RUSHYDRO GROUP

Condensed Consolidated Interim Financial Information (Unaudited) prepared in accordance with IAS 34

As at and for the six months ended 30 June 2014

CONTENTS

Report on Review of Interim Financial Information

Condensed Consolidated Interim Financial Information as at and for the six months ended 30 June 2014 (Unaudited)

Notes to the Condensed Consolidated Interim Financial Information

pwc

Report on Review of Interim Financial Information

To the Shareholders and Board of Directors of Open Joint Stock Company RusHydro

Introduction

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

Scope of Review

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

Conclusion

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

ZAO PricewaterhouseCoopers Audit

29 August 2014

Moscow, Russian Federation

ZAO PricewaterhouseCoopers Audit, 10 Butyrsky Val, Moscow, Russian Federation, 125047
T:+7 495 967 6000, F: +7 495 967 6001, www.pwc.ru

RusHydro Group
Condensed Consolidated Interim Statement of Financial Position (unaudited)
(in millions of Russian Rubles unless noted otherwise)

	Note	30 June 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	7	654,856	633,846
Investments in associates and joint ventures	3	14,696	30,301
Available-for-sale financial assets		5,330	5,794
Other non-current assets	8	24,478	24,976
Total non-current assets		**699,360**	**694,917**
Current assets			
Cash and cash equivalents	9	42,538	34,472
Income tax receivable		3,091	2,679
Accounts receivable and prepayments	10	54,177	45,385
Inventories	11	20,288	21,449
Other current assets	12	48,530	53,144
		168,624	**157,129**
Non-current assets classified as held for sale	3	15,430	-
Total current assets		**184,054**	**157,129**
TOTAL ASSETS		**883,414**	**852,046**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	386,255	386,255
Treasury shares		(10,662)	(10,662)
Share premium		39,202	39,202
Retained earnings and other reserves		180,802	164,735
Equity attributable to the shareholders of OJSC RusHydro		**595,597**	**579,530**
Non-controlling interest		17,524	17,177
TOTAL EQUITY		**613,121**	**596,707**
Non-current liabilities			
Deferred income tax liabilities		32,236	31,000
Non-current debt	15	135,974	131,890
Other non-current liabilities		11,967	12,030
Total non-current liabilities		**180,177**	**174,920**
Current liabilities			
Current debt and current portion of non-current debt	15	28,505	19,887
Accounts payable and accruals	16	49,902	49,473
Current income tax payable		259	115
Other taxes payable	17	11,450	10,944
Total current liabilities		**90,116**	**80,419**
TOTAL LIABILITIES		**270,293**	**255,339**
TOTAL EQUITY AND LIABILITIES		**883,414**	**852,046**

Chairman of Management Board – General Director E. V. Dod

Chief Accountant D. V. Finkel

29 August 2014

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2014	Six months ended 30 June 2013 (represented)
Revenue	18	165,309	158,280
Government grants	19	5,607	5,421
Expenses	20	(141,414)	(136,150)
Impairment of property, plant and equipment	7	(1,696)	(497)
Impairment of available-for-sale financial assets		(450)	(6,299)
Impairment of long-term promissory notes		-	(1,556)
Curtailment in pension plan		-	1,609
Operating profit		**27,356**	**20,808**
Finance income	21	3,637	4,528
Finance costs	21	(3,674)	(4,653)
Profit / (loss) in respect of associates and joint ventures		30	(3,336)
Profit before income tax		**27,349**	**17,347**
Total income tax expense	14	(6,013)	(6,529)
Profit for the period		**21,336**	**10,818**
Attributable to:			
Shareholders of OJSC RusHydro		20,990	9,605
Non-controlling interest		346	1,213
Earnings per ordinary share attributable to the shareholders of OJSC RusHydro – basic and diluted (in Russian Rubles per share)	22	0.0556	0.0311
Weighted average number of shares outstanding – basic and diluted (thousands of shares)	22	377,551,657	308,933,768

(in millions of Russian Rubles unless noted otherwise)

	Six months ended 30 June 2014	Six months ended 30 June 2013
Profit for the period	21,336	10,818
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss		
Remeasurement of pension benefit obligations	320	211
Other comprehensive income / (loss)	4	(5)
Total items that will not be reclassified to profit or loss	**324**	**206**
Items that may be reclassified subsequently to profit or loss		
Loss arising on available-for-sale financial assets	(4)	(481)
Loss arising on impaired available-for-sale financial assets	(114)	(183)
Accumulated loss on available-for-sale financial assets recycled to the Income Statement	103	244
Total items that may be reclassified subsequently to profit or loss	**(15)**	**(420)**
Total comprehensive income for the period	**21,645**	**10,604**
Attributable to:		
Shareholders of OJSC RusHydro	21,220	9,279
Non-controlling interest	425	1,325

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2014	Six months ended 30 June 2013 (represented)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**27,349**	**17,347**
Depreciation of property, plant and equipment and intangible assets	7, 20	10,407	9,204
Loss on disposal of property, plant and equipment, net	20	27	361
(Profit) / loss in respect of associates and joint ventures		(30)	3,336
Finance income	21	(3,637)	(4,528)
Finance costs	21	3,674	4,653
Impairment of property, plant and equipment		1,696	497
Impairment of available-for-sale financial assets		450	6,299
Impairment of accounts receivable, net	20	1,446	1,964
Pension expenses		267	214
Impairment of long-term promissory notes		-	1,556
Curtailment in pension plan		-	(1,609)
Other expense		143	69
Operating cash flows before working capital changes, income tax paid and changes in other assets and liabilities		**41,792**	**39,363**
Working capital changes:			
(Increase) / decrease in accounts receivable and prepayments		(10,626)	205
Decrease in inventories		1,032	1,370
Decrease in accounts payable and accruals		(5,366)	(5,126)
Increase in other taxes payable		393	1,504
Decrease / (increase) in other non-current assets		741	(215)
Decrease in other non-current liabilities		(349)	(408)
Income tax paid		(5,117)	(4,858)
Net cash generated by operating activities		**22,500**	**31,835**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(28,140)	(23,721)
Proceeds from sale of property, plant and equipment		39	115
Investment in bank deposits and purchase of other investments		(89,516)	(80,212)
Redemption of bank deposits and proceeds from sale of other investments		94,130	60,875
Contribution to share capital of associates and joint ventures		(70)	(243)
Interest received		3,278	2,779
Proceeds from sale of associate		-	250
Net cash used in investing activities		**(20,279)**	**(40,157)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current debt	15	40,423	41,550
Proceeds from non-current debt	15	13,881	31,316
Repayment of debt	15	(41,587)	(46,004)
Interest paid		(6,343)	(6,553)
Finance lease payments		(526)	(634)
Dividends paid		(8)	(15)
Proceeds from share issue		-	22
Net cash generated by financing activities		**5,840**	**19,682**
Foreign exchange gain / (loss) on cash balances		5	(16)
Increase in cash and cash equivalents		**8,066**	**11,344**
Cash and cash equivalents at the beginning of the period		**34,472**	**39,857**
Cash and cash equivalents at the end of the period	**9**	**42,538**	**51,201**

