179	12,514
Investments in associates and joint ventures	7	35,489	34,407
Deferred tax assets		3,671	2,236
Available-for-sale financial assets	8	4,804	7,260
Other non-current assets	9	13,975	10,094
Total non-current assets		**366,433**	**365,136**
Current assets			
Inventories		15,946	14,903
Accounts receivable and prepayments	10	92,362	81,703
Income tax prepaid		1,200	946
Cash and cash equivalents	11	75,556	75,599
Other current assets	12	8,812	9,154
		193,876	**182,305**
Assets classified as held-for-sale		38,057	38,057
Total current assets		**231,933**	**220,362**
Total assets		**598,366**	**585,498**
Equity and liabilities			
Equity			
Share capital		293,340	293,340
Treasury shares		(56,229)	(56,229)
Share premium		69,312	69,312
Hedge reserve		38	38
Actuarial reserve		(34)	(34)
Fair value reserve		203	626
Foreign currency translation reserve		8,085	8,422
Retained earnings		42,769	27,426
Total equity attributable to shareholders of the Company		**357,484**	**342,901**
Non-controlling interest		5,922	5,348
Total equity		**363,406**	**348,249**
Non-current liabilities			
Loans and borrowings	13	59,682	64,185
Deferred tax liabilities		16,234	15,034
Other non-current liabilities	15	11,670	11,448
Total non-current liabilities		**87,586**	**90,667**
Current liabilities			
Loans and borrowings		46,628	42,947
Accounts payable and accrued liabilities	14	92,681	96,836
Other taxes payable		6,662	5,872
Income tax payable		1,403	927
Total current liabilities		**147,374**	**146,582**
Total liabilities		**234,960**	**237,249**
Total equity and liabilities		**598,366**	**585,498**

Chairman of the Management Board — Kovalchuk B.Yu.

Chief Accountant — Vaynilavichute A.P.

28 May 2015

The interim consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out in Notes 1-25.

Interim consolidated statement of comprehensive income

(in millions of RUR)

	Note	For the three months ended 31 March 2015	2014
Revenue	16	216,462	189,608
Other operating income	17	3,184	1,980
Operating expenses, net	18	(202,268)	(181,660)
Operating income		**17,378**	**9,928**
Finance income	19	2,849	519
Finance expenses	19	(3,047)	(4,254)
Share of profit of associates and joint ventures, net	7	889	420
Income before income tax		**18,069**	**6,613**
Income tax expense	20	(2,027)	(2,798)
Income for the period		**16,042**	**3,815**
Other comprehensive (loss)/income			
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss when specific conditions are met			
(Loss)/gain on available-for-sale financial assets, net of tax	8	(423)	606
Net loss on hedge instruments, net of tax		-	(31)
Exchange (loss)/gain on translation to presentation currency		(512)	142
Other comprehensive (loss)/income, net of tax		**(935)**	**717**
Total comprehensive income for the period		**15,107**	**4,532**
Income attributable to:			
Shareholders of the Company		15,343	3,026
Non-controlling interest		699	789
		16,042	**3,815**
Total comprehensive income attributable to:			
Shareholders of the Company		14,583	3,682
Non-controlling interest		524	850
		15,107	**4,532**
Basic and diluted income per ordinary share for income attributable to the shareholders of the Company		**RUR** 0.182	**RUR** 0.035

Chairman of the Management Board Kovalchuk B.Yu.

Chief Accountant Vaynilavichute A.P.

28 May 2015

The interim consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out in Notes 1-25.

Interim consolidated statement of cash flows

(in millions of RUR)

	Note	For the three months ended 31 March 2015	For the three months ended 31 March 2014
Operating activities			
Income before income tax		18,069	6,613
Adjustments to reconcile income before tax to net cash flows from operating activities:			
Depreciation and amortisation	18	5,752	5,329
Provision for impairment of accounts receivable	18	1,248	536
Other provisions charge/(release)	18	403	(675)
Impairment of available-for-sale financial assets and assets classified as held-for-sale	8, 18	2	476
Release of impairment of property, plant and equipment, intangible assets and goodwill	18	(8)	(22)
Share of profit of associates and joint ventures	7	(889)	(420)
(Income) / loss from electricity derivatives, net	17, 18	(14)	89
Foreign exchange (gain)/loss, net	19	(433)	73
Interest income	19	(2,025)	(510)
Other finance income	19	(391)	(9)
Interest expense	19	2,971	1,000
Other finance expenses	19	76	1,457
Income from sale of available-for-sale financial assets	8,17	(819)	(1)
Put and call option agreement	19	-	1,724
Gain from disposal of controlling interest	5, 17	(17)	(29)
Other non-cash operations/items		(179)	141
Operating cash flows before working capital adjustments and income tax paid		**23,746**	**15,772**
(Increase)/decrease in inventories		(904)	673
Increase in accounts receivable and prepayments		(10,501)	(5,134)
Decrease in value added tax recoverable		649	87
Increase in other current assets		(516)	(406)
Decrease in accounts payable and accrued liabilities		(3,972)	(1,170)
(Decrease)/increase in taxes other than income tax prepaid/payable, net		(151)	3,474
Other working capital adjustments		(3)	(67)
		8,348	**13,229**
Income tax paid		(2,084)	(915)
Net cash flows from operating activities		**6,264**	**12,314**

The interim consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out in Notes 1-25.

Interim consolidated statement of cash flows (continued)

(in millions of RUR)

	Note	For the three months ended 31 March 2015	2014
Investing activities			
Proceeds from disposal of property, plant and equipment		70	14
Purchase of property, plant and equipment and intangible assets		(4,458)	(6,884)
Proceeds from disposal of controlling interest, net of cash disposed		-	29
Purchase of controlling interest, net of cash acquired		94	-
Proceeds from disposal of available-for-sale financial assets	8	2,730	76
Proceeds from repayment of loans issued		8	14
Loans issued		-	(570)
Bank deposits placed		(2,762)	(1,688)
Bank deposits returned and proceeds from promissory notes repayment		4,922	412
Purchase of other financial assets		-	(1)
Cash flows from/(used for) other investing activities		253	(109)
Net cash flows from/(used for) investing activities		**857**	**(8,707)**
Financing activities			
Proceeds from loans and borrowings		10,743	14,362
Repayment of loans and borrowings		(13,119)	(14,506)
Repayment of finance leases		(222)	(130)
Interest paid		(2,390)	(507)
Dividends paid		-	(1)
Prepayment for the purchase of non-controlling interest in subsidiary	25	(1,973)	-
Net cash flows used for financing activities		**(6,961)**	**(782)**
Effect of exchange rate fluctuations on cash and cash equivalents		(203)	203
Net (decrease)/increase in cash and cash equivalents		**(43)**	**3,028**
Cash and cash equivalents at the beginning of the period		75,599	39,882
Cash and cash equivalents at the end of the period	11	**75,556**	**42,910**

Chairman of the Management Board — Kovalchuk B.Yu.

Chief Accountant — Vaynilavichute A.P.

28 May 2015

The interim consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out in Notes 1-25.

Interim consolidated statement of changes in equity

(in millions of RUR)

		Attributable to shareholders of the Company										
	Note	Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Fair value reserve	Hedge reserve	Actuarial reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2014		293,340	(41,363)	69,312	413	642	(64)	(280)	9,522	331,522	3,067	334,589
Total comprehensive income/(loss) for the three months ended 31 March 2014		-	-	-	81	606	(31)	-	3,026	3,682	850	4,532
Balance at 31 March 2014		293,340	(41,363)	69,312	494	1,248	(95)	(280)	12,548	335,204	3,917	339,121
Balance at 1 January 2015		293,340	(56,229)	69,312	8,422	626	38	(34)	27,426	342,901	5,348	348,249
Total comprehensive (loss)/income for the three months ended 31 March 2015		-	-	-	(337)	(423)	-	-	15,343	14,583	524	15,107
Acquisition of controlling interest in subsidiary	5	-	-	-	-	-	-	-	-	-	50	50
Balance at 31 March 2015		293,340	(56,229)	69,312	8,085	203	38	(34)	42,769	357,484	5,922	363,406

Chairman of the Management Board — Kovalchuk B.Yu.

