

# **PJSC Inter RAO**

## **Interim condensed consolidated financial statements**

*For the three and nine months ended 30 September 2015 (unaudited)*

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### Interim condensed consolidated financial statements

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## Report on review of interim condensed consolidated financial statements

To the Shareholders and Board of Directors of  
PJSC Inter RAO

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of PJSC Inter RAO and its subsidiaries (the "Group"), comprising the interim consolidated statement of financial position as at 30 September 2015 and the related interim consolidated statements of comprehensive income for the three-month and nine-month periods then ended, interim consolidated statements of changes in equity and cash flows for the nine-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.



Совершенствуя бизнес,  
улучшаем мир

### **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*

27 November 2015

Moscow, Russia

**Interim consolidated statement of financial position***(in millions of RUR)*

|   | <b>Note</b> | <b>30 September<br/>2015</b> | <b>31 December<br/>2014</b> |
|---|-------------|------------------------------|-----------------------------|
| <b>Assets</b>   |             |                              |                             |
| <b>Non-current assets</b>                                       |             |                              |                             |
| Property, plant and equipment                                   | 6           | 298,763                      | 298,625                     |
| Intangible assets   |             | 12,388                       | 12,514                      |
| Investments in associates and joint ventures                    | 7           | 31,093                       | 34,407                      |
| Deferred tax assets   |             | 3,779                        | 2,236                       |
| Available-for-sale financial assets                             | 8           | 5,230                        | 7,260                       |
| Other non-current assets  | 9           | 9,734                        | 10,094                      |
| <b>Total non-current assets</b>                                 |             | <b>360,987</b>               | <b>365,136</b>              |
| <b>Current assets</b>   |             |                              |                             |
| Inventories   |             | 17,533                       | 14,903                      |
| Accounts receivable and prepayments                             | 10          | 82,906                       | 81,703                      |
| Income tax prepaid  |             | 2,206                        | 946                         |
| Cash and cash equivalents                                       | 11          | 50,360                       | 75,599                      |
| Other current assets  | 12          | 29,011                       | 9,154                       |
|   |             | <b>182,016</b>               | <b>182,305</b>              |
| Assets classified as held-for-sale                              |             | 38,048                       | 38,057                      |
| <b>Total current assets</b>                                     |             | <b>220,064</b>               | <b>220,362</b>              |
| <b>Total assets</b>   |             | <b>581,051</b>               | <b>585,498</b>              |
| <b>Equity and liabilities</b>                                   |             |                              |                             |
| <b>Equity</b>   |             |                              |                             |
| Share capital   |             | 293,340                      | 293,340                     |
| Treasury shares   |             | (56,185)                     | (56,229)                    |
| Share premium   |             | 69,312                       | 69,312                      |
| Hedge reserve   |             | (8)                          | 38                          |
| Actuarial reserve   |             | 151                          | (34)                        |
| Fair value reserve  |             | 550                          | 626                         |
| Foreign currency translation reserve                            |             | 7,603                        | 8,422                       |
| Retained earnings   |             | 48,179                       | 27,426                      |
| <b>Total equity attributable to shareholders of the Company</b> |             | <b>362,942</b>               | <b>342,901</b>              |
| Non-controlling interest  |             | 2,536                        | 5,348                       |
| <b>Total equity</b>   |             | <b>365,478</b>               | <b>348,249</b>              |
| <b>Non-current liabilities</b>                                  |             |                              |                             |
| Loans and borrowings  | 13          | 55,811                       | 64,185                      |
| Deferred tax liabilities  |             | 17,398                       | 15,034                      |
| Other non-current liabilities                                   | 15          | 12,368                       | 11,448                      |
| <b>Total non-current liabilities</b>                            |             | <b>85,577</b>                | <b>90,667</b>               |
| <b>Current liabilities</b>                                      |             |                              |                             |
| Loans and borrowings  |             | 40,675                       | 42,947                      |
| Accounts payable and accrued liabilities                        | 14          | 83,237                       | 96,836                      |
| Other taxes payable   |             | 5,040                        | 5,872                       |
| Income tax payable  |             | 1,044                        | 927                         |
| <b>Total current liabilities</b>                                |             | <b>129,996</b>               | <b>146,582</b>              |
| <b>Total liabilities</b>  |             | <b>215,573</b>               | <b>237,249</b>              |
| <b>Total equity and liabilities</b>                             |             | <b>581,051</b>               | <b>585,498</b>              |

Chairman of the Management Board

Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer

Palunin D.N.

27 November 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<br>30 September |              | For the nine months ended<br>30 September |               |
|--|------|--|--------------|---|---------------|
|  |      | 2015                                       | 2014         | 2015                                      | 2014          |
| Revenue  | 16   | 188,371                                    | 173,063      | 580,004                                   | 525,959       |
| Other operating income   | 17   | 1,189                                      | 2,621        | 6,762                                     | 5,719         |
| Operating expenses, net  | 18   | (182,854)                                  | (170,136)    | (557,774)                                 | (513,571)     |
| <b>Operating income</b>  |      | <b>6,706</b>                               | <b>5,548</b> | <b>28,992</b>                             | <b>18,107</b> |
| Finance income   | 19   | 3,362                                      | 1,876        | 9,157                                     | 3,763         |
| Finance expenses   | 19   | (2,467)                                    | (3,019)      | (8,393)                                   | (6,983)       |
| Share of (loss)/profit of associates and<br>joint ventures, net  | 7    | (2,231)                                    | 1,332        | (918)                                     | 1,366         |
| <b>Income before income tax</b>  |      | <b>5,370</b>                               | <b>5,737</b> | <b>28,838</b>                             | <b>16,253</b> |
| Income tax expense   | 20   | (1,720)                                    | (1,643)      | (5,498)                                   | (5,303)       |
| <b>Income for the period</b>   |      | <b>3,650</b>                               | <b>4,094</b> | <b>23,340</b>                             | <b>10,950</b> |
| <b>Other comprehensive (loss)/income</b>   |      |  |              |   |               |
| <i>Other comprehensive (loss)/income that<br/>will be reclassified subsequently to profit<br/>or loss when specific conditions are met</i> |      |  |              |   |               |
| Actuarial (loss)/gain, net of tax  |      | (2)  | –            | 179                                       | 115           |
| Gain/(loss) on available-for-sale financial<br>assets and assets classified as held-for-<br>sale, net of tax                               | 8    | 242  | 668          | (76)                                      | 821           |
| Net gain/(loss) on hedge instruments, net<br>of tax  |      | 2  | 16           | (40)                                      | 45            |
| Exchange gain/(loss) on translation to<br>presentation currency  |      | 800  | 2,692        | (809)                                     | 2,008         |
| <b>Other comprehensive income/(loss),<br/>net of tax</b>   |      | <b>1,042</b>                               | <b>3,376</b> | <b>(746)</b>                              | <b>2,989</b>  |
| <b>Total comprehensive income for the<br/>period</b>   |      | <b>4,692</b>                               | <b>7,470</b> | <b>22,594</b>                             | <b>13,939</b> |
| <b>Income attributable to:</b>   |      |  |              |   |               |
| Shareholders of the Company  |      | 3,583                                      | 3,893        | 22,366                                    | 9,026         |
| Non-controlling interest   |      | 67   | 201          | 974                                       | 1,924         |
|  |      | <b>3,650</b>                               | <b>4,094</b> | <b>23,340</b>                             | <b>10,950</b> |
| <b>Total comprehensive income<br/>attributable to:</b>   |      |  |              |   |               |
| Shareholders of the Company  |      | 4,393                                      | 7,143        | 21,610                                    | 11,883        |
| Non-controlling interest   |      | 299  | 327          | 984                                       | 2,056         |
|  |      | <b>4,692</b>                               | <b>7,470</b> | <b>22,594</b>                             | <b>13,939</b> |
| <b>Basic and diluted income per ordinary<br/>share for income attributable to the<br/>shareholders of the Company</b>                      |      |  |              |   |               |
|  |      | <b>RUR</b>                                 | <b>RUR</b>   | <b>RUR</b>                                | <b>RUR</b>    |
|  |      | <b>0.042</b>                               | <b>0.044</b> | <b>0.265</b>                              | <b>0.101</b>  |

Chairman of the Management Board

Kovalchuk B. Yu.

Member of the Management Board, Chief Financial Officer

Palunin D.N.

27 November 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 nine months ended<br>30 September |               |
|---|--------|---|---------------|
|   |        | 2015                                      | 2014          |
| <b>Operating activities</b>   |        |   |               |
| <b>Income before income tax</b>   |        | <b>28,838</b>                             | <b>16,253</b> |
| <i>Adjustments to reconcile income before tax to net cash flows from operating activities:</i>        |        |   |               |
| Depreciation and amortisation   | 18     | 17,306                                    | 15,902        |
| Provision for impairment of accounts receivable   | 18     | 3,902                                     | 3,811         |
| Other provisions charge/(release)   | 18     | 781                                       | (1,371)       |
| Impairment of available-for-sale financial assets and assets classified as held-for-sale              | 8, 18  | 18  | 846           |
| (Release)/charge of impairment of property, plant and equipment, intangible assets and goodwill       | 18     | (7)                                       | 317           |
| Share of loss/(profit) of associates and joint ventures   | 7      | 918                                       | (1,366)       |
| Loss from electricity derivatives, net  | 17, 18 | 187                                       | 62            |
| Foreign exchange gain, net  | 19     | (1,330)                                   | (189)         |
| Interest income   | 19     | (5,714)                                   | (2,421)       |
| Other finance income  | 19     | (988)                                     | (193)         |
| Interest expense  | 19     | 8,146                                     | 3,155         |
| Other finance expenses  | 19     | 247                                       | 1,178         |
| Dividend income   | 19     | (1,125)                                   | (960)         |
| (Income)/loss from sale of available-for-sale financial assets and assets classified as held-for-sale | 8, 17  | (829)                                     | 98            |
| Put and call option agreement   | 19     | —   | 2,650         |
| Gain from disposal of controlling interest  | 5, 17  | (17)                                      | (30)          |
| Other non-cash operations/items   |        | (626)                                     | 448           |
| <b>Operating cash flows before working capital adjustments and income tax paid</b>                    |        | <b>49,707</b>                             | <b>38,190</b> |
| Increase in inventories   |        | (1,962)                                   | (921)         |
| Decrease/(increase) in accounts receivable and prepayments  |        | 3,033                                     | (2,053)       |
| Decrease in value added tax recoverable   |        | 1,445                                     | 200           |
| Increase in other current assets  |        | (171)                                     | (292)         |
| (Decrease)/increase in accounts payable and accrued liabilities                                       |        | (12,357)                                  | 2,047         |
| (Decrease)/increase in taxes other than income tax prepaid/payable, net                               |        | (2,451)                                   | 995           |
| Other working capital adjustments   |        | 201                                       | (365)         |
|   |        | <b>37,445</b>                             | <b>37,801</b> |
| Income tax paid   |        | (5,538)                                   | (3,359)       |
| <b>Net cash flows from operating activities</b>   |        | <b>31,907</b>                             | <b>34,442</b> |