(in millions of Russian Rubles unless noted otherwise)

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Revaluation reserve	Available-for-sale financial assets	Remeasu-rement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of OJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2013		**317,637**	**(10,662)**	**39,202**	**(127,216)**	**218,757**	**514**	**920**	**75,934**	**515,086**	**25,319**	**540,405**
Profit for the period		-	-	-	-	-	-	-	9,605	9,605	1,213	10,818
Loss arising on available-for-sale financial assets		-	-	-	-	-	(414)	-	-	(414)	(67)	(481)
Loss arising on impaired available-for-sale financial assets		-	-	-	-	-	(183)	-	-	(183)	-	(183)
Accumulated loss on available-for-sale financial assets recycled to the Income Statement		-	-	-	-	-	244	-	-	244	-	244
Remeasurement of pension benefit obligations		-	-	-	-	-	-	32	-	32	179	211
Other comprehensive loss		-	-	-	-	-	-	-	(5)	(5)	-	(5)
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(353)**	**32**	**9,600**	**9,279**	**1,325**	**10,604**
Transactions with the Government and companies under common control	13	-	-	-	(9,234)	-	-	-	2,407	(6,827)	(2,407)	(9,234)
Effect of changes in non-controlling interest	13	-	-	-	-	-	-	-	1,257	1,257	(1,853)	(596)
Dividends	13	-	-	-	-	-	-	-	(3,594)	(3,594)	(160)	(3,754)
Transfer of revaluation reserve to retained earnings		-	-	-	-	(237)	-	-	237	-	-	-
Other movements		-	-	-	-	-	-	-	(6)	(6)	-	(6)
As at 30 June 2013		**317,637**	**(10,662)**	**39,202**	**(136,450)**	**218,520**	**161**	**952**	**85,835**	**515,195**	**22,224**	**537,419**

(in millions of Russian Rubles unless noted otherwise)

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Revaluation reserve	Available-for-sale financial assets	Remeasu-rement of pension benefit obligation	Retained earnings	Equity attributable to shareholders of OJSC RusHydro	Non-controlling interest	Total equity
As at 1 January 2014		**386,255**	**(10,662)**	**39,202**	**(135,075)**	**198,015**	**(12)**	**875**	**100,932**	**579,530**	**17,177**	**596,707**
Profit for the period		-	-	-	-	-	-	-	20,990	20,990	346	21,336
Loss arising on available-for-sale financial assets		-	-	-	-	-	(4)	-	-	(4)	-	(4)
Loss arising on impaired available-for-sale financial assets		-	-	-	-	-	(114)	-	-	(114)	-	(114)
Accumulated loss on available-for-sale financial assets recycled to the Income Statement		-	-	-	-	-	103	-	-	103	-	103
Remeasurement of pension benefit obligations		-	-	-	-	-	-	241	-	241	79	320
Other comprehensive income		-	-	-	-	-	-	-	4	4	-	4
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(15)**	**241**	**20,994**	**21,220**	**425**	**21,645**
Dividends	13	-	-	-	-	-	-	-	(5,130)	(5,130)	(80)	(5,210)
Transfer of revaluation reserve to retained earnings		-	-	-	-	(543)	-	-	543	-	-	-
Other movements		-	-	-	-	-	-	-	(23)	(23)	2	(21)
As at 30 June 2014		**386,255**	**(10,662)**	**39,202**	**(135,075)**	**197,472**	**(27)**	**1,116**	**117,316**	**595,597**	**17,524**	**613,121**

Note 1. The Group and its operations

OJSC RusHydro (hereinafter referred to as “the Company”) was incorporated and is domiciled in the Russian Federation. The Company is a joint stock company limited by value of shares and was set up in accordance with Russian regulations.

The primary activities of the Company and its subsidiaries (hereinafter referred to as “the Group”) are generation and sale of electricity and capacity on the Russian wholesale and retail markets, as well as generation and sale of heat energy.

Economic environment in the Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The Russian economy is particularly sensitive to changes in oil and gas prices.

The legal, tax and regulatory systems continue to develop and are subject to changes, which can occur frequently. The political and economic turmoil witnessed in the region, including the developments in Ukraine, have had and may continue to have a negative impact on the Russian economy, including weakening of the Rouble and making it harder to raise international funding.

The Group has no assets or operations in Ukraine; therefore, these events have no direct impact on the Group. However, there is still uncertainty as to the future economic growth, access to the capital markets and the cost of capital.

A number of sanctions have been introduced against the Russian Federation and Russian officials and their effects are difficult to determine at this stage. In addition, there is a threat that additional sanctions will be introduced. There is a high level of uncertainty and volatility on the financial markets.

These and other events may have a material impact on the Group's operations, its prospective financial position, operational results and business perspectives, and the management is unable to foresee the outcome of such impact at this stage. Management believes it takes all the necessary measures to support the sustainability and development of the Group’s business.

During the six months ended 30 June 2014 no substantial changes to the rules of Russian wholesale and retail electricity and capacity markets, their functioning and price setting mechanisms have been made.

Relations with the Government and current regulation. As at 30 June 2014 the Russian Federation owned 66.84 percent of the total voting ordinary shares of the Company (31 December 2013: 66.84 percent).

The Group’s major customer base includes a large number of entities controlled by, or related to the Government. Furthermore, the Government controls contractors and suppliers, which provide the Group with electricity dispatch, transmission and distribution services, and a number of the Group’s fuel and other suppliers (Note 6).

In addition, the Government affects the Group’s operations through:

- participation of its representatives in the Company’s Board of Directors;
- regulation of tariffs for electricity, capacity and heating;
- approval and monitoring of investment programmes of the Company and several subsidiaries of the Group, including volume and sources of financing.

Economic, social and other policies of the Russian Government could have a material effect on operations of the Group.

Seasonality of business. The demand for the Group’s heat and electricity generation and supply depends on weather conditions and the season. In addition to weather conditions, the electricity production by hydro generation plants depends on water flow in the river systems. In spring and in summer (flood period) electricity production by hydro generation plants is significantly higher than in autumn and in winter. Heat and electricity production by the heat generation assets, to the contrary, is significantly higher in autumn and in winter than in spring and in summer. The seasonal nature of heat and electricity generation has a significant influence on the volume of fuel consumed by heat generation assets and electricity purchased by the Group.