Chief Accountant — Vaynilavichute A.P.

28 May 2015

The interim consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out in Notes 1-25

(in millions of RUR)

1. The Group and its operations

Establishment of the Group

Open Joint Stock Company "Inter RAO UES" (the "Parent Company" or the "Company" or JSC "Inter RAO") is incorporated and domiciled in the Russian Federation and whose shares are publicly traded.

The Russian Federation is the ultimate controlling party of JSC Inter RAO and has a controlling interest in the Company of over 50%.The main state shareholders of the Parent Company as at 31 March 2015 are JSC ROSNEFTEGAZ (26.37%) and FGC UES Group (14.07% share).

The Company has controlling interests in a number of subsidiaries operating in different regions of the Russian Federation and abroad (the Company and its subsidiaries collectively are designated as the "Group").

The Group is engaged in the following business activities:

- Electricity production, supply and distribution;
- Export and import of electricity;
- Sales of electricity purchased abroad and on the domestic market;
- Engineering services;
- Energy effectiveness research and development.

The Group's business environment

The governments of the countries where the Group entities operate directly affect the Group's operations through regulation with respect to energy generation, purchases and sales. Governmental economic, social and other policies in these countries could have a material effect on the operations of the Group.

The Russian Federation, Georgia, Armenia, Moldavia (including Transdniestria Republic), Kazakhstan, Turkey, Lithuania, Latvia and Estonia have been experiencing significant (albeit different) political and economic changes that have affected, and may continue to affect, the activities of the Group entities operating in this environment. Consequently, operations in these jurisdictions involve risks that typically do not exist in other mature markets. These risks include matters arising from the policies of the government, economic conditions, the imposition of or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights. In 2014, the economy of the Russian Federation, primary jurisdiction of the Group, was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian rouble, as well as series of unilateral restrictive political and economic measures imposed on Russian Federation by several countries. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth in Russian Federation, which could negatively affect the Group's future financial position, results of operations and business prospects.

The accompanying interim condensed consolidated financial statements reflect management's assessment of the impact of the business environment on the operating results and the financial position of the Group in the countries where the Group entities operate. Management is unable to predict all developments which could have an impact on the utilities sector and the wider economy in these countries and consequently, what effect, if any, they could have on the financial position of the Group. Therefore, future business environment may differ from management's assessment.

2. Basis of preparation

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("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 2014.

(b) Functional and presentation currency

The national currencies of the countries where the Group entities operate are usually the individual company's functional currencies, because they generally reflect the economic substance of the underlying transactions and circumstances of those companies.

(in millions of RUR)

2. Basis of preparation (continued)

(b) Functional and presentation currency (continued)

The Group applies judgment in determination of the functional currencies of certain Group entities. The functional currency determination influences foreign exchange gain/losses recognised in profit and loss and translation differences recognised in other comprehensive income.

The interim condensed consolidated financial statements are presented in millions of the Russian roubles ("RUR").The main part of the Group is represented by entities operating in the Russian Federation having RUR as their functional currency. All values are rounded to the nearest million, except when otherwise indicated.

(c) Seasonality

Demand for electricity is to some extent influenced by the season of the year. Revenue is usually higher in the period from October to March than in other months of the year. This seasonality does not impact revenue or cost recognition policies of the Group.

(d) Changes in presentation

Segment information

Starting from 1 January 2015, the Group changed the calculation of EBITDA of the operating segments as chief operating decision-maker (further "CODM") decided to analyse the effectiveness of operating segments based on their main business activities excluding non-operating expenditures and income (Note 4). The comparative information was revised accordingly.

Other provisions

Since 1 January 2015, the management of Company decided to change presentation of charge and release of other provision within Operating expenses in the interim consolidated statement of comprehensive income. In case of the negative outcome the initially accrued provision should be released through other provision within Operating expenses and the appropriate expenses within Operating expenses should be recorded. The comparative information for the three months, ended 31 March 2014 for the total amount of RUR 1,348 million was revised correspondingly (Note 4, 18).

3. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements for the three months ended 31 March 2015 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of new amendments of the following standards became effective as of 1 January 2015.

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

- *Defined Benefit Plans: Employee Contributions (amendments to IAS 19)* requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.
- *IFRS 2 Share-based Payment.* The improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. This amendment did not have any effect on the consolidated financial statements.
- *IFRS 3 Business Combinations.* The amendment is applied prospectively and clarifies that joint arrangements are outside the Scope of IFRS 3 and that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.
- *IFRS 8 Operating Segment.* The amendment is applied retrospectively and clarify that: an entity must disclose the judgements made by management in applying the aggregation criteria, the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. This amendment did not have any effect on the consolidated financial statements.
- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets.* The amendment is applied retrospectively and clarifies the revaluation model statements. This is not relevant to the Group, since the cost model is applied.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

- *IAS 24 Related Party Disclosures.* The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.
- *IFRS 13 Fair Value Measurement.* The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39,as applicable). The Group does not apply the portfolio exception in IFRS 13.
- *IAS 40 Investment Property.* The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment did not have any effect on the consolidated financial statements.

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

4. Segment information

Operating segments are components of an enterprise about which separate financial information is available and is evaluated regularly by the Chief Operating Decision Maker (‘CODM’) in deciding how to allocate resources and in assessing performance. The Management Board of the Parent Company has been determined as the CODM; the operating segment has been defined as a legal entity or a particular business activity of a legal entity. The Management Board analyses the effectiveness of the operating segments based on IFRS financial reporting.

The Management Board considers the Group activities from both geographical (by countries of the Group entities’ jurisdiction) and business perspective (generation, trading, supply, distribution, engineering and other) meaning that each operating segment represents a certain type of business activities or legal entities in a certain country.

The following reporting segments have been identified based on the requirements of IFRS 8 *Operating Segments* (taking into consideration aggregation criteria as well as quantitative thresholds on revenue and EBITDA):

- **Supply in the Russian Federation** (represented by JSC Mosenergosbyt (Group of entities), JSC PSK, JSC Tambov Energy Retailing Company, JSC Saratovenergo, JSC Altayenergosbyt, LLC INTER RAO Orlovskii energosbit, JSC Industrial Energetics, LLC RN-Energo, JSC Tomskenergosbyt, Omsk Energy Retailing Company LLC (since March 2014), JSC EIRTS LO (since 1 January 2015), LLC RT – Energy Trading (equity accounted investee).
- **Generation in the Russian Federation** represented by the following reporting sub-segments:
  - *Electric Power Generation* represented by:
    - *INTER RAO – Electricity Generation Group (represented by* JSC Inter RAO – Electric Power Plants), and
  - *Thermal Power Generation* represented by:
    - *TGK-11* (represented by Group TGK-11).
    - *Bashkir Generation* (represented by Group Bashkir Generation Company)
- **Trading in the Russian Federation and Europe** (represented by the trading activities of the Parent Company, RAO Nordic Oy, AB INTER RAO Lietuva, SIA INTER RAO Latvia, INTER RAO Eesti OU, Inter Green Renewables, Trading AB, JSC Eastern Energy Company, LLC Payments implementation center (since April 2014) and SOO IRL POLSKA (since January 2015).
- **Georgia** (represented by JSC Telasi, LLC Mtkvari Energy and JSC Khramhesi I, Khramhesi II).
- **Armenia** (represented by JSC Elektricheskiye seti Armenii, JSC RazTec).
- **Moldavia** (represented by CJSC Moldavskaya GRES).
- **Kazakhstan** (represented by JSC Stantsiya Ekibastuzskaya GRES-2 (equity accounted investee) and LLP INTER RAO Central Asia).
- **Turkey** (represented by Group Trakya and Inter Rao Turkey Energy Holding A.S.).
- **Engineering in the Russian Federation** (represented by LLC INTER RAO Engineering, LLC Quartz Novie Tekhnologii (equity accounted investee), LLC Quartz Group, LLC Inter RAO – WorleyParsons (equity accounted investee till 1 April 2014), LLC Power Efficiency Centre INTER RAO UES (equity accounted investee), LLC INTER RAO – Export and Energy beyond borders Non-for-profit Fund and LLC TCC “Energy beyond borders”).
- Other.