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 nine months ended<br>30 September |                 |
|--|------|---|-----------------|
|  |      | 2015                                      | 2014            |
| <b>Investing activities</b>  |      |   |                 |
| Proceeds from disposal of property, plant and equipment  |      | 156                                       | 83              |
| Purchase of property, plant and equipment and intangible assets                                      |      | (15,936)                                  | (24,099)        |
| Purchase of controlling interest, net of cash acquired   | 5    | 94  | –               |
| Proceeds from disposal of controlling interest, net of cash disposed                                 |      | –   | 31              |
| Proceeds from disposal of available-for-sale financial assets and assets classified as held-for-sale | 8    | 2,750                                     | 4,370           |
| Proceeds from repayment of loans issued  |      | 275                                       | 954             |
| Loans issued   |      | –   | (720)           |
| Bank deposits placed   |      | (31,334)                                  | (12,387)        |
| Bank deposits returned and proceeds from promissory notes repayment                                  |      | 10,439                                    | 3,636           |
| Interest proceeds for bank deposits placed   |      | 4,212                                     | 1,661           |
| Purchase of bonds  |      | (10)                                      | (91)            |
| Dividends received   |      | 1,235                                     | 2,216           |
| Cash flows from other investing activities   |      | 680                                       | 276             |
| <b>Net cash flows used for investing activities</b>  |      | <b>(27,439)</b>                           | <b>(24,070)</b> |
| <b>Financing activities</b>  |      |   |                 |
| Proceeds from loans and borrowings   |      | 83,909                                    | 66,046          |
| Repayment of loans and borrowings  |      | (100,493)                                 | (47,856)        |
| Repayment of finance leases  |      | (628)                                     | (551)           |
| Interest paid  |      | (7,521)                                   | (2,440)         |
| Dividends paid   |      | (404)                                     | (224)           |
| Purchase of non-controlling interest in subsidiaries   | 5    | (4,967)                                   | –               |
| Disposal of non-controlling interest in subsidiary   |      | –   | 97              |
| Proceeds from treasury shares sold   |      | –   | 7               |
| <b>Net cash flows (used for)/from financing activities</b>   |      | <b>(30,104)</b>                           | <b>15,079</b>   |
| Effect of exchange rate fluctuations on cash and cash equivalents                                    |      | 397                                       | 468             |
| <b>Net (decrease)/increase in cash and cash equivalents</b>  |      | <b>(25,239)</b>                           | <b>25,919</b>   |
| Cash and cash equivalents at the beginning of the period   |      | 75,599                                    | 39,882          |
| <b>Cash and cash equivalents at the end of the period</b>  | 11   | <b>50,360</b>                             | <b>65,801</b>   |

Chairman of the Management Board

Kovalchuk B. Yu.

Member of the Management Board, Chief Financial Officer

Palunin D.N.

27 November 2015

**Interim consolidated statement of changes in equity***(in millions of RUR)*

| Note   | Attributable to shareholders of the Company |                 |               |                                      |                    |               |                   |                   |                |              | Non-controlling interest | Total equity |
|--|---|-----------------|---------------|--------------------------------------|--------------------|---------------|-------------------|-------------------|----------------|--------------|--------------------------|--------------|
|  | Share capital                               | Treasury shares | Share premium | Foreign currency translation reserve | Fair value reserve | Hedge reserve | Actuarial reserve | Retained earnings | Total          |              |                          |              |
| <b>Balance at 1 January 2014</b>   | <b>293,340</b>                              | <b>(41,363)</b> | <b>69,312</b> | <b>413</b>                           | <b>642</b>         | <b>(64)</b>   | <b>(280)</b>      | <b>9,522</b>      | <b>331,522</b> | <b>3,067</b> | <b>334,589</b>           |              |
| <b>Total comprehensive income for the nine months ended 30 September 2014</b>        | <b>–</b>                                    | <b>–</b>        | <b>–</b>      | <b>1,883</b>                         | <b>821</b>         | <b>51</b>     | <b>102</b>        | <b>9,026</b>      | <b>11,883</b>  | <b>2,056</b> | <b>13,939</b>            |              |
| Dividends to shareholders  | –   | –               | –             | –                                    | –                  | –             | –                 | –                 | –              | (273)        | (273)                    |              |
| Disposal of non-controlling interest in subsidiary                                   | –   | –               | –             | –                                    | –                  | –             | –                 | 25                | 25             | 75           | 100                      |              |
| Sale of treasury shares  | –   | 6               | –             | –                                    | –                  | –             | –                 | –                 | 6              | –            | 6                        |              |
| <b>Balance at 30 September 2014</b>  | <b>293,340</b>                              | <b>(41,357)</b> | <b>69,312</b> | <b>2,296</b>                         | <b>1,463</b>       | <b>(13)</b>   | <b>(178)</b>      | <b>18,573</b>     | <b>343,436</b> | <b>4,925</b> | <b>348,361</b>           |              |
| <b>Balance at 1 January 2015</b>   | <b>293,340</b>                              | <b>(56,229)</b> | <b>69,312</b> | <b>8,422</b>                         | <b>626</b>         | <b>38</b>     | <b>(34)</b>       | <b>27,426</b>     | <b>342,901</b> | <b>5,348</b> | <b>348,249</b>           |              |
| <b>Total comprehensive (loss)/income for the nine months ended 30 September 2015</b> | <b>–</b>                                    | <b>–</b>        | <b>–</b>      | <b>(819)</b>                         | <b>(76)</b>        | <b>(46)</b>   | <b>185</b>        | <b>22,366</b>     | <b>21,610</b>  | <b>984</b>   | <b>22,594</b>            |              |
| Dividends to shareholders  | –   | –               | –             | –                                    | –                  | –             | –                 | (91)              | (91)           | (429)        | (520)                    |              |
| Acquisition of controlling interest in subsidiary                                    | 5   | –               | –             | –                                    | –                  | –             | –                 | –                 | –              | 50           | 50                       |              |
| Acquisition of non-controlling interest in subsidiaries                              | 5   | –               | –             | –                                    | –                  | –             | –                 | (1,550)           | (1,550)        | (3,417)      | (4,967)                  |              |
| Sale of treasury shares  | –   | 44              | –             | –                                    | –                  | –             | –                 | 28                | 72             | –            | 72                       |              |
| <b>Balance at 30 September 2015</b>  | <b>293,340</b>                              | <b>(56,185)</b> | <b>69,312</b> | <b>7,603</b>                         | <b>550</b>         | <b>(8)</b>    | <b>151</b>        | <b>48,179</b>     | <b>362,942</b> | <b>2,536</b> | <b>365,478</b>           |              |

Chairman of the Management Board

Kovalchuk B. Yu.

Member of the Management Board, Chief Financial Officer

Palunin D.N.

27 November 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

Public Joint Stock Company "Inter RAO UES" (the "Parent Company" or the "Company" or PJSC "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 PJSC Inter RAO and has a controlling interest in the Company of over 50%. The main state shareholders of the Parent Company as at 30 September 2015 are JSC ROSNEFTEGAZ (26.37%) and FGC UES Group (14.07%).

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 Transnistria 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 and in 2015, 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 the 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 the 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 nine months, ended 30 September 2014 for the total amount of RUR 1,789 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 and nine months ended 30 September 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.

*(in millions of RUR)*

### 3. Summary of significant accounting policies (continued)

- ▶ *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.
- ▶ *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 PJSC Mosenergosbyt (Group of entities), JSC PSK, PJSC Tambov Energy Retailing Company, PJSC Saratovenergo, JSC Altayenergosbyt, LLC INTER RAO Orlovskii Energosbyt, JSC Industrial Energetics, LLC RN-Energo, PJSC Tomskenergosbyt, LLC Omsk Energy Retailing Company (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:
      - ▶ *TGC-11* (represented by JSC TGC-11, JSC Tomsk generation, JSC TomskRTS and JSC OmskRTS).
      - ▶ *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 and Trading AB, JSC Eastern Energy Company, LLC Payments implementation center (since April 2014) and SOO IRL POLSKA (since January 2015).

(in millions of RUR)

#### 4. Segment information (continued)

- ▶ **Foreign assets** represented by the following reporting sub-segments:
  - ▶ **Georgia** (represented by JSC Telasi, LLC Mtkvari Energy, JSC Khramhesi I and JSC 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, Energy beyond borders Non-for-profit Fund and LLC TCC Energy beyond borders).
- ▶ Other.