(in millions of Russian Rubles unless noted otherwise)

Note 2. Basis of preparation

This Condensed Consolidated Interim Financial Information has been prepared in accordance with IAS 34, *Interim Financial Reporting* and should be read in conjunction with the annual Consolidated Financial Statements as at and for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

This Condensed Consolidated Interim Financial Information has been reviewed, not audited. Certain disclosures duplicating information included in the annual Consolidated Financial Statements as at and for the year ended 31 December 2013 have been omitted or condensed.

Note 3. Significant accounting policies and new pronouncements

The accounting policies followed in the preparation of this Condensed Consolidated Interim Financial Information are consistent with those applied in the annual Consolidated Financial Statements as at and for the year ended 31 December 2013 except for income tax which is accrued in the interim periods using the best estimate of the weighted average annual income tax rate that would be applicable to expected total annual profit or loss and new standards and interpretations that are effective from 1 January 2014.

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

Change of comparative data

In November 2013, management made the announcement of the decision not to sell OJSC DRSK. The Condensed Consolidated Interim Income Statement and Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2013 are presented as if OJSC DRSK was classified as a part of continuing operations.

The changes to the figures of Group's Condensed Consolidated Interim Income Statement and Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2013 are provided below:

	Six months ended 30 June 2013 (as reported)	Reclassification of OJSC DRSK	Six months ended 30 June 2013 (represented)
Revenue	156,448	1,832	158,280
Expenses	(134,712)	(1,438)	(136,150)
Impairment of property, plant and equipment	(386)	(111)	(497)
Operating profit	20,525	283	20,808
Finance income / (costs), net	155	(280)	(125)
Profit before income tax	17,344	3	17,347
Total income tax expense	(6,515)	(14)	(6,529)
Profit for the period from continuing operations	10,829	(11)	10,818
Loss for the period from discontinued operations	(11)	11	-
Profit for the period	10,818	-	10,818
Net cash generated by operating activities	30,916	919	31,835
Net cash used in investing activities	(39,928)	(229)	(40,157)
Net cash generated by financing activities	20,325	(643)	19,682

Critical accounting estimates and judgements

The preparation of Condensed Consolidated Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this Condensed Consolidated Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2013 with the exception of changes in estimates that are required in determining the estimate weighted average annual income tax rate (Note 14), discount rate for pension benefit obligations and non-current assets classified as held for sale as provided below.

Discount rate. Principal actuarial assumptions used in determining pension benefit obligations as at 30 June 2014 remained unchanged in comparison with 31 December 2013 except for the discount rate which increased from 7.9 percent as at 31 December 2013 to 8.3 percent as at 30 June 2014.

Non-current assets classified as held for sale. The Group's management exercised critical judgement in respect of its investment in associate OJSC Krasnoyarskaya HPP. In June 2014 the Board of directors of the Company approved conclusion of the agreement by the Group's subsidiary OJSC HydroInvest to exchange 25 percent minus 1 share of OJSC Krasnoyarskaya HPP for 3.39 percent of treasury shares.

Due to high probability of the sale as at 30 June 2014 investment in OJSC Krasnoyarskaya HPP was reclassified as non-current assets classified as held for sale. The exchange occurred in July 2014 (Note 27).

New standards and interpretations

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

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

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

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

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 *(issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).* In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

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

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

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of

(in millions of Russian Rubles unless noted otherwise)

changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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

Note 4. Principal subsidiaries

All principal subsidiaries are incorporated and operate in the Russian Federation. Differences between the ownership interest and voting interest held by some subsidiaries represent the effect of preference shares and / or effects of indirect ownership, or non-corporate partnership (LLC).

The Group operates in the three main reportable segments one of which is presented by the Group's parent company – OJSC RusHydro (Note 5). The principal subsidiaries are presented below according to their allocation to the reportable segments as at 30 June 2014 and 31 December 2013.

ESC RusHydro subgroup segment

ESC RusHydro subgroup segment includes the Group's subsidiaries which sell electricity to final customers. All the entities included in this segment with the exception of OJSC ESC RusHydro have the guaranteeing supplier status and are obliged to sign contracts on supplies with all final consumers of their region upon their request.

	30 June 2014		31 December 2013	
	% of ownership	% of voting	% of ownership	% of voting
OJSC ESC RusHydro	100.00%	100.00%	100.00%	100.00%
OJSC Krasnoyarskenergosbyt	65.81%	65.81%	65.81%	69.40%
OJSC Ryazan Power Distributing Company	90.52%	90.52%	90.52%	90.52%
OJSC Chuvashskaya energy retail company	100.00%	100.00%	100.00%	100.00%
LLC ESC Bashkortostan	100.00%	-	100.00%	-

RAO Energy System of East subgroup segment

RAO Energy System of East subgroup segment consists of OJSC RAO Energy System of East and its subsidiaries that generate, distribute and sell electricity and heat in the Far East region of the Russian Federation and render transportation, construction, repair and other services.

Principal subsidiaries of this segment are presented below:

	30 June 2014		31 December 2013	
	% of ownership	% of voting	% of ownership	% of voting
OJSC RAO Energy System of East*	85.92%	86.20%	85.92%	86.20%
OJSC DEK	44.92%	52.17%	44.92%	52.17%
OJSC DGK	44.92%	100.00%	44.92%	100.00%
OJSC DRSK	44.92%	100.00%	44.92%	100.00%
OJSC Kamchatskenergo	84.83%	98.74%	84.83%	98.74%
OJSC Magadanenergo**	42.10%	49.00%	42.10%	64.39%
OJSC Sakhalinenergo	47.72%	55.55%	47.72%	55.55%
OJSC Yakutskenergo	72.21%	79.16%	72.21%	79.16%

** Voting and ownership percent interests in OJSC RAO Energy System of East include 1.80 percent interest held by the Group's subsidiary LLC Vostok-Finance.*
*** Control over OJSC Magadanenergo is achieved by the majority of votes on the shareholders meeting.*

(in millions of Russian Rubles unless noted otherwise)

Other segments

Other segments include:

- the Group's subsidiaries with production and sale of electricity and capacity;
- the Group's subsidiaries primarily engaged in research and development related to the utilities industry and construction of hydropower facilities;
- the Group's subsidiaries engaged in repair, upgrade and reconstruction of equipment and hydropower facilities;
- the Group's subsidiaries engaged primarily in hydropower plants construction;
- minor segments which do not have similar economic characteristics.