(in millions of RUR)

4. Segment information (continued)

The CODM evaluates performance of the operating segments based on EBITDA, which is calculated as profit/(loss) for the period before finance income and finance expenses; income tax expense; depreciation and amortisation of property, plant and equipment, investment property and intangible assets; impairment charge/(release) of property, plant and equipment and investment property; impairment of goodwill and other intangible assets; impairment of available-for-sale financial assets and assets classified as held-for-sale; provisions for doubtful debts and for inventory obsolescence; other provisions; share in profit/(loss) of associates and effects from acquisition and disposal of Group entities; income/(loss) from purchase and sale of available-for-sale financial assets and assets classified as held for sale; and charity expenses, income/(loss) from disposal of non-financial assets and some other included in Other item within the reconciliation between EBITDA of the reporting segments and net income/(loss) for the reporting period. The Group's definition of EBITDA may differ from that of other companies. Information about depreciation and amortisation of property, plant and equipment and intangible assets, interest income and interest expenses is disclosed in segment information as it is regularly reviewed by the CODM.

Revenue of each segment is mainly represented by sales of electricity and capacity and heat-power allocated to the reporting segments.

The CODM analyses leverage of the Group's subsidiaries, joint ventures (equity accounted investees) on a regular basis; loans and borrowings are allocated to the reporting segments excluding inter-segment balances.

Joint ventures (equity accounted investees) are reviewed by the CODM in terms of the Group's share in their profit/(loss) and loan and borrowings.

"Unallocated and Eliminations" includes elimination of transactions among the reporting segments ("Eliminations") and management expenses, interest income and interest expense of the Parent Company as well as loans and borrowings, obtained by the Parent Company or other subsidiaries, which cannot be allocated to a specific reporting segment on a reasonable basis ("Unallocated").

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the three months ended 31 March 2015

	Supply	*Generation*			*Trading*						*Engineering*			
		The Russian Federation												
		Electric Power Generation	*Thermal Power Generation*											
	The Russian Federation	*Inter RAO – Electricity Generation Group*	*TGK-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldavia*	*Kazakhstan*	*Turkey*	*The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Total revenue	**123,275**	**38,994**	**9,977**	**14,462**	**23,420**	**5,695**	**2,593**	**1,209**	**27**	**6,371**	**1,184**	**869**	**(11,614)**	**216,462**
Revenue from external customers	122,803	31,695	8,845	13,377	23,041	5,695	2,593	1,209	27	6,371	638	168	–	**216,462**
Inter-segment revenue	472	7,299	1,132	1,085	379	–	–	–	–	–	546	701	(11,614)	**–**
Operating expenses, including:														
Purchased electricity and capacity	(67,875)	(1,974)	(936)	(879)	(18,053)	(2,909)	(198)	–	(16)	–	–	(8)	10,331	**(82,517)**
Transmission fees	(48,020)	–	–	(4)	(1,688)	(273)	(233)	(4)	(10)	–	–	–	1	**(50,231)**
Fuel expenses	–	(20,352)	(4,431)	(8,050)	–	(825)	(1,407)	(30)	–	(5,315)	–	–	452	**(39,958)**
Share in profit of joint ventures	35	833	–	–	–	–	–	–	121	–	5	–	–	**994**
EBITDA	**3,829**	**11,047**	**2,440**	**3,273**	**3,298**	**681**	**178**	**688**	**123**	**844**	**(423)**	**73**	**(1,059)**	**24,992**
Depreciation and amortization	(391)	(2,896)	(443)	(845)	(15)	(212)	(151)	(108)	(1)	(379)	(48)	(187)	(76)	**(5,752)**
Interest income	760	263	–	70	79	15	17	–	–	9	91	194	527	**2,025**
Interest expenses	(60)	(2,318)	(529)	(55)	(79)	(229)	(39)	(79)	–	(137)	(10)	(1,438)	2,002	**(2,971)**

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the three months ended 31 March 2014

	Supply	*Generation*			*Trading*						*Engineering*			
		The Russian Federation												
		Electric Power Generation	*Thermal Power Generation*											
	The Russian Federation	*Inter RAO – Electricity Generation Group*	*TGK-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldavia*	*Kazakhstan*	*Turkey*	*The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Total revenue	**116,883**	**37,187**	**9,334**	**13,525**	**10,254**	**3,445**	**1,671**	**1,548**	**42**	**3,979**	**809**	**811**	**(9,880)**	**189,608**
Revenue from external customers	116,709	30,637	8,841	12,383	10,013	3,445	1,671	1,548	42	3,979	224	116	–	**189,608**
Inter-segment revenue	174	6,550	493	1,142	241	–	–	–	–	–	585	695	(9,880)	**–**
Operating expenses, including:														
Purchased electricity and capacity	(63,245)	(1,949)	(652)	(872)	(7,712)	(1,718)	(222)	–	(25)	–	–	(5)	8,587	**(67,813)**
Transmission fees	(47,748)	–	–	(23)	(1,005)	(146)	(138)	(10)	(15)	–	–	–	–	**(49,085)**
Fuel expenses	–	(20,876)	(4,299)	(8,681)	–	(810)	(712)	(943)	–	(3,502)	–	–	389	**(39,434)**
Share in profit/ (loss) of joint ventures	11	412	–	–	–	–	–	–	(52)	–	(40)	(4)	–	**327**
EBITDA	**2,361**	**8,535**	**2,316**	**2,166**	**831**	**123**	**247**	**320**	**(49)**	**320**	**(397)**	**170**	**(777)**	**16,166**
Depreciation and amortization	(315)	(2,702)	(421)	(1,164)	(13)	(134)	(95)	(24)	(1)	(193)	(45)	(105)	(117)	**(5,329)**
Interest income	249	56	–	7	15	8	14	–	–	2	31	50	78	**510**
Interest expenses	(118)	(387)	(210)	(9)	(6)	(147)	(43)	(49)	–	(80)	(17)	(112)	178	**(1,000)**

(in millions of RUR)

4. Segment information (continued)

As at 31 March 2015

	Supply	Generation			Trading						Engineering			
		The Russian Federation												
		Electric Power Generation	Thermal Power Generation											
	The Russian Federation	Inter RAO – Electricity Generation Group	TGK-11	Bashkir Generation	The Russian Federation and Europe	Armenia	Georgia	Moldavia	Kazakhstan	Turkey	The Russian Federation	Other	Unallocated and eliminations	Total
Loans and borrowings, including:	**(1,885)**	**(59,174)**	**(8,036)**	**(436)**	**(1,577)**	**(6,010)**	**(1,447)**	**–**	**(9,354)**	**(10,169)**	**(496)**	**(1,701)**	**(16,138)**	**(116,423)**
Share in loans and borrowings of joint ventures	–	–	–	–	–	–	–	–	(9,354)	–	(492)	(417)	150	**(10,113)**

As at 31 December 2014

	Supply	Generation			Trading						Engineering			
		The Russian Federation												
		Electric Power Generation	Thermal Power Generation											
	The Russian Federation	Inter RAO – Electricity Generation Group	TGK-11	Bashkir Generation	The Russian Federation and Europe	Armenia	Georgia	Moldavia	Kazakhstan	Turkey	The Russian Federation	Other	Unallocated and eliminations	Total
Loans and borrowings, including:	**(967)**	**(58,699)**	**(8,182)**	**(437)**	**(1,671)**	**(7,416)**	**(1,659)**	**–**	**(9,119)**	**(10,100)**	**(740)**	**(1,834)**	**(16,399)**	**(117,223)**
Share in loans and borrowings of joint ventures	–	–	–	–	–	–	–	–	(9,119)	–	(736)	(386)	150	**(10,091)**

(in millions of RUR)