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 30 September 2015:

|  | <u>Supply</u>                 |   | <u>Generation</u>                |                                 | <u>Trading</u>                           |                | <u>Foreign assets</u> |                 |                   |               | <u>Engineering</u>            |              | <u>Unallocated and eliminations</u> | <u>Total</u>    |
|--|-------------------------------|---|----------------------------------|---------------------------------|--|----------------|-----------------------|-----------------|-------------------|---------------|-------------------------------|--------------|-------------------------------------|-----------------|
|  | <u>The Russian Federation</u> |   | <u>The Russian Federation</u>    |                                 | <u>The Russian Federation and Europe</u> | <u>Armenia</u> | <u>Georgia</u>        | <u>Moldavia</u> | <u>Kazakhstan</u> | <u>Turkey</u> | <u>The Russian Federation</u> | <u>Other</u> |                                     |                 |
|  | <u>The Russian Federation</u> | <u>Inter RAO – Electricity Generation Group</u> | <u>Electric Power Generation</u> | <u>Thermal Power Generation</u> |  |                |                       |                 |                   |               |                               |              |                                     |                 |
| <b>Total revenue</b>                     | <b>110,814</b>                | <b>36,917</b>                                   | <b>4,089</b>                     | <b>9,890</b>                    | <b>20,694</b>                            | <b>6,030</b>   | <b>2,103</b>          | <b>1,216</b>    | <b>–</b>          | <b>5,141</b>  | <b>2,230</b>                  | <b>1,210</b> | <b>(11,963)</b>                     | <b>188,371</b>  |
| Revenue from external customers          | 110,643                       | 29,659  | 3,416                            | 8,874                           | 20,385                                   | 6,030          | 2,103                 | 1,216           | –                 | 5,141         | 777                           | 127          | –                                   | 188,371         |
| Inter-segment revenue                    | 171                           | 7,258   | 673                              | 1,016                           | 309                                      | –              | –                     | –               | –                 | –             | 1,453                         | 1,083        | (11,963)                            | –               |
| <b>Operating expenses, including:</b>    |                               |   |                                  |                                 |  |                |                       |                 |                   |               |                               |              |                                     |                 |
| Purchased electricity and capacity       | (57,393)                      | (1,954)   | (550)                            | (810)                           | (16,302)                                 | (3,026)        | (406)                 | –               | –                 | –             | –                             | (8)          | 9,401                               | <b>(71,048)</b> |
| Transmission fees                        | (45,786)                      | –   | –                                | (3)                             | (1,346)                                  | (191)          | (209)                 | (4)             | (1)               | –             | –                             | –            | –                                   | <b>(47,540)</b> |
| Fuel expenses                            | –                             | (20,829)  | (2,200)                          | (5,858)                         | –  | (504)          | (319)                 | (23)            | –                 | (4,182)       | –                             | –            | 636                                 | <b>(33,279)</b> |
| Share in profit/(loss) of joint ventures | 24                            | 333   | –                                | –                               | –  | –              | –                     | –               | (2,988)           | –             | 39                            | –            | –                                   | <b>(2,592)</b>  |
| <b>EBITDA</b>                            | <b>3,116</b>                  | <b>7,535</b>                                    | <b>(918)</b>                     | <b>51</b>                       | <b>2,674</b>                             | <b>1,335</b>   | <b>494</b>            | <b>717</b>      | <b>(2,986)</b>    | <b>685</b>    | <b>83</b>                     | <b>255</b>   | <b>(943)</b>                        | <b>12,098</b>   |
| Depreciation and amortization            | (415)                         | (2,959)   | (455)                            | (823)                           | (15)                                     | (222)          | (139)                 | (96)            | (1)               | (385)         | (46)                          | (197)        | (108)                               | <b>(5,861)</b>  |
| Interest income                          | 783                           | 372   | 3                                | 86                              | 78                                       | 12             | 7                     | –               | 1                 | 4             | 43                            | 88           | 182                                 | <b>1,659</b>    |
| Interest expenses                        | (280)                         | (1,239)   | (385)                            | (53)                            | (70)                                     | (194)          | (36)                  | (70)            | –                 | (103)         | (26)                          | (1,941)      | 2,039                               | <b>(2,358)</b>  |

(in millions of RUR)

**4. Segment information (continued)**

Below is the performance of the operating segments for the three months ended 30 September 2014:

|  | <b>Supply</b>                 | <b>Generation</b>                               |                                 | <b>Trading</b>                           | <b>Foreign assets</b> |                |                 |                   |               | <b>Engineering</b>            |              | <b>Unallocated and eliminations</b> | <b>Total</b>    |                 |
|--|-------------------------------|---|---------------------------------|--|-----------------------|----------------|-----------------|-------------------|---------------|-------------------------------|--------------|-------------------------------------|-----------------|-----------------|
|  | <b>The Russian Federation</b> | <b>The Russian Federation</b>                   |                                 | <b>The Russian Federation and Europe</b> | <b>Armenia</b>        | <b>Georgia</b> | <b>Moldavia</b> | <b>Kazakhstan</b> | <b>Turkey</b> | <b>The Russian Federation</b> | <b>Other</b> |                                     |                 |                 |
|  |                               | <b>Electric Power Generation</b>                | <b>Thermal Power Generation</b> |  |                       |                |                 |                   |               |                               |              |                                     |                 |                 |
|  |                               | <b>Inter RAO – Electricity Generation Group</b> | <b>TGC-11</b>                   | <b>Bashkir Generation</b>                |                       |                |                 |                   |               |                               |              |                                     |                 |                 |
| <b>Total revenue</b>                     | <b>103,723</b>                | <b>36,526</b>                                   | <b>3,903</b>                    | <b>10,910</b>                            | <b>15,514</b>         | <b>3,598</b>   | <b>1,427</b>    | <b>1,791</b>      | <b>14</b>     | <b>3,976</b>                  | <b>1,984</b> | <b>946</b>                          | <b>(11,249)</b> | <b>173,063</b>  |
| Revenue from external customers          | 103,613                       | 29,930  | 3,249                           | 9,661                                    | 15,187                | 3,598          | 1,427           | 1,791             | 14            | 3,976                         | 495          | 122                                 | –               | <b>173,063</b>  |
| Inter-segment revenue                    | 110                           | 6,596   | 654                             | 1,249                                    | 327                   | –              | –               | –                 | –             | –                             | 1,489        | 824                                 | (11,249)        | –               |
| <b>Operating expenses, including:</b>    |                               |   |                                 |  |                       |                |                 |                   |               |                               |              |                                     |                 |                 |
| Purchased electricity and capacity       | (57,518)                      | (2,129)   | (465)                           | (958)                                    | (13,355)              | (1,613)        | (251)           | –                 | (8)           | –                             | –            | (44)                                | 8,923           | <b>(67,418)</b> |
| Transmission fees                        | (40,525)                      | –   | –                               | (6)                                      | (902)                 | (161)          | (132)           | (12)              | (5)           | –                             | –            | (1)                                 | –               | <b>(41,744)</b> |
| Fuel expenses                            | –                             | (20,998)  | (2,017)                         | (6,177)                                  | –                     | (504)          | (180)           | (1,097)           | –             | (3,460)                       | –            | –                                   | 479             | <b>(33,954)</b> |
| Share in (loss)/profit of joint ventures | (11)                          | 751   | –                               | –  | –                     | –              | –               | –                 | 460           | –                             | 61           | (8)                                 | –               | <b>1,253</b>    |
| <b>EBITDA</b>                            | <b>2,119</b>                  | <b>7,192</b>                                    | <b>(803)</b>                    | <b>1,417</b>                             | <b>991</b>            | <b>605</b>     | <b>363</b>      | <b>483</b>        | <b>461</b>    | <b>449</b>                    | <b>227</b>   | <b>211</b>                          | <b>(855)</b>    | <b>12,860</b>   |
| Depreciation and amortization            | (349)                         | (2,580)   | (409)                           | (1,091)                                  | (13)                  | (148)          | (100)           | (34)              | (1)           | (221)                         | (46)         | (140)                               | (95)            | <b>(5,227)</b>  |
| Interest income                          | 387                           | 91  | –                               | 19                                       | 16                    | 5              | 15              | –                 | –             | 2                             | 74           | 157                                 | 393             | <b>1,159</b>    |
| Interest expenses                        | (152)                         | (376)   | (220)                           | (32)                                     | (57)                  | (148)          | (41)            | (53)              | –             | (77)                          | (22)         | (119)                               | 35              | <b>(1,262)</b>  |

(in millions of RUR)

**4. Segment information (continued)**

Below is the performance of the operating segments for the nine months ended 30 September 2015:

|   | <u>Supply</u>                 | <u>Generation</u>                |                                 | <u>Trading</u>                            | <u>Foreign assets</u>                    |                |                |                 |                   | <u>Engineering</u> |                               | <u>Unallocated and eliminations</u> | <u>Total</u>    |                  |
|---|-------------------------------|----------------------------------|---------------------------------|---|--|----------------|----------------|-----------------|-------------------|--------------------|-------------------------------|-------------------------------------|-----------------|------------------|
|   | <u>The Russian Federation</u> |                                  |                                 |   | <u>The Russian Federation and Europe</u> | <u>Armenia</u> | <u>Georgia</u> | <u>Moldavia</u> | <u>Kazakhstan</u> | <u>Turkey</u>      | <u>The Russian Federation</u> |                                     |                 | <u>Other</u>     |
|   | <u>The Russian Federation</u> | <u>Electric Power Generation</u> | <u>Thermal Power Generation</u> | <u>Inter RAO – Electricity Generation</u> |  |                |                |                 |                   |                    |                               |                                     |                 |                  |
| <b>Total revenue</b>                      | <b>339,862</b>                | <b>109,152</b>                   | <b>19,280</b>                   | <b>34,866</b>                             | <b>61,122</b>                            | <b>15,948</b>  | <b>6,410</b>   | <b>3,393</b>    | <b>27</b>         | <b>15,208</b>      | <b>5,944</b>                  | <b>3,376</b>                        | <b>(34,584)</b> | <b>580,004</b>   |
| Revenue from external customers           | 338,952                       | 88,440                           | 16,731                          | 31,756                                    | 60,029                                   | 15,948         | 6,410          | 3,393           | 27                | 15,208             | 2,705                         | 405                                 | –               | <b>580,004</b>   |
| Inter-segment revenue                     | 910                           | 20,712                           | 2,549                           | 3,110                                     | 1,093                                    | –              | –              | –               | –                 | –                  | 3,239                         | 2,971                               | (34,584)        | –                |
| <b>Operating expenses, including:</b>     |                               |                                  |                                 |   |  |                |                |                 |                   |                    |                               |                                     |                 |                  |
| Purchased electricity and capacity        | (182,660)                     | (5,791)                          | (1,994)                         | (2,513)                                   | (48,533)                                 | (8,220)        | (976)          | –               | (16)              | –                  | –                             | (19)                                | 28,294          | <b>(222,428)</b> |
| Transmission fees                         | (136,255)                     | –                                | –                               | (10)                                      | (4,149)                                  | (630)          | (599)          | (11)            | (11)              | –                  | –                             | –                                   | 3               | <b>(141,662)</b> |
| Fuel expenses                             | –                             | (58,904)                         | (9,214)                         | (19,891)                                  | –  | (1,319)        | (1,768)        | (60)            | –                 | (12,535)           | –                             | –                                   | 1,683           | <b>(102,008)</b> |
| Share in profit/ (loss) of joint ventures | 102                           | 1,555                            | –                               | –   | –  | –              | –              | –               | (2,811)           | –                  | 21                            | 10                                  | –               | <b>(1,123)</b>   |
| <b>EBITDA</b>                             | <b>8,027</b>                  | <b>25,732</b>                    | <b>1,603</b>                    | <b>4,476</b>                              | <b>7,261</b>                             | <b>2,941</b>   | <b>1,337</b>   | <b>1,997</b>    | <b>(2,807)</b>    | <b>1,894</b>       | <b>(521)</b>                  | <b>1,028</b>                        | <b>(3,578)</b>  | <b>49,390</b>    |
| Depreciation and amortization             | (1,206)                       | (8,819)                          | (1,325)                         | (2,499)                                   | (45)                                     | (617)          | (409)          | (285)           | (3)               | (1,085)            | (142)                         | (561)                               | (310)           | <b>(17,306)</b>  |
| Interest income                           | 2,287                         | 1,111                            | 4                               | 251                                       | 221                                      | 35             | 31             | –               | 2                 | 20                 | 193                           | 456                                 | 1,103           | <b>5,714</b>     |
| Interest expenses                         | (536)                         | (4,992)                          | (1,146)                         | (163)                                     | (222)                                    | (588)          | (105)          | (212)           | –                 | (355)              | (55)                          | (4,988)                             | 5,216           | <b>(8,146)</b>   |