Principal subsidiaries included in all other segments are presented below:

	30 June 2014		31 December 2013	
	% of ownership	**% of voting**	**% of ownership**	**% of voting**
OJSC VNIIG	100.00%	100.00%	100.00%	100.00%
OJSC Geotherm	99.65%	99.65%	99.65%	99.65%
OJSC Gidroremont-VKK	100.00%	100.00%	100.00%	100.00%
OJSC Zagorskaya GAES-2	100.00%	100.00%	100.00%	100.00%
OJSC Zaramag HS	99.75%	99.75%	98.35%	98.35%
OJSC Institute Hydroproject	100.00%	100.00%	100.00%	100.00%
OJSC Kolimaenergo	98.76%	98.76%	98.76%	98.76%
OJSC Lenhydroproject	100.00%	100.00%	100.00%	100.00%
OJSC NIIES	100.00%	100.00%	100.00%	100.00%
OJSC Sulak GidroKaskad	100.00%	100.00%	100.00%	100.00%
OJSC Ust'-Srednekangesstroy	98.76%	100.00%	98.76%	100.00%
OJSC Ust'-Srednekanskaya HPP	99.43%	100.00%	99.43%	100.00%
OJSC Chirkeigesstroy	100.00%	100.00%	100.00%	100.00%
OJSC ESCO UES	100.00%	100.00%	100.00%	100.00%

Note 5. Segment information

Operating segments are components of the Group engaged in operations from which they may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Group. The individual financial information of the segments is available and is regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated and the performance of segments' operating activities.

In the first half of the year 2013 the Group disclosed Generation segment which contained two subsegments a) Group's parent company – OJSC RusHydro and b) the Group's subsidiaries with production and sale of electricity and capacity. In the second half of the year 2013 the Group started to analyse the information of two subsegments separately. For the presentation purposes the Group adjusted the comparative segment information for the six months ended 30 June 2013.

Information concerning the Group is considered by the groups of operations which are consolidated in the following separate reportable segments: OJSC RusHydro (Group's parent company), OJSC ESC RusHydro subgroup, RAO Energy System of East subgroup and other segments (Note 4). Transactions of other segments are not disclosed as reportable segments as the performance is based on quantitative indicators for the periods presented.

Management of operating activities of segments is performed with direct participation of individual segment managers accountable to the CODM. Segment managers on a regular basis submit for approval to the CODM results of operating activities and financial performance of segments. The CODM approves the annual business plan at the level of reportable segments as well as analyses actual financial performance of segments. Management bears responsibility for execution of approved plan and management of operating activities at the level of segments.

Since the second half of the year 2013 due to the changes in business planning system the CODM analyses results of segments' operating activities and other information prepared on the same basis as in the Group's consolidated financial statements prepared in accordance with IFRS. The effect of change of EBITDA for the six months ended 30 June 2013 comprised RR 2,025 million and represents primary quantification of distinctions between data based on Russian standards of accounting used earlier and IFRS data.

The segments' operational results are estimated on the basis of EBITDA, which is calculated as operating profit / loss excluding depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, impairment of available-for-sale financial assets, accounts receivable, long-term promissory notes, loss on disposal of property, plant and equipment and curtailment in pension plan. This method of definition of EBITDA may differ from the methods applied by other companies. CODM believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Company and the Group's subsidiaries, as it reflects the earnings trends without showing the impact of certain charges.

Segment information also contains capital expenditures and the amount of debt as these indicators are analysed by the CODM. Intersegment debt's balances are excluded.

Other information provided to the CODM complies with the information presented in the consolidated financial statements.

Intersegment sales are carried out at market prices.

Segment information for the six months ended 30 June 2014 and 30 June 2013 and as at 30 June 2014 and 31 December 2013 is presented below:

(in millions of Russian Rubles unless noted otherwise)

Six months ended 30 June 2014	**OJSC RusHydro**	**ESC RusHydro subgroup**	**RAO Energy System of East subgroup**	**Other segments**	**Total segments**	**Unallocated adjustments and intercompany operations**	**TOTAL**
Revenue	**51,433**	**40,792**	**75,052**	**6,149**	**173,426**	**(8,117)**	**165,309**
including:							
from external companies	46,439	40,782	74,921	3,167	**165,309**	-	**165,309**
sales of electricity	34,214	40,371	45,153	164	**119,902**	-	**119,902**
sales of heat and hot water sales	78	-	19,542	-	**19,620**	-	**19,620**
sales of capacity	11,089	-	2,006	128	**13,223**	-	**13,223**
other revenue	1,058	411	8,220	2,875	**12,564**	-	**12,564**
from intercompany operations	4,994	10	131	2,982	**8,117**	(8,117)	**-**
Government grants	-	-	5,607	-	**5,607**	-	**5,607**
Expenses (excluding depreciation and other non-monetary items)	(17,782)	(40,101)	(71,971)	(6,542)	**(136,396)**	6,862	**(129,534)**
EBITDA	**33,651**	**691**	**8,688**	**(393)**	**42,637**	**(1,255)**	**41,382**
Depreciation of property, plant and equipment and intangible assets	(5,715)	(345)	(3,765)	(582)	**(10,407)**	-	**(10,407)**
Other non-monetary items of expenses	**(2,169)**	**(684)**	**(758)**	**(8)**	**(3,619)**	**-**	**(3,619)**
including:							
impairment of property, plant and equipment	(1,696)	-	-	-	**(1,696)**	-	**(1,696)**
(impairment) / reversal of impairment of accounts receivable, net	(161)	(688)	(618)	21	**(1,446)**	-	**(1,446)**
impairment of available-for-sale financial assets	(388)	-	(62)	-	**(450)**	-	**(450)**
profit / (loss) on disposal of property, plant and equipment, net	76	4	(78)	(29)	**(27)**	-	**(27)**
Operating profit / (loss)	**25,767**	**(338)**	**4,165**	**(983)**	**28,611**	**(1,255)**	**27,356**
Finance income							3,637
Finance costs							(3,674)
Profit in respect of associates and joint ventures							30
Profit before income tax							**27,349**
Total income tax expense							(6,013)
Profit for the period							**21,336**
Capital expenditure	16,236	25	5,706	12,992	**34,959**	(1,349)	**33,610**
30 June 2014							
Non-current and current debt	104,415	3,366	54,056	2,642	**164,479**	-	**164,479**

(in millions of Russian Rubles unless noted otherwise)