4. Segment information (continued)

The reconciliation between EBITDA of the reporting segments and net profit for the reporting period in the interim consolidated statement of comprehensive income is presented below:

	For the three months ended 31 March 2015	*For the three months ended 31 March 2014*
EBITDA of the reportable segments	**24,992**	**16,166**
Depreciation and amortization (Note 18)	(5,752)	(5,329)
Interest income (Note 19)	2,025	510
Interest expenses (Note 19)	(2,971)	(1,000)
Put and Call option agreements (Note 19)	–	(1,724)
Foreign currency exchange gain/(loss), net (Note 19)	433	(73)
Other finance income/(expense) (Note 19)	315	(1,448)
Provisions charge, including: (Note 18)	(1,645)	(315)
impairment of property, plant and equipment release	*8*	*22*
impairment of available-for-sale financial assets	*(2)*	*(296)*
impairment of assets classified as held-for-sale	–	*(180)*
other provisions (charge)/release (Note 2d)	*(403)*	*675*
impairment of account receivables	*(1,248)*	*(536)*
Gain from disposal of controlling interest	17	29
Income from sale of available-for-sale financial assets	819	1
Other operating expense, net (Note 2d)	(59)	(297)
Share of (loss)/profit of associates (Note 7)	(105)	93
Income tax expense (Note 20)	(2,027)	(2,798)
Profit for the reporting period in the interim consolidated statement of comprehensive income	**16,042**	**3,815**

The reconciliation between loans and borrowings of the reportable segments and loans and borrowings for the reporting period in the interim consolidated statement of financial position is presented below:

	As at 31 March 2015	*As at 31 December 2014*
Loans and borrowings of the reportable segments	**(116,423)**	**(117,223)**
Less:		
Share in loans an borrowings of joint ventures	10,113	10,091
Loans and borrowings in the interim consolidated statement of financial position	**(106,310)**	**(107,132)**

(in millions of RUR)

4. Segment information (continued)

Information about geographical areas

The Management Board also considers revenue of the Group entities generated in their countries of jurisdiction and abroad as well as non-current assets (property, plant and equipment, investment property, investments in associates and jointly controlled entities and intangible assets, including goodwill) based on location of assets.

	For the three months ended 31 March 2015			*For the three months ended 31 March 2014*		
	***Revenue in the Group entity's jurisdiction*[1]**	***Revenue in countries other than Group entity's jurisdiction***	***Total revenue based on location of customers***	***Revenue in the Group entity's jurisdiction***	***Revenue in countries other than Group entity's jurisdiction***	***Total revenue based on location of customers***
Russian Federation	185,701	72	**185,773**	170,286	40	**170,326**
Turkey	6,371	–	**6,371**	3,979	–	**3,979**
Armenia	5,548	–	**5,548**	3,378	–	**3,378**
Finland	4,122	66	**4,188**	1,736	91	**1,827**
Georgia	2,594	978	**3,572**	1,671	492	**2,163**
Lithuania	2,729	–	**2,729**	1,845	–	**1,845**
Ukraine	–	2,564	**2,564**	–	17	**17**
China	–	1,906	**1,906**	–	1,456	**1,456**
Moldavia (incl. Transdniestria Republic)	1,150	59	**1,209**	138	1,410	**1,548**
Kazakhstan	27	1,073	**1,100**	42	715	**757**
Belarus	–	361	**361**	–	1,574	**1,574**
Latvia	281	–	**281**	110	211	**321**
Estonia	126	128	**254**	76	–	**76**
Mongolia	–	219	**219**	–	235	**235**
Other	159	228	**387**	–	106	**106**
Total	**208,808**	**7,654**	**216,462**	**183,261**	**6,347**	**189,608**

	***Total non-current assets based on location of assets*[2]**	
	As at 31 March 2015	***As at 31 December 2014***
Russian Federation	312,446	312,851
Armenia	13,358	13,093
Georgia	7,987	9,188
Turkey	6,070	6,184
Moldavia (incl. Transdniestria Republic)	2,662	2,619
Lithuania	1,420	1,569
Other	40	42
Total	**343,983**	**345,546**

5. Acquisitions and disposals

During the three months ended 31 March 2015 the Group purchased additional 2% of the ordinary shares of the associate, JSC EIRTS LO, for the cash consideration of RUR 2 million. As a result the Group increased its share in the entity's share capital from 49% to 51% and obtained the control over the entity. The fair value of net assets acquired was RUR 102 million, including cash and cash equivalents of RUR 96 million. As a result of this acquisition the non-controlling interest in the amount of RUR 50 million was recognized in the consolidated interim statement of changes in equity.

During the three months ended 31 March 2015 the Group liquidated a number of individually insignificant subsidiaries. The gain from the liquidation of RUR 17 million was recognized in the interim consolidated statement of comprehensive income.

1 Revenues are attributable to countries on the basis of the customer's location.

2 Total non-current assets based on location of assets excludes deferred tax assets, available-for-sale financial assets and other non-current assets.

(in millions of RUR)

6. Property, plant and equipment

	Land and buildings	*Infra-structure assets*	*Plant and equipment*	*Other*	*Const-ruction in progress*	*Total*
Cost						
Balance at 31 December 2014	**107,026**	**105,714**	**240,795**	**9,629**	**46,491**	**509,655**
Reclassification	(1)	222	(204)	(18)	1	**–**
Additions	1	1	–	1	3,831	**3,834**
Disposals	(26)	(60)	(108)	(31)	(43)	**(268)**
Transfers	609	1,522	9,163	50	(11,344)	**–**
Transfer (to)/from Other Accounts	(12)	(10)	(51)	–	9	**(64)**
Acquisition of controlling interest	–	–	3	–	–	**3**
Translation difference	(100)	(474)	228	(55)	(36)	**(437)**
Balance at 31 March 2015	**107,497**	**106,915**	**249,826**	**9,576**	**38,909**	**512,723**
Including finance leases	*546*	*227*	*1,189*	*1,708*	*–*	***3,670***
Depreciation and impairment						
Balance at 31 December 2014	**(35,230)**	**(48,363)**	**(119,810)**	**(4,760)**	**(2,867)**	**(211,030)**
Reclassification	(1)	(63)	58	6	–	**–**
Depreciation charge	(665)	(1,082)	(3,139)	(226)	–	**(5,112)**
Impairment loss charge	(1)	–	–	–	–	**(1)**
Impairment loss reversal	–	9	–	–	–	**9**
Disposals	14	13	74	30	–	**131**
Transfers	–	(213)	(1,489)	–	1,702	**–**
Translation difference	48	(105)	(355)	18	(11)	**(405)**
Balance at 31 March 2015	**(35,835)**	**(49,804)**	**(124,661)**	**(4,932)**	**(1,176)**	**(216,408)**
Including finance leases	*(3)*	*(227)*	*(1,189)*	*(323)*	*–*	***(1,742)***
Net book value						
Balance at 31 December 2014	**71,796**	**57,351**	**120,985**	**4,869**	**43,624**	**298,625**
Balance at 31 March 2015	**71,662**	**57,111**	**125,165**	**4,644**	**37,733**	**296,315**

Construction in progress is represented by property, plant and equipment that has not yet been ready for operation and advances to suppliers of property, plant and equipment. Such advances amounted to RUR 3,364 million as at 31 March 2015 (31 December 2014: RUR 5,671 million).

Interest capitalized (capitalization rate is 19.73% during the three months ended 31 March 2015) amounted to RUR 301 million (the three months ended 31 March 2014: RUR 15 million).