(in millions of RUR)

**4. Segment information (continued)**

Below is the performance of the operating segments for the nine months ended 30 September 2014

|  | <b>Supply</b>                 |   | <b>Generation</b>                |                                 | <b>Trading</b>                           |                | <b>Foreign assets</b> |                 |                   |               | <b>Engineering</b>            |              | <b>Unallocated and eliminations</b> | <b>Total</b>     |
|--|-------------------------------|---|----------------------------------|---------------------------------|--|----------------|-----------------------|-----------------|-------------------|---------------|-------------------------------|--------------|-------------------------------------|------------------|
|  | <b>The Russian Federation</b> |   | <b>The Russian Federation</b>    |                                 | <b>The Russian Federation and Europe</b> | <b>Armenia</b> | <b>Georgia</b>        | <b>Moldavia</b> | <b>Kazakhstan</b> | <b>Turkey</b> | <b>The Russian Federation</b> | <b>Other</b> |                                     |                  |
|  | <b>The Russian Federation</b> | <b>Inter RAO – Electricity Generation Group</b> | <b>Electric Power Generation</b> | <b>Thermal Power Generation</b> |  |                |                       |                 |                   |               |                               |              |                                     |                  |
| <b>Total revenue</b>                     | <b>325,384</b>                | <b>107,422</b>                                  | <b>17,923</b>                    | <b>34,550</b>                   | <b>36,007</b>                            | <b>9,809</b>   | <b>4,450</b>          | <b>4,885</b>    | <b>70</b>         | <b>9,595</b>  | <b>4,440</b>                  | <b>2,497</b> | <b>(31,073)</b>                     | <b>525,959</b>   |
| Revenue from external customers          | 324,962                       | 88,261  | 16,195                           | 31,166                          | 35,076                                   | 9,809          | 4,450                 | 4,885           | 70                | 9,595         | 1,157                         | 333          | –                                   | <b>525,959</b>   |
| Inter-segment revenue                    | 422                           | 19,161  | 1,728                            | 3,384                           | 931                                      | –              | –                     | –               | –                 | –             | 3,283                         | 2,164        | (31,073)                            | –                |
| <b>Operating expenses, including:</b>    |                               |   |                                  |                                 |  |                |                       |                 |                   |               |                               |              |                                     |                  |
| Purchased electricity and capacity       | (177,616)                     | (5,909)   | (1,565)                          | (2,641)                         | (29,586)                                 | (4,704)        | (600)                 | –               | (41)              | –             | –                             | (65)         | 25,588                              | <b>(197,139)</b> |
| Transmission fees                        | (129,622)                     | –   | –                                | (40)                            | (2,636)                                  | (406)          | (376)                 | (33)            | (25)              | –             | –                             | (1)          | –                                   | <b>(133,139)</b> |
| Fuel expenses                            | –                             | (60,554)  | (8,670)                          | (20,458)                        | –  | (1,365)        | (1,026)               | (2,970)         | –                 | (8,413)       | –                             | –            | 1,210                               | <b>(102,246)</b> |
| Share in profit/(loss) of joint ventures | 7                             | 1,229   | –                                | –                               | –  | –              | –                     | –               | 58                | –             | 15                            | (12)         | –                                   | <b>1,297</b>     |
| <b>EBITDA</b>                            | <b>7,342</b>                  | <b>21,608</b>                                   | <b>1,425</b>                     | <b>4,970</b>                    | <b>2,606</b>                             | <b>1,280</b>   | <b>1,181</b>          | <b>1,146</b>    | <b>62</b>         | <b>336</b>    | <b>(125)</b>                  | <b>648</b>   | <b>(2,818)</b>                      | <b>39,661</b>    |
| Depreciation and amortization            | (969)                         | (8,033)   | (1,256)                          | (3,367)                         | (41)                                     | (418)          | (294)                 | (84)            | (2)               | (647)         | (118)                         | (361)        | (312)                               | <b>(15,902)</b>  |
| Interest income                          | 939                           | 300   | –                                | 35                              | 46                                       | 16             | 43                    | –               | –                 | 6             | 149                           | 310          | 577                                 | <b>2,421</b>     |
| Interest expenses                        | (379)                         | (1,057)   | (630)                            | (49)                            | (67)                                     | (441)          | (128)                 | (152)           | –                 | (236)         | (57)                          | (338)        | 379                                 | <b>(3,155)</b>   |

(in millions of RUR)

**4. Segment information (continued)**

As at 30 September 2015

|   | <u>Supply</u>                    |   | <u>Generation</u>               |                           | <u>Trading</u>                                  | <u>Foreign assets</u>     |               |  |                |                | <u>Engineering</u> |                   |               | <u>Unallocated and eliminations</u> | <u>Total</u> |                               |              |
|---|----------------------------------|---|---------------------------------|---------------------------|---|---------------------------|---------------|--|----------------|----------------|--------------------|-------------------|---------------|-------------------------------------|--------------|-------------------------------|--------------|
|   | <u>The Russian Federation</u>    |   |                                 |                           |   |                           |               | <u>The Russian Federation and Europe</u> | <u>Armenia</u> | <u>Georgia</u> | <u>Moldavia</u>    | <u>Kazakhstan</u> | <u>Turkey</u> |                                     |              | <u>The Russian Federation</u> | <u>Other</u> |
|   | <u>Electric Power Generation</u> |   | <u>Thermal Power Generation</u> |                           | <u>Inter RAO – Electricity Generation Group</u> | <u>Bashkir Generation</u> | <u>TGC-11</u> |  |                |                |                    |                   |               |                                     |              |                               |              |
|   | <u>The Russian Federation</u>    | <u>Inter RAO – Electricity Generation Group</u> | <u>TGC-11</u>                   | <u>Bashkir Generation</u> |   |                           |               |  |                |                |                    |                   |               |                                     |              |                               |              |
| Loans and borrowings, including:                | (6,006)                          | (42,796)  | (11,458)                        | (359)                     | (1,721)   | (6,038)                   | (1,535)       | –  | (9,773)        | (10,816)       | (457)              | (1,846)           | (14,255)      | (107,060)                           |              |                               |              |
| Share in loans and borrowings of joint ventures | –                                | –   | –                               | –                         | –   | –                         | –             | –  | (9,773)        | –              | (367)              | (459)             | 25            | (10,574)                            |              |                               |              |

As at 31 December 2014

|   | <u>Supply</u>                    |   | <u>Generation</u>               |                           | <u>Trading</u>                                  | <u>Foreign assets</u>     |               |  |                |                | <u>Engineering</u> |                   |               | <u>Unallocated and eliminations</u> | <u>Total</u> |                               |              |
|---|----------------------------------|---|---------------------------------|---------------------------|---|---------------------------|---------------|--|----------------|----------------|--------------------|-------------------|---------------|-------------------------------------|--------------|-------------------------------|--------------|
|   | <u>The Russian Federation</u>    |   |                                 |                           |   |                           |               | <u>The Russian Federation and Europe</u> | <u>Armenia</u> | <u>Georgia</u> | <u>Moldavia</u>    | <u>Kazakhstan</u> | <u>Turkey</u> |                                     |              | <u>The Russian Federation</u> | <u>Other</u> |
|   | <u>Electric Power Generation</u> |   | <u>Thermal Power Generation</u> |                           | <u>Inter RAO – Electricity Generation Group</u> | <u>Bashkir Generation</u> | <u>TGC-11</u> |  |                |                |                    |                   |               |                                     |              |                               |              |
|   | <u>The Russian Federation</u>    | <u>Inter RAO – Electricity Generation Group</u> | <u>TGC-11</u>                   | <u>Bashkir Generation</u> |   |                           |               |  |                |                |                    |                   |               |                                     |              |                               |              |
| 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:

|  | <i>For the three months ended</i> |               | <i>For the nine months ended</i> |               |
|--|-----------------------------------|---------------|----------------------------------|---------------|
|  | <i>30 September</i>               |               | <i>30 September</i>              |               |
|  | <b>2015</b>                       | <b>2014</b>   | <b>2015</b>                      | <b>2014</b>   |
| <b>EBITDA of the reportable segments</b>   | <b>12,098</b>                     | <b>12,860</b> | <b>49,390</b>                    | <b>39,661</b> |
| Depreciation and amortization (Note 18)  | (5,861)                           | (5,227)       | (17,306)                         | (15,902)      |
| Interest income (Note 19)  | 1,659                             | 1,159         | 5,714                            | 2,421         |
| Interest expenses (Note 19)  | (2,358)                           | (1,262)       | (8,146)                          | (3,155)       |
| Put and Call option agreements (Note 19)   | –                                 | (1,051)       | –                                | (2,650)       |
| Foreign currency exchange gain, net (Note 19)  | 1,490                             | 659           | 1,330                            | 189           |
| Other finance income/(expense) (Note 19)   | 104                               | (648)         | 1,866                            | (25)          |
| Provisions charge, including: (Note 18)  | (2,023)                           | (316)         | (4,694)                          | (3,603)       |
| <i>release of impairment of property, plant and equipment</i>  | –                                 | 4             | 7                                | 27            |
| <i>impairment of available-for-sale financial assets</i>   | –                                 | (361)         | (18)                             | (666)         |
| <i>impairment of assets classified as held-for-sale</i>  | –                                 | –             | –                                | (180)         |
| <i>other provisions (charge)/release (Note 2d)</i>   | (592)                             | 783           | (781)                            | 1,371         |
| <i>impairment of account receivables</i>   | (1,431)                           | (742)         | (3,902)                          | (3,811)       |
| <i>Impairment of goodwill</i>  | –                                 | –             | –                                | (344)         |
| Gain from disposal of controlling interest (Note 17, 18)   | –                                 | 34            | 17                               | 30            |
| Gain/(loss) from sale of available-for-sale and held-for-sale assets                                 | 10                                | (245)         | 829                              | (98)          |
| Other operating expense, net (Note 2d)   | (110)                             | (305)         | (367)                            | (684)         |
| Share of profit of associates (Note 7)   | 361                               | 79            | 205                              | 69            |
| Income tax expense (Note 20)   | (1,720)                           | (1,643)       | (5,498)                          | (5,303)       |
| <b>Profit for the reporting period in the interim consolidated statement of comprehensive income</b> | <b>3,650</b>                      | <b>4,094</b>  | <b>23,340</b>                    | <b>10,950</b> |

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:

|   | <i>As at</i>        | <i>As at</i>       |
|---|---------------------|--------------------|
|   | <i>30 September</i> | <i>31 December</i> |
|   | <i>2015</i>         | <i>2014</i>        |
| <b>Loans and borrowings of the reportable segments</b>                                  | <b>(107,060)</b>    | <b>(117,223)</b>   |
| Less:   |                     |                    |
| Share in loans and borrowings of joint ventures   | 10,574              | 10,091             |
| <b>Loans and borrowings in the interim consolidated statement of financial position</b> | <b>(96,486)</b>     | <b>(107,132)</b>   |

*(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.

|  | <i>For the three months ended<br/>30 September 2015</i>                   |  |   | <i>For the three months ended<br/>30 September 2014</i>       |  |   |
|--|---|--|---|---|--|---|
|  | <i>Revenue in<br/>the Group<br/>entity's<br/>jurisdiction<sup>1</sup></i> | <i>Revenue in<br/>countries<br/>other than<br/>Group entity's<br/>jurisdiction</i> | <i>Total revenue<br/>based on<br/>location of<br/>customers</i> | <i>Revenue in<br/>the Group<br/>entity's<br/>jurisdiction</i> | <i>Revenue in<br/>countries<br/>other than<br/>Group entity's<br/>jurisdiction</i> | <i>Total revenue<br/>based on<br/>location of<br/>customers</i> |
| Russian Federation                         | 160,644   | 58   | <b>160,702</b>  | 154,639   | 42   | <b>154,681</b>  |
| Turkey                                     | 5,141   | –  | <b>5,141</b>  | 3,976   | –  | <b>3,976</b>  |
| Armenia                                    | 5,942   | –  | <b>5,942</b>  | 3,509   | –  | <b>3,509</b>  |
| China                                      | –   | 3,374  | <b>3,374</b>  | –   | 1,801  | <b>1,801</b>  |
| Georgia                                    | 2,102   | 76   | <b>2,178</b>  | 1,428   | 184  | <b>1,612</b>  |
| Lithuania                                  | 2,812   | –  | <b>2,812</b>  | 2,486   | –  | <b>2,486</b>  |
| Belarus                                    | –   | 2,758  | <b>2,758</b>  | –   | 553  | <b>553</b>  |
| Finland                                    | 717   | 34   | <b>751</b>  | 989   | 68   | <b>1,057</b>  |
| Ukraine                                    | –   | 1,725  | <b>1,725</b>  | –   | 41   | <b>41</b>   |
| Moldavia (incl.<br>Transdnistria Republic) | 1,207   | 9  | <b>1,216</b>  | 115   | 1,677  | <b>1,792</b>  |
| Kazakhstan                                 | –   | 679  | <b>679</b>  | 14  | 650  | <b>664</b>  |
| Mongolia                                   | –   | 301  | <b>301</b>  | –   | 287  | <b>287</b>  |
| Estonia                                    | 99  | 189  | <b>288</b>  | 76  | –  | <b>76</b>   |
| Latvia                                     | 181   | –  | <b>181</b>  | 294   | 111  | <b>405</b>  |
| Other                                      | 235   | 88   | <b>323</b>  | 40  | 83   | <b>123</b>  |
| <b>Total</b>                               | <b>179,080</b>  | <b>9,291</b>   | <b>188,371</b>  | <b>167,566</b>  | <b>5,497</b>   | <b>173,063</b>  |

|  | <i>For the nine months ended<br/>30 September 2015</i>                    |  |   | <i>For the nine months ended<br/>30 September 2014</i>        |  |   |
|--|---|--|---|---|--|---|
|  | <i>Revenue in<br/>the Group<br/>entity's<br/>jurisdiction<sup>1</sup></i> | <i>Revenue in<br/>countries<br/>other than<br/>Group entity's<br/>jurisdiction</i> | <i>Total revenue<br/>based on<br/>location of<br/>customers</i> | <i>Revenue in<br/>the Group<br/>entity's<br/>jurisdiction</i> | <i>Revenue in<br/>countries<br/>other than<br/>Group entity's<br/>jurisdiction</i> | <i>Total revenue<br/>based on<br/>location of<br/>customers</i> |
| Russian Federation                         | 500,580   | 165  | <b>500,745</b>  | 474,612   | 111  | <b>474,723</b>  |
| Turkey                                     | 15,208  | –  | <b>15,208</b>   | 9,595   | –  | <b>9,595</b>  |
| Armenia                                    | 15,675  | –  | <b>15,675</b>   | 9,621   | –  | <b>9,621</b>  |
| China                                      | –   | 7,701  | <b>7,701</b>  | –   | 4,827  | <b>4,827</b>  |
| Georgia                                    | 6,410   | 1,083  | <b>7,493</b>  | 4,451   | 678  | <b>5,129</b>  |
| Lithuania                                  | 7,126   | –  | <b>7,126</b>  | 6,184   | –  | <b>6,184</b>  |
| Belarus                                    | –   | 6,023  | <b>6,023</b>  | –   | 2,608  | <b>2,608</b>  |
| Finland                                    | 5,270   | 241  | <b>5,511</b>  | 3,498   | 201  | <b>3,699</b>  |
| Ukraine                                    | –   | 5,029  | <b>5,029</b>  | –   | 74   | <b>74</b>   |
| Moldavia (incl.<br>Transdnistria Republic) | 3,315   | 78   | <b>3,393</b>  | 375   | 4,510  | <b>4,885</b>  |
| Kazakhstan                                 | 27  | 2,940  | <b>2,967</b>  | 70  | 2,150  | <b>2,220</b>  |
| Mongolia                                   | –   | 767  | <b>767</b>  | –   | 823  | <b>823</b>  |
| Estonia                                    | 311   | 382  | <b>693</b>  | 224   | –  | <b>224</b>  |
| Latvia                                     | 641   | –  | <b>641</b>  | 738   | 299  | <b>1,037</b>  |
| Other                                      | 556   | 476  | <b>1,032</b>  | 48  | 262  | <b>310</b>  |
| <b>Total</b>                               | <b>555,119</b>  | <b>24,885</b>  | <b>580,004</b>  | <b>509,416</b>  | <b>16,543</b>  | <b>525,959</b>  |

<sup>1</sup> Revenues are attributable to countries on the basis of the customer's location.

*(in millions of RUR)***4. Segment information (continued)****Information about geographical areas (continued)**

|  | <i>Total non-current assets based<br/>on location of assets<sup>1</sup></i> |                                       |
|--|---|---------------------------------------|
|  | <i>As at<br/>30 September<br/>2015</i>                                      | <i>As at<br/>31 December<br/>2014</i> |
| Russian Federation                       | 307,714   | 312,851                               |
| Armenia                                  | 14,920  | 13,093                                |
| Georgia                                  | 8,760   | 9,188                                 |
| Turkey                                   | 6,072   | 6,184                                 |
| Moldavia (incl. Transdniestria Republic) | 3,152   | 2,619                                 |
| Lithuania                                | 1,594   | 1,569                                 |
| Other                                    | 32  | 42                                    |
| <b>Total</b>                             | <b>342,244</b>  | <b>345,546</b>                        |

**5. Acquisitions and disposals****Acquisition of non-controlling interest in PJSC Mosenergosbyt**

As at 31 December 2014 the Group's share in PJSC Mosenergosbyt was 50.92%.

In April 2015, the Group increased its ownership in PJSC Mosenergosbyt by acquisition of 23.98% of ordinary shares from third parties for the total cash consideration of RUR 2,710 million. As a result the Group increased its share from 50.92% to 74.90%. The effect of acquisition of non-controlling interest was recognized in the interim consolidated statement of changes in equity.

On 23 June 2015 the Group announced a public offer to acquire ordinary shares of PJSC Mosenergosbyt held by non-controlling shareholders. The offer price was set at RUB 0.4 per one ordinary share. As at 30 September 2015 the Group acquired 19.09% for the total cash consideration of RUR 2,157 million, so the Group's share in PJSC Mosenergosbyt increased from 74.90% to 93.99%. The effect of acquisition of non-controlling interest of RUR 3,376 million was recognized in the interim consolidated statement of changes in equity. The Group has anymore no legal obligation to repurchase shares of PJSC Mosenergosbyt.

**Other acquisitions and disposals**

During the nine months ended 30 September 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 94 million. As a result of this acquisition the non-controlling interest in the amount of RUR 50 million was recognized in the interim consolidated statement of changes in equity.

During the nine months ended 30 September 2015 the Group purchased additional 5.48% of the ordinary shares of the PJSC Tomskenergosbyt, for the cash consideration of RUR 100 million. The Group's share in PJSC Tomskenergosbyt increased from 59.18% to 64.66% (including 28.85% of shares sold under the repurchase agreement and 6.28% transferred into trust management). The effect of acquisition of non-controlling interest of RUR 41 million was recognized in the interim consolidated statement of changes in equity.