Six months ended 30 June 2013	**OJSC RusHydro**	**ESC RusHydro subgroup**	**RAO Energy System of East subgroup**	**Other segments**	**Total segments**	**Unallocated adjustments and intercompany operations**	**TOTAL**
Revenue	**49,648**	**40,270**	**70,433**	**5,732**	**166,083**	**(7,803)**	**158,280**
including:							
from external companies	44,764	40,264	70,191	3,061	**158,280**	-	**158,280**
sales of electricity	33,132	39,900	42,887	150	**116,069**	-	**116,069**
sales heat and hot water sales	82	-	19,244	1	**19,327**	-	**19,327**
sales of capacity	11,407	-	1,385	78	**12,870**	-	**12,870**
other revenue	143	364	6,675	2,832	**10,014**	-	**10,014**
from other segments	4,884	6	242	2,671	**7,803**	(7,803)	**-**
Government grants	-	-	5,408	13	**5,421**	-	**5,421**
Expenses (excluding depreciation and other non-monetary items)	(16,071)	(40,261)	(69,120)	(5,542)	**(130,994)**	6,373	**(124,621)**
EBITDA	**33,577**	**9**	**6,721**	**203**	**40,510**	**(1,430)**	**39,080**
Depreciation of property, plant and equipment and intangible assets	(5,974)	(330)	(2,444)	(444)	**(9,192)**	(12)	**(9,204)**
Other non-monetary items of expenses	**(9,447)**	**(359)**	**855**	**(117)**	**(9,068)**	**-**	**(9,068)**
including:							
impairment of property, plant and equipment	(386)	-	(111)	-	**(497)**	-	**(497)**
impairment of long-term promissory notes	(1,556)	-	-	-	**(1,556)**	-	**(1,556)**
impairment of accounts receivable, net	(980)	(365)	(592)	(27)	**(1,964)**	-	**(1,964)**
impairment of available-for-sale financial assets	(6,299)	-	-	-	**(6,299)**	**-**	**(6,299)**
(loss) / profit on disposal of property, plant and equipment, net	(226)	6	(51)	(90)	**(361)**	-	**(361)**
curtailment in pension plan	-	-	1,609	-	**1,609**	**-**	**1,609**
Operating profit / (loss)	**18,156**	**(680)**	**5,132**	**(358)**	**22,250**	**(1,442)**	**20,808**
Finance income							4,528
Finance costs							(4,653)
Loss in respect of associates and joint ventures							(3,336)
Profit before income tax							**17,347**
Total income tax expense							(6,529)
Profit for the period							**10,818**
Capital expenditure	9,575	81	5,246	9,734	**24,636**	2,208	**26,844**
31 December 2013							
Non-current and current debt	102,576	2,196	44,492	2,513	**151,777**	-	**151,777**

(in millions of Russian Rubles unless noted otherwise)

Note 6. Related party transactions

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

The Group's principal related parties for the six months ended 30 June 2014 were joint ventures, associates of the Group and government-related entities.

Joint ventures

The Group had the following balances with its joint ventures:

	Note	30 June 2014	31 December 2013
Promissory notes	8	4,965	4,741
Loans issued		871	533

The Group had the following transactions with its joint ventures:

	Six months ended 30 June 2014	Six months ended 30 June 2013
Sales of electricity and capacity	82	106
Other revenue	247	502
Purchased electricity and capacity	500	18

Associates

The Group had the following balances with its associates:

	30 June 2014	31 December 2013
Trade and other receivables	142	198
Accounts payable	158	26

The Group had the following transactions with its associates:

	Six months ended 30 June 2014	Six months ended 30 June 2013
Sales of electricity and capacity	1,706	1,183
Other revenue	77	320
Purchased electricity and capacity	143	186
Services of subcontracting companies	139	2,169

Government-related entities

In the normal course of business the Group enters into transactions with the entities controlled by the Government. The Group had transactions during the six months ended 30 June 2014 and 30 June 2013 and balances outstanding as at 30 June 2014 and 31 December 2013 with a number of government-related banks. All transactions are carried out on market rates.

The Group's sales of electricity, capacity and heat to government-related entities comprised approximately 30 percent of total sales of electricity, capacity and heat for the six months ended 30 June 2014 (for the six months ended 30 June 2013: approximately 29 percent). Sales of electricity and capacity under the regulated contracts are conducted directly to the consumers, within the day-ahead market (DAM) – through commission agreements with OJSC Centre of Financial Settlements ("CFS"). Electricity and capacity supply tariffs under the regulated contracts and electricity and heating supply tariffs in non-pricing zone of the Far East are approved by FTS and by regional regulatory authorities of the Russian Federation. On DAM the price is determined by balancing the demand and supply and such price is applied to all market participants.

The Group's purchases of electricity, capacity and fuel from government-related entities comprised approximately 20 percent of total expenses on purchased electricity, capacity and fuel for the six months ended 30 June 2014 (for the six months ended 30 June 2013: approximately 24 percent).

Electricity distribution services provided to the Group by government-related entities comprised approximately 60 percent of total electricity distribution expenses for the six months ended 30 June 2014 (for the six months ended 30 June 2013: approximately 51 percent). The distribution of electricity is subject to tariff regulations.

Key management of the Group. Key management of the Group includes members of the Board of Directors of the Company, members of the Management Board of the Company, key management of subsidiaries of RAO Energy System of East subgroup segment and heads of the business subdivisions of the Company.

Remuneration to the members of the Board of Directors of the Company for their services in their capacity and for attending Board meetings is paid depending on the results for the year and is calculated based on specific remuneration policy approved by the Annual General Shareholders Meeting of the Company.

Remuneration to the members of the Management Board and to other key management of the Group is paid for their services in full time management positions and is made up of a contractual salary and performance bonuses depending on the results of the work for the period based on key performance indicators approved by the Board of Directors of the Company.

Main compensation for Key management of the Group generally is short-term excluding future payments under pension plans with defined benefits. Pension benefits for key management of the Group are provided on the same terms as for the rest of employees.

Short-term remuneration paid to the key management of the Group for the six months ended 30 June 2014 comprised RR 1,357 million (for the six months ended 30 June 2013: RR 990 million).

(in millions of Russian Rubles unless noted otherwise)

Note 7. Property, plant and equipment

Cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Opening balance as at 31 December 2013	**78,712**	**377,429**	**191,377**	**214,999**	**14,620**	**877,137**
Reclassification	(310)	(2,731)	(1,636)	4,690	(13)	-
Additions	93	18	76	32,912	511	33,610
Transfers	795	1,207	10,527	(12,599)	70	-
Disposals and write-offs	(47)	(78)	(718)	(122)	(218)	(1,183)
Closing balance as at 30 June 2014	**79,243**	**375,845**	**199,626**	**239,880**	**14,970**	**909,564**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2013	**(27,139)**	**(108,005)**	**(75,665)**	**(26,904)**	**(5,578)**	**(243,291)**
Impairment charge	-	-	(13)	(1,683)	-	(1,696)
Charge for the period	(869)	(3,900)	(4,844)	-	(802)	(10,415)
Transfers	(251)	(103)	(918)	1,273	(1)	-
Disposals and write-offs	9	67	429	(29)	218	694
Closing balance as at 30 June 2014	**(28,250)**	**(111,941)**	**(81,011)**	**(27,343)**	**(6,163)**	**(254,708)**
Net book value as at 30 June 2014	**50,993**	**263,904**	**118,615**	**212,537**	**8,807**	**654,856**
Net book value as at 31 December 2013	**51,573**	**269,424**	**115,712**	**188,095**	**9,042**	**633,846**