7. Investments in associates and joint ventures

	Joint ventures				*Associates*		
	NVGRES Holding Limited	*JSC Stantsiya Ekibas-tuzskaya GRES-2*	*CJSC INTER RAO LED-Systems*	*Other joint ventures*	*RUS Gas Turbines Holding B.V.*	*Other associates*	*Total*
Carrying value at 31 December 2014	**17,630**	**13,026**	**481**	**1,181**	**1,540**	**549**	**34,407**
Disposals	–	–	–	–	–	(50)	**(50)**
Unrealized loss	–	–	–	(19)	–	–	**(19)**
Share of profit/(loss) after tax	833	121	(13)	48	(103)	(2)	**884**
Change in ownership structure	–	–	5	–	–	–	**5**
Translation difference	–	263	–	(1)	–	–	**262**
Carrying value at 31 March 2015	**18,463**	**13,410**	**473**	**1,209**	**1,437**	**497**	**35,489**

(in millions of RUR)

8. Available-for-sale financial assets

As at 31 March 2015 available-for-sale financial assets in the total amount of RUR 4,804 million (31 December 2014: RUR 7,260 million) included investments in quoted shares in the total amount of RUR 3,350 million (31 December 2014: RUR 5,806 million) and investment in unquoted shares in the total amount of RUR 1,454 million (31 December 2014: RUR 1,454 million).

For the three months ended 31 March 2015 the amount of RUR 2 million was recognised as impairment loss on available-for-sale financial assets through profit and loss in the interim consolidated statement of comprehensive income (for the three months ended 31 March 2014: RUR 296 million) (Note 18).

For the three months ended 31 March 2015 the amount of RUR 266 million, net of tax RUR 15 million was recognised as a gain from revaluation of available-for-sale financial assets through other comprehensive income in the interim consolidated statement of comprehensive income (for the three months ended 31 March 2014: RUR 606 million, net of tax RUR 175 million).

During the three months ended 31 March 2015 the Group has sold the shares: 2.34% in Plug Power, 1.97% in JSC TGK-1, 1.38% in JSC TGK-2, 0.60% in JSC TGK-14, 4.17% in JSC OGK-2, 4.97% in JSC Mosenergo, 0.07% in JSC IDGC of Centre and 0.003% in JSC IDGC of Volga. The fair value of the available-for-sale financial assets sold was RUR 2,705 million, the cash consideration received was RUR 2,730 million. As a result of the available-for-sale financial assets disposal the corresponding fair value reserve was derecognized in the consolidated interim statement of changes in equity in the amount of RUR 689 million, net of tax RUR 105 million and the income from sale of available-for-sale financial assets in the amount of RUR 819 million was recognized in the consolidated interim statement of comprehensive income.

9. Other non-current assets

		31 March 2015	*31 December 2014*
Financial non-current assets		***7,697***	***8,247***
Non-current trade receivables		1,779	1,860
	Less impairment provision	*(384)*	*(467)*
Non-current trade receivables – net		**1,395**	**1,393**
Other non-current receivables		4,990	5,457
	Less impairment provision	*(143)*	*(114)*
Other non-current receivables – net		**4,847**	**5,343**
Non-current loans issued (including interest)		150	150
Long-term derivative financial instruments – assets		1,242	1,292
Long-term bank deposits		63	69
		1,455	**1,511**
Non-financial non-current assets		***6,278***	***1,847***
Non-current advances to suppliers and prepayments		5,427	1,007
	Less impairment provision	*(7)*	(7)
Non-current advances to suppliers and prepayments – net		**5,420**	**1,000**
VAT recoverable		126	105
Other		732	742
		13,975	**10,094**

As at 31 March 2015 non-current advances to suppliers and prepayments included the advance to JSC Enex in the amount of RUR 5,082 million for construction of Termogas Machala gas-fired power plant in Ecuador (31 December 2014: 1,046).

(in millions of RUR)

10. Accounts receivable and prepayments

		31 March 2015	31 December 2014
Financial assets		***74,004***	***63,504***
Trade receivables		89,814	80,639
	Less impairment provision	*(25,108)*	*(24,589)*
Trade receivables – net		**64,706**	**56,050**
Other receivables		10,701	8,984
	Less impairment provision	*(2,783)*	*(2,888)*
Other receivables – net		**7,918**	**6,096**
Short-term loans issued (including interest)		429	434
	Less impairment provision	*(279)*	*(284)*
Short-term loans issued (including interest)		**150**	**150**
Short-term outstanding interest on bank deposits		382	249
	Less impairment provision	*(10)*	*(10)*
Short-term outstanding interest on bank deposits – net		**372**	**239**
Short-term receivables on construction contracts		365	485
Dividends receivable		493	484
Non-financial assets		***18,358***	***18,199***
Advances to suppliers and prepayments		10,247	11,131
	Less impairment provision	*(604)*	*(627)*
Advances to suppliers and prepayments – net		**9,643**	**10,504**
Short-term VAT recoverable		4,898	4,902
Taxes prepaid		3,817	2,793
		92,362	**81,703**

The Group does not hold any collateral as a security.

11. Cash and cash equivalents

	31 March 2015	31 December 2014
Cash at bank and in hand, national currency	16,926	25,100
Cash at bank and in hand, foreign currency	11,891	10,566
Bank deposits with maturity of three months or less	46,739	39,933
Total	**75,556**	**75,599**

12. Other current assets

	31 March 2015	31 December 2014
Restricted cash	1,001	838
Bank deposits with maturity of 3-12 months	5,561	6,098
Short-term derivative financial instruments	1,227	1,389
Other	1,023	829
Total	**8,812**	**9,154**

(in millions of RUR)

13. Loans and borrowings

This note provides information about the Group's loans and borrowings. Certain loan agreements include financial and non-financial covenants.

Loans and borrowings	*Currency*	*31 March 2015*	*31 December 2014*
Total in RUR	RUR	**66,415**	**66,522**
Total in USD	USD	**24,254**	**24,850**
Total in EUR	EUR	**4,730**	**5,235**
Total in JPY	JPY	**1,355**	**1,336**
Total in AMD	AMD	**149**	**146**
Total in GEL	GEL	**95**	**117**
Finance leases			
Financial lease	USD	1,483	1,541
Financial lease	RUR	586	649
Financial lease	EUR	52	54
Financial lease	LTL	–	6
Total long-term loans and borrowings		**99,119**	**100,456**
Less: current portion of long-term loans and borrowings and long-term finance leases		(39,437)	(36,271)
		59,682	**64,185**

As at 31 March 2015 fair value of loans and borrowings amounts to RUR 98,752 million (31 December 2014: RUR 98,454 million), and estimated by discounting of contractual future cash flows at the prevailing current market interest rates available to the Group for similar financial instruments (Note 21).

Changes in interest rates impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Parent Company has a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. At the time of raising new loans or borrowings management applies the policy to determine whether a fixed or variable rate would be more favorable to the Company over the expected period until maturity. As for other entities of the Group, following the corporate regulative documents, the decisions on raising new loans and borrowings on the subsidiaries level are subject for approval by the Parent Company. Management applies the same policy in making decisions in respect of the conditions of raising loans and borrowings on the subsidiary level.

14. Accounts payable and accrued liabilities

	31 March 2015	*31 December 2014*
Financial liabilities		
Trade payables	54,122	51,527
Short-term derivative financial instruments	1,684	2,359
Dividends payable	127	128
Other payables and accrued expenses	5,000	5,396
Total	**60,933**	**59,410**
Non-financial liabilities		
Advances received	20,854	28,288
Staff payables	8,042	6,506
Provisions, short-term	2,852	2,632
Total	**31,748**	**37,426**
	92,681	**96,836**

As at 31 March 2015 advances received included RUR 8,858 million of payments for electricity sales from customers of JSC Mosenergosbyt (Group of companies), JSC PSK, LLC RN-Energo and Group Bashkir Generation Company (31 December 2014: RUR 15,105 million).