During the nine months ended 30 September 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.

<sup>1</sup> 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**

|                                     | <i>Land and buildings</i> | <i>Infra-structure assets</i> | <i>Plant and equipment</i> | <i>Other</i>   | <i>Const-ruktion in progress</i> | <i>Total</i>     |
|-------------------------------------|---------------------------|-------------------------------|----------------------------|----------------|----------------------------------|------------------|
| <b>Cost</b>                         |                           |                               |                            |                |                                  |                  |
| <b>Balance at 31 December 2014</b>  | <b>107,026</b>            | <b>105,714</b>                | <b>240,795</b>             | <b>9,629</b>   | <b>46,491</b>                    | <b>509,655</b>   |
| Reclassification                    | (1)                       | 281                           | (243)                      | (5)            | (32)                             | –                |
| Additions                           | 2                         | 14                            | 54                         | 6              | 14,560                           | <b>14,636</b>    |
| Disposals                           | (187)                     | (124)                         | (663)                      | (80)           | (442)                            | <b>(1,496)</b>   |
| Transfers                           | 837                       | 2,373                         | 11,633                     | 316            | (15,159)                         | –                |
| Transfer (to)/from other accounts   | (12)                      | (47)                          | (51)                       | –              | 46                               | <b>(64)</b>      |
| Acquisition of controlling interest | –                         | –                             | 3                          | –              | –                                | <b>3</b>         |
| Translation difference              | 1,382                     | 3,438                         | 4,511                      | 289            | 183                              | <b>9,803</b>     |
| <b>Balance at 30 September 2015</b> | <b>109,047</b>            | <b>111,649</b>                | <b>256,039</b>             | <b>10,155</b>  | <b>45,647</b>                    | <b>532,537</b>   |
| <i>Including finance leases</i>     | <i>546</i>                | <i>227</i>                    | <i>1,189</i>               | <i>1,705</i>   | <i>–</i>                         | <i>3,667</i>     |
| <b>Depreciation and impairment</b>  |                           |                               |                            |                |                                  |                  |
| <b>Balance at 31 December 2014</b>  | <b>(35,230)</b>           | <b>(48,363)</b>               | <b>(119,810)</b>           | <b>(4,760)</b> | <b>(2,867)</b>                   | <b>(211,030)</b> |
| Reclassification                    | (21)                      | (34)                          | 63                         | (8)            | –                                | –                |
| Depreciation charge                 | (1,996)                   | (3,252)                       | (9,424)                    | (665)          | –                                | <b>(15,337)</b>  |
| Impairment loss charge              | (2)                       | –                             | –                          | –              | (1)                              | <b>(3)</b>       |
| Impairment loss reversal            | –                         | 10                            | –                          | –              | –                                | <b>10</b>        |
| Disposals                           | 28                        | 35                            | 184                        | 73             | 250                              | <b>570</b>       |
| Transfers                           | –                         | (214)                         | (1,497)                    | –              | 1,711                            | –                |
| Translation difference              | (1,111)                   | (3,049)                       | (3,540)                    | (232)          | (52)                             | <b>(7,984)</b>   |
| <b>Balance at 30 September 2015</b> | <b>(38,332)</b>           | <b>(54,867)</b>               | <b>(134,024)</b>           | <b>(5,592)</b> | <b>(959)</b>                     | <b>(233,774)</b> |
| <i>Including finance leases</i>     | <i>(12)</i>               | <i>(226)</i>                  | <i>(1,189)</i>             | <i>(421)</i>   | <i>–</i>                         | <i>(1,848)</i>   |
| <b>Net book value</b>               |                           |                               |                            |                |                                  |                  |
| <b>Balance at 31 December 2014</b>  | <b>71,796</b>             | <b>57,351</b>                 | <b>120,985</b>             | <b>4,869</b>   | <b>43,624</b>                    | <b>298,625</b>   |
| <b>Balance at 30 September 2015</b> | <b>70,715</b>             | <b>56,782</b>                 | <b>122,015</b>             | <b>4,563</b>   | <b>44,688</b>                    | <b>298,763</b>   |

Construction in progress is represented by property, plant and equipment that is not yet ready for operation and advances to suppliers of property, plant and equipment. Such advances amounted to RUR 3,720 million as at 30 September 2015 (31 December 2014: RUR 5,671 million).

Interest capitalized (capitalization rate is 17.07% during the nine months ended 30 September 2015) amounted to RUR 848 million (the nine months ended 30 September 2014: RUR 314 million).

**7. Investments in associates and joint ventures**

|   | <i>Joint ventures</i>         |   |                                  | <i>Associates</i>           |   | <i>Total</i> |                |
|---|-------------------------------|---|----------------------------------|-----------------------------|---|--------------|----------------|
|   | <i>NVGRES Holding Limited</i> | <i>JSC Stantsiya Ekibas-tuzskaya GRES-2</i> | <i>JSC INTER RAO LED-Systems</i> | <i>Other joint ventures</i> | <i>RUS Gas Turbines Holding B.V. Other associates</i> |              |                |
| <b>Carrying value at 31 December 2014</b>       | <b>17,630</b>                 | <b>13,026</b>                               | <b>481</b>                       | <b>1,181</b>                | <b>1,540</b>  | <b>549</b>   | <b>34,407</b>  |
| Disposals                                       | –                             | –   | –                                | –                           | –   | (50)         | <b>(50)</b>    |
| Unrealized loss                                 | –                             | –   | 4                                | (18)                        | –   | –            | <b>(14)</b>    |
| Share of profit/(loss) after tax                | 1,555                         | (2,811)                                     | (39)                             | 153                         | 199   | 6            | <b>(937)</b>   |
| Change in ownership structure                   | –                             | –   | 19                               | –                           | –   | –            | <b>19</b>      |
| Recognized actuarial loss and past service cost | (1)                           | –   | –                                | –                           | –   | –            | <b>(1)</b>     |
| Dividends received                              | –                             | –   | –                                | (176)                       | –   | (5)          | <b>(181)</b>   |
| Translation difference                          | –                             | (2,150)                                     | –                                | –                           | –   | –            | <b>(2,150)</b> |
| <b>Carrying value at 30 September 2015</b>      | <b>19,184</b>                 | <b>8,065</b>                                | <b>465</b>                       | <b>1,140</b>                | <b>1,739</b>  | <b>500</b>   | <b>31,093</b>  |

*(in millions of RUR)***8. Available-for-sale financial assets**

As at 30 September 2015 available-for-sale financial assets in the total amount of RUR 5,230 million (31 December 2014: RUR 7,260 million) included investments in quoted shares in the total amount of RUR 3,766 million (31 December 2014: RUR 5,806 million) and investment in unquoted shares in the total amount of RUR 1,464 million (31 December 2014: RUR 1,454 million).

For the nine months ended 30 September 2015 the amount of RUR 18 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 the nine months ended 30 September 2014: RUR 666 million) (Note 18).

For the nine months ended 30 September 2015 the amount of RUR 613 million, net of tax RUR 70 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 nine months ended 30 September 2014: RUR 986 million, net of tax RUR 262 million).

During the nine months ended 30 September 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 interim consolidated 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 interim consolidated statement of comprehensive income.

During the nine months ended 30 September 2014 the Group recognized the amount of RUR 165 million as a disposal of accumulated revaluation loss of available-for-sale financial assets through other comprehensive income in the interim consolidated statement of comprehensive income due to sale of quoted shares of number of companies.

**9. Other non-current assets**

|  | <b>30 September<br/>2015</b> | <b>31 December<br/>2014</b> |
|--|------------------------------|-----------------------------|
| <b>Financial non-current assets</b>                            | <b>3,247</b>                 | <b>8,247</b>                |
| Non-current trade receivables                                  | 1,676                        | 1,860                       |
| <i>Less impairment provision</i>                               | <i>(421)</i>                 | <i>(467)</i>                |
| <b>Non-current trade receivables – net</b>                     | <b>1,255</b>                 | <b>1,393</b>                |
| Other non-current receivables                                  | 1,796                        | 5,457                       |
| <i>Less impairment provision</i>                               | <i>(145)</i>                 | <i>(114)</i>                |
| <b>Other non-current receivables – net</b>                     | <b>1,651</b>                 | <b>5,343</b>                |
| Non-current loans issued (including interest)                  | –                            | 150                         |
| Long-term derivative financial instruments – assets            | 266                          | 1,292                       |
| Long-term bank deposits  | 75                           | 69                          |
|  | <b>341</b>                   | <b>1,511</b>                |
| <b>Non-financial non-current assets</b>                        | <b>6,487</b>                 | <b>1,847</b>                |
| Non-current advances to suppliers and prepayments              | 5,615                        | 1,007                       |
| <i>Less impairment provision</i>                               | <i>(7)</i>                   | <i>(7)</i>                  |
| <b>Non-current advances to suppliers and prepayments – net</b> | <b>5,608</b>                 | <b>1,000</b>                |
| VAT recoverable  | 71                           | 105                         |
| Other  | 808                          | 742                         |
|  | <b>9,734</b>                 | <b>10,094</b>               |

As at 30 September 2015 non-current advances to suppliers and prepayments included the advance to JSC Enex in the amount of RUR 5,513 million for construction of Termogas Machala gas-fired power plant in Ecuador (31 December 2014: RUR 948 million).