Cost	Buildings	Facilities	Plant and equipment	Assets under construction	Other	Total
Opening balance as at 31 December 2012	**68,697**	**342,120**	**148,798**	**222,895**	**12,625**	**795,135**
Additions	17	66	363	25,901	497	26,844
Transfers	1,692	1,609	10,324	(13,835)	210	-
Disposals and write-offs	(312)	(79)	(258)	(266)	(202)	(1,117)
Closing balance as at 30 June 2013	**70,094**	**343,716**	**159,227**	**234,695**	**13,130**	**820,862**
Accumulated depreciation (including impairment)						
Opening balance as at 31 December 2012	**(20,946)**	**(68,659)**	**(52,488)**	**(44,876)**	**(3,705)**	**(190,674)**
Impairment charge	(2)	(1)	(89)	(270)	(24)	(386)
Charge for the period	(819)	(3,100)	(4,494)	-	(731)	(9,144)
Transfers	(27)	(897)	(232)	1,163	(7)	-
Disposals and write-offs	112	12	186	62	70	442
Closing balance as at 30 June 2013	**(21,682)**	**(72,645)**	**(57,117)**	**(43,921)**	**(4,397)**	**(199,762)**
Net book value as at 30 June 2013	**48,412**	**271,071**	**102,110**	**190,774**	**8,733**	**621,100**
Net book value as at 31 December 2012	**47,751**	**273,461**	**96,310**	**178,019**	**8,920**	**604,461**

As at 30 June 2014 included in the net book value of the property, plant and equipment are office buildings and plots of land owned by the Group in the amount of RR 8,026 million (31 December 2013: RR 8,014 million) which are stated at cost.

Impairment. Management of the Group considered the market and economic environment in which the Group operates to assess whether any indicators of property, plant and equipment being impaired existed, or that an impairment loss recognised in prior periods may no longer exist or may have decreased. At the reporting date no indicators of significant changes of management's assumptions used to determine the recoverable amounts of cash-generating units as at 31 December 2013 were identified as a result of this analysis.

(in millions of Russian Rubles unless noted otherwise)

Basing on the same assumptions the Group continued to recognise impairment loss in the amount of RR 1,696 million for the six months ended 30 June 2014 in respect of additions of property, plant and equipment related to cash-generating units impaired in previous periods (for the six months ended 30 June 2013: RR 386 million).

Note 8. Other non-current assets

	30 June 2014	31 December 2013
Long-term promissory notes	36,797	36,690
Discount	(16,921)	(17,021)
Impairment provision	(14,025)	(14,025)
Long-term promissory notes, net	5,851	5,644
Dams of Bratskaya, Ust'-Ilimskaya and Irkutskaya HPPs	5,526	5,573
VAT recoverable	4,322	5,381
Customer base of LLC ESC Bashkortostan	1,385	1,662
Goodwill	929	929
Other non-current assets	6,465	5,787
Total other non-current assets	**24,478**	**24,976**

Note 9. Cash and cash equivalents

	30 June 2014	31 December 2013
Cash at bank	15,679	10,744
Cash equivalents	26,833	23,712
Cash in hand	26	16
Total cash and cash equivalents	**42,538**	**34,472**

Cash equivalents held as at 30 June 2014 and 31 December 2013 comprised short-term bank deposits with original maturities of three months or less.

Note 10. Accounts receivable and prepayments

	30 June 2014	31 December 2013
Trade receivables	49,248	45,716
Provision for impairment of trade receivables	(16,367)	(15,374)
Trade receivables, net	**32,881**	**30,342**
VAT recoverable	**8,691**	**8,059**
Advances to suppliers and other prepayments	9,761	4,612
Provision for impairment of advances to suppliers and other prepayments	(496)	(460)
Advances to suppliers and other prepayments, net	**9,265**	**4,152**
Other receivables	6,060	5,350
Provision for impairment of other receivables	(2,720)	(2,518)
Other receivables, net	**3,340**	**2,832**
Total accounts receivable and prepayments	**54,177**	**45,385**

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

(in millions of Russian Rubles unless noted otherwise)

Note 11. Inventories

	30 June 2014	31 December 2013
Fuel	10,803	13,329
Materials and supplies	7,244	6,249
Spare parts	1,889	1,524
Other materials	546	536
Total inventories before provision for impairment	**20,482**	**21,638**
Provision for impairment of inventories	(194)	(189)
Total inventories	**20,288**	**21,449**

Note 12. Other current assets

	30 June 2014	31 December 2013
Deposits and promissory notes	47,561	52,406
Other short-term investments	969	738
Total other current assets	**48,530**	**53,144**

Note 13. Equity

	Number of issued ordinary shares (Par value of RR 1.00)
As at 30 June 2014	386,255,464,890
As at 31 December 2013	386,255,464,890
As at 30 June 2013	317,637,520,094
As at 31 December 2012	317,637,520,094

Additional share issue 2012–2013. On 16 November 2012 the Extraordinary General Meeting of shareholders of the Company adopted a resolution to make a placement of 110,000,000,000 ordinary shares with a par value of RR 1.00 by open subscription with cash and non-cash considerations. On 10 December 2012 the Board of Directors of the Company determined the placement price of RR 1.00 per share.

As part of this issue the Group received:

- in 2012 the funds in amount RR 50,000 million from the Russian Federation to fund construction of four heat power plants in the Far East region;
- in 2013 19.54 percent shares of OJSC RAO Energy System of East, 24.54 percent shares of OJSC SEC, 14.83 percent shares of OJSC Ust'-Srednekanskaya HPP, 42.75 percent shares of OJSC IENC, 0.08 percent shares of OJSC Irkutskenergo.

68,617,944,796 shares were actually placed as a result of the issue, which represents 62.38 percent of the additional issue's total number of securities.

As at 31 December 2013 share capital of the Company was increased due to registration of the Report based on the results of additional issue of shares on 26 December 2013.

Transactions with the Government and companies under common control. The change of merge reserve for the six months ended 30 June 2013 in the amount of RR 9,234 million relates to assets that were received in 2013 from the Russian Federation and companies under common control in the course of additional share issue 2012–2013.

As a result of the increase in Group`s share in OJSC RAO Energy System of East non-controlling interest decreased by RR 2,700 million and retained earnings of the Group increased in the same amount.

As a result of the increase in Group`s share in OJSC Ust'-Srednekanskaya HPP non-controlling interest increased by RR 293 million and retained earnings of the Group decreased by the same amount due to increase of share of Group's shareholders in losses accumulated by OJSC Ust'-Srednekanskaya HPP.

Effect of changes in non-controlling interest of subsidiaries. In February 2013 in the course of additional share issue 2012–2013 the Group also has received shares of OJSC RAO Energy System of East from shareholders which are not controlled by the Government. As a result non-controlling interest decreased by RR 1,853 million and retained earnings of the Group increased by RR 1,257 million.