(in millions of RUR)

15. Other non-current liabilities

	31 March 2015	*31 December 2014*
Financial liabilities		
Long-term derivative financial instruments	1,190	1,249
Other long-term liabilities	182	217
Total financial liabilities	**1,372**	**1,466**
Non-financial liabilities		
Pensions liabilities	3,660	3,668
Advances received	5,402	5,053
Restoration provision	553	586
Government grants	639	645
Other long-term liabilities	44	30
Total non-financial liabilities	**10,298**	**9,982**
Total	**11,670**	**11,448**

16. Revenue

	Three months ended 31 March 2015	*Three months ended 31 March 2014*
Electricity and capacity	195,443	174,780
Thermal energy sales	13,947	12,570
Other revenue	7,072	2,258
	216,462	**189,608**

17. Other operating income

	Three months ended 31 March 2015	*Three months ended 31 March 2014*
Penalties and fines received	471	452
Income from sale of available-for-sale financial assets	819	1
Electricity derivatives	644	799
Rental income	109	115
Gain from disposal of controlling interest	17	29
Other	1,124	584
	3,184	**1,980**

(in millions of RUR)

18. Operating expenses, net

	Three months ended 31 March 2015	Three months ended 31 March 2014
Purchased electricity and capacity	82,517	67,813
Electricity transmission fees	50,231	49,085
Fuel expense	39,958	39,434
Employee benefit expenses and payroll taxes	11,588	9,985
Depreciation and amortization	5,752	5,329
Provision for impairment of accounts receivable, net	1,248	536
Agency fees	1,240	978
Taxes other than income tax	1,118	720
Other materials for production purposes	716	674
Thermal power transmission expenses	636	604
Loss from electricity derivatives	630	888
Water supply expenses	618	575
Transportation expenses	472	322
Operating lease expenses	431	436
Other provisions – charge/(release)	403	(675)
Repairs and maintenance	349	229
Consulting, legal and auditing services	267	267
Loss on sale or write-off of inventory	49	73
Impairment of available-for-sale financial assets (Note 8)	2	296
Impairment of assets classified as held-for-sale	–	180
Impairment of property, plant and equipment – release	(8)	(22)
Other	4,051	3,933
	202,268	**181,660**

Other provisions for the three months ended 31 March 2015 in the amount of RUR 403 million (for the three months ended 31 March 2014: release of provision in the amount of RUR 675 million) included additional charge of provisions related to Mosenergosbyt disagreements with electric network companies in the amount of RUR 500 million (for the three months ended 31 March 2014: release of provision in the amount of RUR 510 million due to negative outcome) and release of provision related to JSC Inter RAO – Electric Power Plants penalties on delay of fulfilment of power delivery contracts in the amount of RUR 163 million (for the three months ended 31 March 2014: additional charge of provision, net of release in the amount of RUR 447 million).

For the three months ended 31 March 2014 Other provisions also included release of provision related to JSC Tomskenergosbyt legal claim in amount of RUR 628 million.

19. Finance income and expense

	Three months ended 31 March 2015	Three months ended 31 March 2014
Finance income		
Interest income	2,025	510
Foreign currency exchange gain, net	433	–
Other finance income	391	9
	2,849	**519**

	Three months ended 31 March 2015	Three months ended 31 March 2014
Finance expenses		
Interest expense	2,971	1,000
Foreign currency exchange loss, net	–	73
Put and Call option agreement	–	1,724
Other finance expenses	76	1,457
	3,047	**4,254**

(in millions of RUR)

20. Income tax expense

	Three months ended 31 March 2015	***Three months ended 31 March 2014***
Current tax expense	2,150	1,354
Deferred tax (benefit)/expense	(84)	1,440
Amended tax returns	(41)	4
Provision for income tax	2	–
Income tax expense	**2,027**	**2,798**

21. Fair value of financial instruments

Fair value is determined either by reference to market or by discounting relevant cash flows using market interest rates for similar instruments. As a result of this exercise management believes that fair value of its financial assets and liabilities approximates their carrying amounts except for loans and borrowings. Fair value of loans and borrowings is disclosed in Note 13.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by observable current market transactions and assets and liabilities for which pricing is obtained via pricing services. In case prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable. Non-market observable inputs mean that fair values are determined in whole or partly using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions with the same instrument nor they are based on available market data. Main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, whereby allow situations in which there is little, if any, market activity for the financial instrument at the measurement date. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing of the financial instrument (including risk assumptions). These inputs are developed based on the best information available, which might include the Group's own data.

Determination of fair value and fair values hierarchy

The Group uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(in millions of RUR)

21. Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments by level of the fair value hierarchy:

At 31 March 2015	*Note*	*Total fair value*	*Fair value hierarchy*		
			Level 1	*Level 2*	*Level 3*
Financial assets					
Derivative financial instruments					
Foreign exchange SWAP	12	**89**	–	89	–
Electricity derivatives	9,12	**2,380**	2,380	–	–
Available-for-sale financial assets					
Quoted investment securities	8	**3,350**	3,350	–	–
Held to maturity financial assets					
Long-term bank deposits	9	**63**	–	–	63
Bonds issued by financial institutions		**298**	298	–	–
Total financial assets		**6,180**	**6,028**	**89**	**63**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	14,15	**2,094**	2,094	–	–
Interest rate SWAP	14,15	**51**	–	51	–
Forward foreign exchange contracts	14	**729**	729	–	–
Financial liabilities at amortised cost					
Loans and borrowings	13	**98,752**	–	98,752	–
Total financial liabilities		**101,626**	**2,823**	**98,803**	**–**

At 31 December 2014	*Note*	*Total fair value*	*Fair value hierarchy*		
			Level 1	*Level 2*	*Level 3*
Financial assets					
Derivative financial instruments					
Forward foreign exchange contracts	12	**317**	317	–	–
Foreign exchange SWAP	12	**82**	–	82	–
Electricity derivatives	9,12	**2,282**	2,282	–	–
Available-for-sale financial assets					
Quoted investment securities	8	**5,806**	5,806	–	–
Held to maturity financial assets					
Long-term bank deposits	9	**69**	–	–	69
Bonds issued by financial institutions		**302**	302	–	–
Total financial assets		**8,858**	**8,707**	**82**	**69**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	14,15	**2,183**	2,183	–	**–**
Interest rate SWAP	14,15	**55**	–	55	**–**
Forward foreign exchange contracts	14	**1,370**	1,370	–	**–**
Financial liabilities at amortised cost					
Loans and borrowings	13	**98,454**	–	98,454	**–**
Total financial liabilities		**102,062**	**3,553**	**98,509**	**–**

22. Commitments

Investment and capital commitments

In accordance with the memorandum signed between the Group and the Government of Georgia in March 2013, the Group has to invest in realization of projects aimed to improve the electricity network which belongs to the Group entity JSC Telasi. As at 31 March 2015 realisation of investment commitments was in line with schedule for the year 2015.

As at 31 March 2015 joint venture JSC Stantsiya Ekibastuzskaya GRES-2 has contracted capital commitments for construction of block 3 in the amount of RUR 9,466 million.

(in millions of RUR)

22. Commitments (continued)

Investment and capital commitments (continued)

As at 31 March 2015 capital commitments of subsidiaries of the Company, are as follows:

Subsidiary	***RUR, million***
JSC Inter RAO – Electric Power Plants	16,362
JSC TGK-11	1,244
LLC Bashkir Generation Company	207
Total	**17,813**

Capital commitments of LLC Bashkir Generation Company included contractual liabilities in favor of JSC Power Machines on purchase of energy blocks and of LLC Nova Terra on modernization of water treatment plant.

Capital commitments of JSC Inter RAO – Electric Power Plants as at 31 March 2015 are for gas turbines and other equipment for Verkhnetagilskaya GRES (block 12), for supply of equipment for Permskaya GRES, for technological connection services at Yuzhnouralskaya GRES-2 (block 1, 2), and for gas turbines for Kostromskaya GRES.