*(in millions of RUR)***10. Accounts receivable and prepayments**

|   | <b>30 September<br/>2015</b> | <b>31 December<br/>2014</b> |
|---|------------------------------|-----------------------------|
| <b>Financial assets</b>                                       | <b>65,330</b>                | <b>63,504</b>               |
| Trade receivables   | 85,190                       | 80,639                      |
| <i>Less impairment provision</i>                              | <i>(27,363)</i>              | <i>(24,589)</i>             |
| <b>Trade receivables – net</b>                                | <b>57,827</b>                | <b>56,050</b>               |
| Other receivables   | 7,886                        | 8,984                       |
| <i>Less impairment provision</i>                              | <i>(2,868)</i>               | <i>(2,888)</i>              |
| <b>Other receivables – net</b>                                | <b>5,018</b>                 | <b>6,096</b>                |
| Short-term loans issued (including interest)                  | 331                          | 434                         |
| <i>Less impairment provision</i>                              | <i>(281)</i>                 | <i>(284)</i>                |
| <b>Short-term loans issued (including interest)</b>           | <b>50</b>                    | <b>150</b>                  |
| Short-term outstanding interest on bank deposits              | 673                          | 249                         |
| <i>Less impairment provision</i>                              | <i>(10)</i>                  | <i>(10)</i>                 |
| <b>Short-term outstanding interest on bank deposits – net</b> | <b>663</b>                   | <b>239</b>                  |
| Short-term receivables on construction contracts              | 1,217                        | 485                         |
| Dividends receivable  | 555                          | 484                         |
| <b>Non-financial assets</b>                                   | <b>17,576</b>                | <b>18,199</b>               |
| Advances to suppliers and prepayments                         | 8,604                        | 11,131                      |
| <i>Less impairment provision</i>                              | <i>(618)</i>                 | <i>(627)</i>                |
| <b>Advances to suppliers and prepayments – net</b>            | <b>7,986</b>                 | <b>10,504</b>               |
| Short-term VAT recoverable                                    | 4,999                        | 4,902                       |
| Taxes prepaid   | 4,591                        | 2,793                       |
| <b>Total</b>  | <b>82,906</b>                | <b>81,703</b>               |

The Group does not hold any collateral as a security for accounts receivable.

**11. Cash and cash equivalents**

|   | <b>30 September<br/>2015</b> | <b>31 December<br/>2014</b> |
|---|------------------------------|-----------------------------|
| Cash at bank and in hand, national currency         | 15,971                       | 25,100                      |
| Cash at bank and in hand, foreign currency          | 5,400                        | 10,566                      |
| Bank deposits with maturity of three months or less | 28,989                       | 39,933                      |
| <b>Total</b>  | <b>50,360</b>                | <b>75,599</b>               |

**12. Other current assets**

|   | <b>30 September<br/>2015</b> | <b>31 December<br/>2014</b> |
|---|------------------------------|-----------------------------|
| Restricted cash                             | 962                          | 838                         |
| Bank deposits with maturity of 3-12 months  | 26,993                       | 6,098                       |
| Short-term derivative financial instruments | 173                          | 1,389                       |
| Other                                       | 883                          | 829                         |
| <b>Total</b>                                | <b>29,011</b>                | <b>9,154</b>                |

*(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.

| <b>Loans and borrowings</b>  | <b>Currency</b> | <b>30 September<br/>2015</b> | <b>31 December<br/>2014</b> |
|--|-----------------|------------------------------|-----------------------------|
| <b>Total in RUR</b>  | RUR             | <b>47,743</b>                | <b>66,522</b>               |
| <b>Total in USD</b>  | USD             | <b>25,203</b>                | <b>24,850</b>               |
| <b>Total in EUR</b>  | EUR             | <b>5,050</b>                 | <b>5,235</b>                |
| <b>Total in JPY</b>  | JPY             | <b>1,492</b>                 | <b>1,336</b>                |
| <b>Total in AMD</b>  | AMD             | <b>168</b>                   | <b>146</b>                  |
| <b>Total in GEL</b>  | GEL             | <b>97</b>                    | <b>117</b>                  |
| <b>Finance leases</b>  |                 |                              |                             |
| Financial lease  | USD             | 1,327                        | 1,541                       |
| Financial lease  | RUR             | 433                          | 649                         |
| Financial lease  | EUR             | 59                           | 54                          |
| Financial lease  | LTL             | –                            | 6                           |
| <b>Total long-term loans and borrowings</b>  |                 | <b>81,572</b>                | <b>100,456</b>              |
| Less: current portion of long-term loans and borrowings and long-term finance leases |                 | (25,761)                     | (36,271)                    |
|  |                 | <b>55,811</b>                | <b>64,185</b>               |

As at 30 September 2015 fair value of loans and borrowings amounts to RUR 81,464 million (31 December 2014: RUR 98,454 million), and is 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).

In June 2015 the Group has repaid long-term loan with JSC Mejregionenergostroy and VTB Factoring LLC in the total amount of RUR 17,383 million.

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.

**14. Accounts payable and accrued liabilities**

|   | <b>30 September<br/>2015</b> | <b>31 December<br/>2014</b> |
|---|------------------------------|-----------------------------|
| <b>Financial liabilities</b>                |                              |                             |
| Trade payables                              | 49,283                       | 51,527                      |
| Short-term derivative financial instruments | 506                          | 2,359                       |
| Dividends payable                           | 127                          | 128                         |
| Other payables and accrued expenses         | 5,212                        | 5,396                       |
| <b>Total</b>                                | <b>55,128</b>                | <b>59,410</b>               |
| <b>Non-financial liabilities</b>            |                              |                             |
| Advances received                           | 18,179                       | 28,288                      |
| Staff payables                              | 6,703                        | 6,506                       |
| Provisions, short-term                      | 3,227                        | 2,632                       |
| <b>Total</b>                                | <b>28,109</b>                | <b>37,426</b>               |
|   | <b>83,237</b>                | <b>96,836</b>               |

As at 30 September 2015 advances received included RUR 8,704 million of payments for electricity sales from customers of PJSC Mosenergosbyt (Group of companies), JSC PSK, LLC RN-Energo and Group Bashkir Generation Company (31 December 2014: RUR 15,105 million), RUR 3,132 million of advances received by the Parent Company from buyers of equipment in Ecuador and Venezuela (31 December 2014: RUR 4,523 million), RUR 1,822 million of advances received for construction from customers of LLC INTER RAO Engineering (31 December 2014: RUR 2,180 million).

*(in millions of RUR)***15. Other non-current liabilities**

|  | <b>30 September<br/>2015</b> | <b>31 December<br/>2014</b> |
|--|------------------------------|-----------------------------|
| <b>Financial liabilities</b>               |                              |                             |
| Long-term derivative financial instruments | 253                          | 1,249                       |
| Other long-term liabilities                | 430                          | 217                         |
| <b>Total financial liabilities</b>         | <b>683</b>                   | <b>1,466</b>                |
| <b>Non-financial liabilities</b>           |                              |                             |
| Pensions liabilities                       | 3,692                        | 3,668                       |
| Advances received                          | 6,414                        | 5,053                       |
| Restoration provision                      | 679                          | 586                         |
| Government grants                          | 702                          | 645                         |
| Other long-term liabilities                | 198                          | 30                          |
| <b>Total non-financial liabilities</b>     | <b>11,685</b>                | <b>9,982</b>                |
| <b>Total</b>                               | <b>12,368</b>                | <b>11,448</b>               |

**16. Revenue**

|                          | <i>For the three months ended<br/>30 September</i> |                | <i>For the nine months ended<br/>30 September</i> |                |
|--------------------------|--|----------------|---|----------------|
|                          | <b>2015</b>  | <b>2014</b>    | <b>2015</b>                                       | <b>2014</b>    |
| Electricity and capacity | 176,619  | 164,017        | 534,068   | 493,378        |
| Thermal energy sales     | 4,503  | 3,930          | 24,826  | 22,125         |
| Other revenue            | 7,249  | 5,116          | 21,110  | 10,456         |
|                          | <b>188,371</b>                                     | <b>173,063</b> | <b>580,004</b>                                    | <b>525,959</b> |

**17. Other operating income**

|  | <i>For the three months ended<br/>30 September</i> |              | <i>For the nine months ended<br/>30 September</i> |              |
|--|--|--------------|---|--------------|
|  | <b>2015</b>  | <b>2014</b>  | <b>2015</b>                                       | <b>2014</b>  |
| Penalties and fines received   | 724  | 290          | 1,611   | 1,218        |
| Electricity derivatives (loss)/income  | (105)  | 379          | 1,606   | 1,116        |
| Income from sale of available-for-sale<br>financial assets and assets classified as<br>held-for-sale | 10   | –            | 829   | –            |
| Rental income  | 99   | 123          | 325   | 332          |
| Gain from disposal of controlling interest   | –  | 34           | 17  | 30           |
| Other  | 461  | 1,795        | 2,374   | 3,023        |
|  | <b>1,189</b>                                       | <b>2,621</b> | <b>6,762</b>                                      | <b>5,719</b> |

*(in millions of RUR)***18. Operating expenses, net**

|   | <i>For the three months ended<br/>30 September</i> |                | <i>For the nine months ended<br/>30 September</i> |                |
|---|--|----------------|---|----------------|
|   | <b>2015</b>  | <b>2014</b>    | <b>2015</b>                                       | <b>2014</b>    |
| Purchased electricity and capacity                            | 71,048   | 67,418         | 222,428   | 197,139        |
| Electricity transmission fees                                 | 47,540   | 41,744         | 141,662   | 133,139        |
| Fuel expense  | 33,279   | 33,954         | 102,008   | 102,246        |
| Employee benefit expenses and payroll taxes                   | 11,094   | 9,783          | 34,389  | 29,905         |
| Depreciation and amortization                                 | 5,861  | 5,227          | 17,306  | 15,902         |
| Other materials for production purposes                       | 2,089  | 1,677          | 3,933   | 3,536          |
| Provision for impairment of accounts receivable, net          | 1,431  | 742            | 3,902   | 3,811          |
| Agency fees   | 1,311  | 1,040          | 3,633   | 3,074          |
| Taxes other than income tax                                   | 796  | 920            | 2,836   | 2,586          |
| Water supply expenses   | 816  | 748            | 2,110   | 1,916          |
| Repairs and maintenance                                       | 978  | 739            | 1,986   | 1,844          |
| (Income)/loss from electricity derivatives                    | (58)   | 400            | 1,793   | 1,178          |
| Transportation expenses                                       | 543  | 525            | 1,490   | 1,111          |
| Operating lease expenses                                      | 444  | 420            | 1,308   | 1,266          |
| Thermal power transmission expenses                           | 58   | 50             | 892   | 858            |
| Other provisions – charge/(release)                           | 592  | (783)          | 781   | (1,371)        |
| Consulting, legal and auditing services                       | 233  | 201            | 741   | 685            |
| Impairment of available-for-sale financial assets (Note 8)    | –  | 361            | 18  | 666            |
| Impairment of assets classified as held-for-sale              | –  | –              | –   | 180            |
| Impairment of goodwill  | –  | –              | –   | 344            |
| Loss from sale of available-for-sale and held-for-sale assets | –  | 245            | –   | 98             |
| Impairment of property, plant and equipment – release         | –  | (4)            | (7)   | (27)           |
| Other   | 4,799  | 4,729          | 14,565  | 13,485         |
|   | <b>182,854</b>                                     | <b>170,136</b> | <b>557,774</b>                                    | <b>513,571</b> |

Other provisions for the nine months ended 30 September 2015 in the amount of RUR 781 million (for the nine months ended 30 September 2014: release of provision in the amount of RUR 1,371 million) included additional charge of provisions due to violation of terms of construction contracts by Mosenergosbyt in the amount of RUR 1,417 million, release of provisions related to Mosenergosbyt disagreements with electric network companies in the amount of RUR 412 million (for the nine months ended 30 September 2014: release of provision in the amount of RUR 565 million due to negative outcome), 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 327 million (for the nine months ended 30 September 2014: additional charge of provision, net of release in the amount of RUR 39 million).