(in millions of Russian Rubles unless noted otherwise)

Dividends. On 27 June 2014 the Company declared dividends for the year ended 31 December 2013 of RR 0.0136 per share in the total amount of RR 5,130 million.

On 28 June 2013 the Company declared dividends for the year ended 31 December 2012 of RR 0.0096 per share in the total amount of RR 3,594 million.

Dividends in favour of non-controlling interest holders were declared by the Group's subsidiaries in the amount of RR 80 million for the six months ended 30 June 2014 (for the six months ended 30 June 2013: RR 160 million).

Note 14. Income tax

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional or one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the six months ended 30 June 2014 was 22 percent (for the six months ended 30 June 2013: 38 percent).

The higher estimated average annual effective income tax rate used for the six months ended 30 June 2013 was mainly due to the effects of assets impairment.

	Six months ended 30 June 2014	Six months ended 30 June 2013 (represented)
Current income tax expense	4,849	5,921
Deferred income tax expense	1,164	608
Total income tax expense	**6,013**	**6,529**

Note 15. Current and non-current debt

Non-current debt

	Due date	30 June 2014	31 December 2013
OJSC Sberbank of Russia	2014–2020	49,381	46,295
Russian bonds (OJSC RusHydro) issued in February 2013	2018*	20,618	20,478
Eurobonds (RusHydro Finance Ltd)	2015	20,257	20,254
EBRD	2014–2027	15,876	14,971
Russian bonds (OJSC RusHydro) issued in April 2011	2016*	15,224	15,225
OJSC Bank of Moscow	2014–2015	7,724	7,700
OJSC VTB Bank	2018	4,521	4,500
UniCredit Bank Austria AG	2017–2026	2,847	2,523
OJSC ROSBANK	2014–2015	1,792	1,558
Municipal authority of Kamchatka region	2034	1,679	1,572
OJSC Gazprombank	2014–2016	1,439	1,997
EM Falcon Ltd	-	-	1,517
Other long-term debt	-	1,379	1,282
Finance lease liabilities	-	1,646	2,082
Total		**144,383**	**141,954**
Less current portion of non-current debt		(7,601)	(9,057)
Less current portion of finance lease liabilities		(808)	(1,007)
Total non-current debt		**135,974**	**131,890**

** The bonds mature in 10 years with a put option to redeem them on expiry of 5 years.*

(in millions of Russian Rubles unless noted otherwise)

Current debt

	30 June 2014	31 December 2013
OJSC ROSBANK	6,719	3,419
OJSC Sberbank of Russia	4,911	2,350
OJSC Gazprombank	3,901	2,323
OJSC VTB Bank	2,294	950
OJSC Alfa-Bank	1,050	-
Current portion of non-current debt	7,601	9,057
Current portion of finance lease liabilities	808	1,007
Other current debt	1,221	781
Total current debt and current portion of non-current debt	**28,505**	**19,887**
Reference:		
Interest payable	2,018	1,768

Liquidity risk. Management of the Group plans to repay the debt both from own funds and attracting external financing. The Group has a positive credit history, deals with large-sized credit institutions including government-related banks and has access to capital markets.

Compliance with covenants. The Group is subject to certain covenants related primarily to its debt. As at 30 June 2014 and 31 December 2013 the Group met all required covenant clauses of the credit agreements.

Note 16. Accounts payable and accruals

	30 June 2014	31 December 2013
Trade payables	25,600	30,968
Settlements with employees	7,789	6,933
Advances received	7,244	8,869
Dividends payable	5,287	85
Other accounts payable	3,982	2,618
Total accounts payable and accruals	**49,902**	**49,473**

All accounts payable and accruals are denominated in Russian Rubles.

Note 17. Other taxes payable

	30 June 2014	31 December 2013
VAT	5,835	5,982
Property tax	2,669	2,412
Insurance contributions	2,348	1,937
Other taxes	598	613
Total other taxes payable	**11,450**	**10,944**

Note 18. Revenue

	Six months ended 30 June 2014	Six months ended 30 June 2013 (represented)
Sales of electricity	119,902	116,069
Sales of heat and hot water	19,620	19,327
Sales of capacity	13,223	12,870
Other revenue	12,564	10,014
Total revenue	**165,309**	**158,280**

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

(in millions of Russian Rubles unless noted otherwise)

Note 19. Government grants

In accordance with legislation of the Russian Federation, several companies of the Group are entitled to government subsidies for compensation of the difference between approved economically viable electricity and heat tariffs and actual reduced tariffs and for compensation of losses on purchased fuel. During the six months ended 30 June 2014 the Group received government subsidies in the amount of RR 5,607 million (for the six months ended 30 June 2013: RR 5,421 million) in the following subsidised territories: Kamchatsky territory, Republic of Sakha (Yakutiya), Magadan Region and other Far East regions.

Note 20. Expenses

	Six months ended 30 June 2014	Six months ended 30 June 2013 (represented)
Employee benefit expenses (including payroll taxes and pension benefit expenses)	31,711	27,956
Purchased electricity and capacity	26,816	28,102
Fuel expenses	24,100	24,332
Electricity distribution expenses	21,145	18,731
Depreciation of property, plant and equipment and intangible assets	10,407	9,204
Other materials	4,612	4,056
Taxes other than on income	4,436	5,390
Third parties services, including:		
Services of SO UES, ATS, CFS	1,804	1,685
Purchase and transportation of heat power	1,510	1,476
Security expenses	1,489	1,354
Repairs and maintenance	1,179	1,122
Services of subcontracting companies	1,158	1,962
Rent	940	973
Consulting, legal and information expenses	909	646
Insurance cost	621	547
Transportation expenses	590	613
Other third parties services	2,661	2,224
Accrual of impairment of accounts receivable, net	1,446	1,964
Water usage expenses	1,368	1,406
Social charges	729	840
Purchase of oil products for sale	243	113
Loss on disposal of property, plant and equipment, net	27	361
Other expenses	1,513	1,093
Total expenses	**141,414**	**136,150**

(in millions of Russian Rubles unless noted otherwise)

Note 21. Finance income, costs

	Six months ended 30 June 2014	Six months ended 30 June 2013 (represented)
Finance income		
Interest income	3,398	4,029
Income on discounting	68	87
Foreign exchange gain	43	224
Other income	128	188
Total finance income	**3,637**	**4,528**
Finance costs		
Interest expense	(2,463)	(3,419)
Expense on discounting	(369)	(435)
Foreign exchange loss	(99)	(276)
Finance lease expense	(90)	(190)
Other costs	(653)	(333)
Total finance costs	**(3,674)**	**(4,653)**

Note 22. Earnings per share

	Six months ended 30 June 2014	Six months ended 30 June 2013
Weighted average number of ordinary shares issued (thousands of shares)	377,551,657	308,933,768
Profit for the period attributable to the shareholders of OJSC RusHydro	20,990	9,605
Earnings per share attributable to the shareholders of OJSC RusHydro – basic and diluted (in Russian Rubles per share)	**0.0556**	**0.0311**

Note 23. Capital commitments

In accordance with approved investment programme of the Company dated 24 September 2013 and approved separate investment programmes of subsidiaries of RAO Energy System of East subgroup segment, the Group has to invest RR 324,878 million for the period 2014-2016 for reconstruction of the existing and construction of new power plants (RR 283,687 million for the period 2013-2015).