Guarantees

- Counter-guarantee to Banco PICHINCHA C.A. In October 2010 the Group entered into Purchase and Installation Contract between HIDROTOAPI EP ("Buyer") and JSC Inter RAO ("Seller") for the purpose of sale, purchase and installation of 7 Turbine Generator Blocks for hydroelectric project "Toachi-Pilation" in Ecuador. The total amount of the contract is USD 145 million (or RUR 8,477 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2015) with an advance payment of 20% of total contract value or USD 29 million (or RUR 1,695 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2015) against the seller's letter of guarantee of advance payment. As a security for the duly performance of Seller's obligations under the Contract Banco PICHINCHA C.A. issued the letter of Guarantee in the amount of 5% of the total contract value or USD 7.25 million (or RUR 424 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2015). Both letters of guarantee were issued by Banco PICHINCHA C.A. in favor of the Buyer. These guarantees have been issued with the participation of Nordea Bank. In connection with the letters of Guarantee JSC Inter RAO entered into counter-guarantee agreement with Nordea Bank (hereafter referred to as "Nordea") in favour of Banco PICHINCHA C.A. These guarantees expire in April-May 2015.
- In May 2014 one of the Group entities RAO Nordic Oy has entered into the bank guarantee agreement with ING Bank (Eurasia) to maintain its financial trading operations on the NASDAQ OMX exchange. As at 31 March 2015 the amount of the used bank guarantee was EUR 50 million (or RUR 3,168 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2015) with interest rate 0,925% per annum. The Parent Company acted as guarantor under this agreement. The guarantee expires in June 2015.
- In August 2014, RAO Nordic Oy entered into bank guarantee agreement with Deutsche Bank AG for their financial support of trading on the stock exchange NASDAQ OMX. As at 31 March 2015 the guarantee amounted to EUR 10 million (or RUR 634 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2015) with an interest rate of 0.9% per annum. The parent company became a guarantor under this agreement. This warranty expires in June 2015.
- In December 2010 the Group established together with General Electric and State Corporation Russian Technologies an associate entity, RUS Gas Turbines Holding B.V. The Group's share in the entity is 25%. The entity was established to participate in production and sales of high-performance industrial gas turbines in the Russian Federation. The Group carries certain financial obligations to finance the associate.

  By the order of the Parent Company VTB Bank JSC issued a StandBy Letter of Credit in favor of GE ENERGY HOLDINGS VOSTOK B.V. (Beneficiary) to the maximum aggregate amount of EUR 50 million in order to fulfill the Group's investment obligations related to the associate at an annual interest rate of 0.45%.

  As at 31 March 2015 the financial guarantee outstanding amount was EUR 32 million, or RUR 2,028 million at the Central Bank of the Russian Federation exchange rate as of 31 March 2015 (as at 31 December 2014: EUR 32 million (or RUR 2,187 million at the Central Bank of the Russian Federation as of 31 December 2014)).

  The guarantee expires in August 2020.
- Guarantees of the Group's share of the joint ventures contingent liabilities in the amount of RUR 2,876 million which are to be incurred jointly with other investors.

(in millions of RUR)

23. Contingencies

(a) Operating environment

The operations and earnings of Group entities 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, Georgia, Armenia, Moldavia (including Transdniestria Republic), Lithuania and Kazakhstan.

In 2014, the United States, European Union and other countries have introduced a series of unilateral restrictive political and economic actions against the Russian Federation and a number of Russian and Ukrainian individuals and organizations. These official actions, particularly in the case of a further escalation, may result in reduction of economic cooperation between business of before mentioned countries and Russian companies on the international capital markets, as well as other economic consequences. The impact of these events on the future results of operations and financial position of the Company at this time is difficult to determine.

(b) Insurance

The unified corporate standards are established in the Group for insurance coverage, for insurance companies reliability requirements and insurance coverage procedures developed by Parent Company.

There are two types of insurance undertaken by the Group: obligatory (as required by the law or by agreement between parties) and voluntary.

Obligatory insurance includes public liability insurance of owners of dangerous facilities and public liability insurance of car owners. The Group is obligated to insure different types of property plant and equipment under loan agreements provisions.

Voluntary insurance includes property insurance against certain risks and equipment breakdown insurance, vehicles insurance, insurance against construction and assembly risks, voluntary public liability insurance of owners of dangerous facilities against social and environmental harm risks. The Group also undertakes insurance of directors' and officials' of certain Group entities responsibilities to cover financial losses of third parties.

The Groups' assets are insured for its replacement value which is set by valuation reports for insurance purposes considering technical risks. Obligatory condition of the property insurance of foreign subsidiaries is the availability of reliable reinsurance protection, which is done by transferring part of the risk to the foreign reinsurers with high reliability ratings.

In order to optimize insurance protection management performs regular appraisal of efficiency of Group's insurance terms and rationale for new insurance products acquired.

(c) Litigation

Legal proceedings

In the normal course of business the Group is a party to legal actions and consequently had received a number of legal claims from customers with the likelihood of negative outcome for the Group as not probable, but only possible, and, consequently, no provision has been made in these financial statements:

	31 March 2015	***31 December 2014***
Subcontractors claims	596	637
Customer's complaints	49	79
	645	**716**

Other than those litigations which have been accrued in the provisions (Note 14) and disclosed above, management of the Group is unaware of any actual, pending or threatened claims as at the date of approval of these interim condensed consolidated financial statements, which would have a material impact on the Group.

(d) Tax contingencies

The taxation systems in the Russian Federation and in other countries in which the Group operates are relatively new and 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 three to five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

(in millions of RUR)

23. Contingencies (continued)

(d) Tax contingencies (continued)

In addition, tax and other legislation do not address specifically all the aspects of the Group's reorganisation related to reforming of the electric utilities industry in the Russian Federation. As such there may be tax and legal challenges to the various interpretations, transactions and resolutions that were a part of the reorganisation and reform process.

These circumstances may create tax risks in the Russian Federation and in the other countries in which the Group operates. Management believes that it has adequately provided for tax liabilities based on its interpretations of applicable relevant tax legislation, official pronouncements and court decisions.

However, the interpretations of the relevant authorities could differ and the effect on these interim condensed consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The Parent Company and subsidiaries in the countries where they operate have various transactions with related parties. The pricing policy could give rise to transfer pricing risks. In management's opinion, the Group is in substantial compliance with the tax laws of the countries where Group entities operate. However, relevant authorities could take different positions with regard to interpretive issues or court practice could develop adversely with respect to the positions taken by the Group and the effect could be significant.

The Group includes a number of operating and investment companies located in a number of different tax jurisdictions across Europe and the CIS. Those entities are subject to a complex variety of tax regimes and the nature of current and past trading and investment activities exposes them to areas of tax legislation involving considerable judgement and, consequently, uncertainty. The Group estimates that possible claims in respect of certain open tax positions of Group entities as at 31 March 2015 would be successfully challenged in the amount of RUR 407 million (as at 31 December 2014: RUR 417 million).

The new Russian transfer pricing legislation, which came into force on 1 January 2012, allows the tax Russian authority to apply transfer pricing adjustments and impose additional profits tax liabilities in respect of all "controlled" transactions if the transaction price differs from the market level of prices. The list of "controlled" transactions includes transactions performed with related parties and certain types of cross-border transactions. For domestic transactions the transfer pricing rules apply only if the amount of all transaction with related party exceeds RUR 1 billion starting 2014 and thereafter (RUR 2 billion in 2013). In cases where the domestic transaction resulted in an accrual of additional tax liabilities for one party, another party could correspondingly adjust its profit tax liabilities according to the special notification issued by the authorized body in due course.

The current Russian transfer pricing rules have considerably increased the compliance burden for the taxpayers compared to the transfer pricing rules which were in effect before 2012 due to, inter alia, shifting the burden of proof from the Russian tax authorities to the taxpayers. These rules are applicable not only to the transactions taking place in 2012 but also to the prior transactions with related parties if related income and expenses were recognized in 2012. Special transfer pricing rules apply to transactions with securities and derivatives.

In 2015 the Group determined its tax liabilities arising from "controlled" transactions using actual transaction prices (or making appropriate transfer pricing adjustments (where applicable).

Due to the uncertainty and absence of current practice of application of the current Russian transfer pricing legislation the Russian tax authorities may challenge the level of prices applied by the Company under the "controlled" transactions and assess additional tax liabilities unless the Company is able to demonstrate the use of market prices with respect to the "controlled" transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation.

(e) Environmental matters

Group entities operate in the electric power industry in the Russian Federation, Georgia, Armenia, Kazakhstan and Moldavia. The enforcement of environmental regulations in these countries is evolving and position of government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under environmental regulations.

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

Restoration provision liabilities relate to reclamation of land plots, used for ash dumps by generating entities, which use coal for production purposes (see Note 15).

(in millions of RUR)

23. Contingencies (continued)

(f) Ownership of land

The current legislation in Georgia is unclear in relation to ownership issues with regard to land over which the Company's equipment for the transmission of electricity is located. On further clarification of the law, it is possible that the Company may be required to acquire ownership over certain land plots or to pay rentals to other parties for their use. At the date of approval of these financial statements, management considers that it is not possible to quantify any additional expense, if any, which JSC Telasi might incur and consequently, no provision has been made against such potential liabilities in these financial statements.

24. Related party transactions

(a) Parent Company and control relationships

The Russian Federation is the ultimate controlling party of JSC Inter RAO and has a controlling interest in the Company of over 50%. Details of operations with entities controlled by the Russian Federation are provided in Note 24 (d).

(b) Transactions with key management personnel

The members of the Management Board own 0.0063% of ordinary shares of JSC Inter RAO as at 31 March 2015 (31 December 2014: 0.0063%).

Compensation paid to key management and members of the Board of Directors for their service in that capacity is made up of contractual salary and performance bonuses. Key management and members of the Board of Directors received the following remuneration during the period, which is included in employee benefit expenses and payroll taxes (Note 18):

	Three months ended 31 March 2015	*Three months ended 31 March 2014*
Salaries and bonuses	49	57

Employee's Share Option Programme. In December 2010 the Company's Board of Directors approved Share Option Programme (hereinafter referred to as “the Programme”) in which members of the Management Board and other key employees of the Group were to be participants (hereinafter referred to as “the Programme participants”).

The Programme participants could exercise the share option at any time during 2013-2015.

Changes in the amounts of options granted are described in the table below:

	All options granted under the Programme	*Attributed to members of the Management Board*
Number of options outstanding as at 31 December 2013	**126,763,437,501**	**65,583,000,000**
Options exercised during the year ended 31 December 2014	(48,580,000)	–
Number of options outstanding as at 31 December 2014	**126,714,857,501**	**65,583,000,000**
Options exercised during the three months ended 31 March 2015	–	–
Number of options outstanding as at 31 March 2015	**126,714,857,501**	**65,583,000,000**

Fair value of services received in return for share options granted to employees is measured by reference to fair value of the share options granted. The estimate of the fair value of the services received is measured based on the Binomial model.

To determine volatility the Group used the historical volatility of the market prices of the Company’s publicly traded shares.

To implement the Share Option Programme the Company issued interest-free loans to key-management; as at 31 March 2015 amount of the loans equals to RUR 40 million (31 December 2014: RUR 40 million).

(in millions of RUR)

24. Related party transactions (continued)

(c) Transactions with associates and joint ventures

Sales to and purchases from joint ventures and associates are made at terms equivalent to those that prevail in arm's length transactions.

The Group's transactions with associates and joint ventures are disclosed below.

	Three months ended 31 March 2015	***Three months ended 31 March 2014***
Revenue		
Joint ventures	217	308
Other operating income		
Joint ventures	–	1
Associates	4	–
Interest income		
Joint ventures	8	14
	229	**323**
Purchased power		
Joint ventures	19	25
Purchased capacity		
Joint venture	276	108
Other expenses		
Joint venture	57	128
Interest expenses		
Joint venture	89	–
	441	**261**
Capital expenditures		
Joint ventures	217	21

	31 March 2015	***31 December 2014***
Accounts receivable		
Joint ventures	133	149
Loans issued		
Joint ventures	300	300
Accounts payable		
Joint ventures	145	253

(in millions of RUR)

24. Related party transactions (continued)

(d) Transactions with entities controlled by the Russian Federation

Sales to and purchases from entities controlled by the Russian Federation are made at terms equivalent to those that prevail in arm's length transactions.

Information on transactions with entities controlled by the Russian Federation is presented below:

	Three months ended 31 March 2015	*Three months ended 31 March 2014*
Revenue		
Electricity and capacity	66,176	61,405
Other revenues	4,071	416
Other operating income	868	220
	71,115	**62,041**
Operating expenses		
Purchased power and capacity	19,588	17,762
Transmission fees	46,791	42,468
Fuel expense (gas)	14,752	14,570
Fuel expense (coal)	190	239
Other purchases	33	38
Other expenses	2,986	2,326
	84,340	**77,403**
Capital expenditures	**2,000**	**970**

	Three months ended 31 March 2015	*Three months ended 31 March 2014*
Finance income/(expenses)		
Interest income	542	172
Interest expenses	(491)	(468)
Put and Call option agreements (Note 19)	–	(1,724)
	51	**(2,020)**

	31 March 2015	*31 December 2014*
Long-term accounts receivable		
Other account receivables	53	53
Less impairment provision	(38)	(38)
Other receivables – net	**15**	**15**
Short-term accounts receivable		
Trade accounts receivable, gross	28,689	24,092
Less impairment provision	(9,689)	(9,202)
Trade receivables – net	**19,000**	**14,890**
Advances issued	438	1,437
Advances issued for capital construction	1,805	301
Other receivables	1,893	1,073
	23,136	**17,701**

	31 March 2015	*31 December 2014*
Accounts payable		
Trade accounts payable	27,676	25,148
Payables for capital construction	1,423	1,466
Other accounts payable	983	1,028
Advances received	2,749	7,271
	32,831	**34,913**

(in millions of RUR)

24. Related party transactions (continued)

(d) Transactions with entities controlled by the Russian Federation (continued)

	31 March 2015	*31 December 2014*
Loans and borrowings		
Short-term loans and borrowings	27,137	27,627
Long-term loans and borrowings	606	837
Interest on loans and borrowings	118	22
	27,861	**28,486**

	31 March 2015	*31 December 2014*
Cash and cash equivalents	**12,010**	**9,327**

	31 March 2015	*31 December 2014*
Other current assets (bank deposits)	**27,425**	**16,997**

	Three months ended 31 March 2015	*Three months ended 31 March 2014*
Financial transactions		
Loans and borrowings received	692	646
Loans and borrowings repaid	(1,195)	(1,184)
	(503)	**(538)**

In July 2011 subsidiary of JSC Inter RAO entered into an agreement with a state-controlled company for sale of electric power under the “take-or-pay” arrangement through 30 June 2026. The sales to and purchases from enterprises controlled by the Russian Federation are made at terms equivalent to those that prevail in arm’s length transactions.

(e) Transactions with other related parties

Sales to and purchases from other related parties are made at terms equivalent to those that prevail in arm’s length transactions. Amounts of transactions with other related parties (except for those controlled by the Russian Federation, equity investees and joint ventures), for each of the reporting periods are provided below:

	Three months ended 31 March 2015	*Three months ended 31 March 2014*
Revenue		
Electricity and capacity	1,602	691
Operating expenses		
Purchased electricity and capacity	1,153	698
Other expenses	26	195

	31 March 2015	*31 December 2014*
Short-term accounts receivable		
Trade and other accounts receivable	99	248
Short-term accounts payable		
Trade and other accounts payable	137	134

	31 March 2015	*31 December 2014*
Loans and borrowings payable		
Long-term loans and borrowings	5,374	9,033
Short-term loans and borrowings	2,806	3,560
	8,180	**12,593**

(in millions of RUR)

24. Related party transactions (continued)

(e) Transactions with other related parties (continued)

	31 March 2015	*31 December 2014*
Cash and cash equivalents		
Cash in bank	4,812	13,910
Short-term bank deposits	4,578	7,788
	9,390	**21,698**

	Three months ended 31 March 2015	*Three months ended 31 March 2014*
Income and expenses		
Interest income	470	94
Interest expenses	(390)	(56)

25. Events after the reporting period

Group structure

In April 2015, the Group increased its ownership in JSC Mosenergosbyt by acquisition of 23.98% of ordinary shares for the total cash consideration of RUR 2,710 million from third parties, including the prepayment made as at 31 March 2015 in the amount of RUR 1,973 million.