Capital commitments of the Group as at 30 June 2014 are as follows: 2014 year – RR 85,067 million, 2015 year – RR 115,934 million, 2016 year – RR 87,355 million.

Future capital expenditures are mainly related to reconstruction of equipment of power plants: Saratovskaya HPP in the amount of RR 17,338 million, Zhigulevskaya HPP in the amount of RR 15,618 million, Volzhskaya HPP in the amount of RR 12,087 million; and to construction of power plants: Nizhne-Bureiskaya HPP in the amount of RR 21,691 million, Sakhalin GRES-2 in the amount of RR 14,404 million, HPP in Sovetskaya Gavan in the amount of RR 14,044 million, Yakutskaya GRES-2 in the amount of RR 12,948 million.

Note 24. Contingencies

Social commitments. The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of its employees, including contributions toward the development and maintenance of housing, hospitals, transport services and other social needs in the geographical areas in which it operates.

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

Legal proceedings. The Group's subsidiaries are parties to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the position of the Group.

(in millions of Russian Rubles unless noted otherwise)

Tax contingencies. The Russian tax legislation is subject to varying interpretation and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may arise. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

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

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

During the six months ended 30 June 2014 the Group's entities had controlled transactions and transactions which highly probably will be considered by tax authorities to be controlled based on the results of the period.

The Group's management believe that prices applied by the Group's entities during the six months of 2014 and previous years are consistent with market levels and the Group has implemented internal control procedures to meet the new transfer pricing requirements.

Due to the specifics of the Russian transfer pricing rules, the outcome of any disputes with tax authorities over applied prices cannot be estimated reliably but may have a material effect on the Group's financial results and operations.

Environmental matters. The Group's subsidiaries and their predecessor entities have operated in the utilities industry of the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group's subsidiaries periodically evaluate their obligations under environmental regulations. Group accrued assets retirement obligation for ash dumps used by the Group which is included in other non-current liabilities and other accounts payable and comprised RR 660 million as at 30 June 2014 (31 December 2013: RR 693 million).

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.

Guarantees. The Group has issued guarantees for CJSC Boguchansky Aluminium Plant in favour of its suppliers for future equipment deliveries and for OJSC Boguchanskaya HPP in favour of the State Corporation Vnesheconombank for the loan agreement concluded in December 2010:

Counterparty	30 June 2014	31 December 2013
for OJSC Boguchanskaya HPP:		
State Corporation Vnesheconombank	26,259	25,605
for CJSC Boguchansky Aluminium Plant:		
ALSTOM Grid SAS	31	82
Total guarantees issued	**26,290**	**25,687**

Note 25. Financial instruments and financial risk management

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

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2013.

There have been no changes in any risk management policies during the six months ended 30 June 2014.

(in millions of Russian Rubles unless noted otherwise)

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

As at 30 June 2014	Loans and receivables	Available-for-sale financial assets	Total
Assets			
Other non-current assets (Note 8)	**6,105**	**-**	**6,105**
Promissory notes	5,851	-	5,851
Deposits	73	-	73
Long-term loans receivable	181	-	181
Available-for-sale financial assets	**-**	**5,330**	**5,330**
Trade and other receivables (Note 10)	**35,503**	**-**	**35,503**
Trade receivables	32,881	-	32,881
Promissory notes receivable	137	-	137
Other financial receivables	2,485	-	2,485
Other current assets (Note 12)	**47,561**	**-**	**47,561**
Promissory notes and deposits	47,561	-	47,561
Cash and cash equivalents (Note 9)	**42,538**	**-**	**42,538**
Total financial assets	**131,707**	**5,330**	**137,037**
Non-financial assets			**746,377**
Total assets			**883,414**
As at 31 December 2013			
Assets			
Other non-current assets (Note 8)	**5,878**	**-**	**5,878**
Promissory notes	5,644	-	5,644
Deposits	38	-	38
Long-term loans receivable	196	-	196
Available-for-sale financial assets	**-**	**5,794**	**5,794**
Trade and other receivables (Note 10)	**32,511**	**-**	**32,511**
Trade receivables	30,342	-	30,342
Promissory notes receivable	1	-	1
Other financial receivables	2,168	-	2,168
Other current assets (Note 12)	**52,406**	**-**	**52,406**
Promissory notes and deposits	52,406	-	52,406
Cash and cash equivalents (Note 9)	**34,472**	**-**	**34,472**
Total financial assets	**125,267**	**5,794**	**131,061**
Non-financial assets			**720,985**
Total assets			**852,046**

All financial liabilities of the Group are carried at amortised cost. Financial liabilities are represented mainly by the current and non-current debt (Note 15), trade payables and other accounts payable (Note 16).

Note 26. Fair value of assets and liabilities

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

(in millions of Russian Rubles unless noted otherwise)

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

30 June 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Available-for-sale financial assets	5,330	-	-	**5,330**
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	**-**	**-**	434,293	**434,293**
Total assets recurring fair value measurements	**5,330**	**-**	**434,293**	**439,623**
31 December 2013				
Financial assets				
Available-for-sale financial assets	5,766	-	28	**5,794**
Non-financial assets				
Property, plant and equipment (except for construction in progress, office buildings and land)	-	-	437,737	**437,737**
Total assets recurring fair value measurements	**5,766**	**-**	**437,765**	**443,531**

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

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

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Financial assets carried at amortised cost. The Group considers that the fair value of cash, short-term deposits and accounts receivable approximates their carrying value (Level 3 of the fair value hierarchy). The fair value of long term accounts receivable is estimated based on future cash flows expected to be received including expected losses (Level 3 of the fair value hierarchy), the fair value of these assets approximates their carrying value.

Liabilities carried at amortised cost. The fair value of floating rate liabilities approximates their carrying value. The fair value of Eurobonds and Russian bonds is based on quoted market prices (Level 1 of the fair value hierarchy). Fair value of the fixed rate liabilities is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity (Level 3 of the fair value hierarchy). The fair value of liabilities carried at amortised cost approximates their carrying value.

Note 27. Subsequent events

In July 2014 3.39 percent of treasury shares were received by the Group’s subsidiary OJSC HydroInvest from OJSC EuroSibEnergo in exchange of 25 percent minus 1 share of OJSC Krasnoyarskaya HPP.