For the nine months ended 30 September 2014 Other provisions also included release of provision related to PJSC Tomskenergosbyt legal claim in amount of RUR 628 million, release of provision related to BGK LLC legal claim in amount of RUR 61 million and charge of provision related to JSC PSK legal claim in the amount of RUR 44 million.



*(in millions of RUR)***21. Fair value of financial instruments (continued)****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.

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

| <b>At 30 September 2015</b>                    | <b>Note</b> | <b>Total fair value</b> | <b>Fair value hierarchy</b> |                |                |
|--|-------------|-------------------------|-----------------------------|----------------|----------------|
|  |             |                         | <b>Level 1</b>              | <b>Level 2</b> | <b>Level 3</b> |
| <b>Financial assets</b>                        |             |                         |                             |                |                |
| <b>Derivative financial instruments</b>        |             |                         |                             |                |                |
| Foreign exchange SWAP                          | 12          | 61                      | –                           | 61             | –              |
| Electricity derivatives                        | 9, 12       | 378                     | 378                         | –              | –              |
| <b>Available-for-sale financial assets</b>     |             |                         |                             |                |                |
| Quoted investment securities                   | 8           | 3,766                   | 3,766                       | –              | –              |
| <b>Held to maturity financial assets</b>       |             |                         |                             |                |                |
| Long-term bank deposits                        | 9           | 75                      | –                           | –              | 75             |
| Bonds issued by financial institutions         |             | 312                     | 312                         | –              | –              |
| <b>Total financial assets</b>                  |             | <b>4,592</b>            | <b>4,456</b>                | <b>61</b>      | <b>75</b>      |
| <b>Financial liabilities</b>                   |             |                         |                             |                |                |
| <b>Derivative financial instruments</b>        |             |                         |                             |                |                |
| Electricity derivatives                        | 14, 15      | 386                     | 386                         | –              | –              |
| Interest rate SWAP                             | 14, 15      | 46                      | –                           | 46             | –              |
| Forward foreign exchange contracts             | 14          | 327                     | 327                         | –              | –              |
| <b>Financial liabilities at amortised cost</b> |             |                         |                             |                |                |
| Loans and borrowings                           | 13          | 81,464                  | –                           | 81,464         | –              |
| <b>Total financial liabilities</b>             |             | <b>82,223</b>           | <b>713</b>                  | <b>81,510</b>  | –              |

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

*(in millions of RUR)***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 projects aimed to improve the electricity network which belongs to the Group entity JSC Telasi. As at 30 September 2015 realisation of investment commitments was in line with schedule for the year 2015.

As at 30 September 2015 joint venture JSC Stantsiya Ekibastuzskaya GRES-2 has contracted capital commitments for construction of block 3 in the amount of RUR 7,264 million.

As at 30 September 2015 capital commitments of subsidiaries of the Company, are as follows:

| <b>Subsidiary</b>                     | <b>RUR, million</b> |
|---------------------------------------|---------------------|
| JSC Inter RAO – Electric Power Plants | 12,057              |
| LLC Bashkir Generation Company        | 10,798              |
| TGK-11                                | 394                 |
| <b>Total</b>                          | <b>23,249</b>       |

Capital commitments of JSC Inter RAO – Electric Power Plants as at 30 September 2015 are mainly for gas turbines and other equipment for Verkhnetagilskaya GRES (block 12) and for supply of equipment for Permskaya GRES.

Capital commitments of LLC Bashkir Generation Company included contractual obligations in favor of LLC Kaskad Energo and JSC ESK SOYUZ on completion of the construction of Zatonskaya TEC, in favor of LLC Nova Terra on modernization of water treatment plant, in favour of LLC STG-Eco on reconstruction of collectors and in favour of JSC Power Machines on purchase of energy blocks.

**Guarantees**

- ▶ 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 30 September 2015 the financial guarantee outstanding amount was EUR 33 million, or RUR 2,458 million at the Central Bank of the Russian Federation exchange rate as of 30 September 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 1,656 million which are to be incurred jointly with other investors.

**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.

*(in millions of RUR)***23. Contingencies (continued)****(b) Insurance (continued)**

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:

|   | <b>30 September<br/>2015</b> | <b>31 December<br/>2014</b> |
|---|------------------------------|-----------------------------|
| Subcontractors claims,<br><i>including joint ventures</i> | 1,271                        | 671                         |
| Customer's complaints                                     | 220                          | 34                          |
|   | 42                           | 79                          |
|   | <b>1,313</b>                 | <b>750</b>                  |

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 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.

(in millions of RUR)

## 23. Contingencies (continued)

### (d) Tax contingencies (continued)

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 30 September 2015 would be successfully challenged in the amount of RUR 335 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. 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).

### (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 (JSC Telasi) 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.

*(in millions of RUR)***24. Related party transactions****(a) Parent Company and control relationships**

The Russian Federation is the ultimate controlling party of PJSC 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 0.0137% of ordinary shares of PJSC Inter RAO as at 30 September 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):

|                      | <i><b>Nine months<br/>ended<br/>30 September<br/>2015</b></i> | <i><b>Nine months<br/>ended<br/>30 September<br/>2014</b></i> |
|----------------------|---|---|
| Salaries and bonuses | 797   | 505   |

**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:

|  | <i><b>All options<br/>granted under<br/>the Programme</b></i> | <i><b>Attributed to<br/>members of the<br/>Management<br/>Board</b></i> |
|--|---|---|
| <b>Number of options outstanding as at 31 December 2013</b>      | <b>1,267,634,375</b>  | <b>655,830,000</b>  |
| Options exercised during the year ended 31 December 2014         | (485,800)   | –   |
| <b>Number of options outstanding as at 31 December 2014</b>      | <b>1,267,148,575</b>  | <b>655,830,000</b>  |
| Options exercised during the nine months ended 30 September 2015 | (15,619,456)  | (9,752,435)   |
| <b>Number of options outstanding as at 30 September 2015</b>     | <b>1,251,529,119</b>  | <b>646,077,565</b>  |

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 30 September 2015 the loans have been settled (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.

|                               | <i><b>Nine months<br/>ended<br/>30 September<br/>2015</b></i> | <i><b>Nine months<br/>ended<br/>30 September<br/>2014</b></i> |
|-------------------------------|---|---|
| <b>Revenue</b>                |   |   |
| Joint ventures                | 697   | 902   |
| <b>Other operating income</b> |   |   |
| Joint ventures                | 4   | 18  |
| <b>Interest income</b>        |   |   |
| Joint ventures                | 25  | 35  |
| <b>Dividend income</b>        |   |   |
| Joint ventures                | 176   | 340   |
|                               | <b>902</b>  | <b>1,295</b>  |
| <b>Purchased power</b>        |   |   |
| Joint ventures                | 87  | 45  |
| <b>Purchased capacity</b>     |   |   |
| Joint venture                 | 730   | 537   |
| <b>Other expenses</b>         |   |   |
| Joint venture                 | 219   | 258   |
| <b>Finance expenses</b>       |   |   |
| Joint venture                 | 249   | 9   |
|                               | <b>1,285</b>  | <b>849</b>  |
| <b>Capital expenditures</b>   |   |   |
| Joint ventures                | 368   | 292   |
|                               | <i><b>30 September<br/>2015</b></i>                           | <i><b>31 December<br/>2014</b></i>                            |
| <b>Accounts receivable</b>    |   |   |
| Joint ventures                | 129   | 149   |
| <b>Loans issued</b>           |   |   |
| Joint ventures                | 50  | 300   |
| <b>Accounts payable</b>       |   |   |
| Joint ventures                | 114   | 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:

|  | <i><b>Nine months<br/>ended<br/>30 September<br/>2015</b></i> | <i><b>Nine months<br/>ended<br/>30 September<br/>2014</b></i> |
|--|---|---|
| <b>Revenue</b>                           |   |   |
| Electricity and capacity                 | 178,463   | 158,837   |
| Other revenues                           | 10,945  | 5,396   |
| Other operating income                   | 1,873   | 899   |
|  | <b>191,281</b>  | <b>165,132</b>  |
| <b>Operating expenses</b>                |   |   |
| Purchased power and capacity             | 51,775  | 47,296  |
| Transmission fees                        | 133,631   | 127,883   |
| Fuel expense (gas)                       | 36,050  | 33,601  |
| Fuel expense (coal)                      | 735   | 678   |
| Other purchases                          | 106   | 52  |
| Other expenses                           | 9,579   | 8,389   |
|  | <b>231,876</b>  | <b>217,899</b>  |
| <b>Capital expenditures</b>              | <b>2,188</b>  | <b>4,455</b>  |
|  |   |   |
|  | <i><b>Nine months<br/>ended<br/>30 September<br/>2015</b></i> | <i><b>Nine months<br/>ended<br/>30 September<br/>2014</b></i> |
| <b>Finance income/(expenses)</b>         |   |   |
| Interest income                          | 1,629   | 604   |
| Other finance income                     | 12  | 10  |
| Interest expenses                        | (1,190)   | (1,324)   |
| Put and Call option agreements (Note 19) | –   | (340)   |
|  | <b>451</b>  | <b>(1,050)</b>  |
|  |   |   |
|  | <i><b>30 September<br/>2015</b></i>                           | <i><b>31 December<br/>2014</b></i>                            |
| <b>Long-term accounts receivable</b>     |   |   |
| Other account receivables                | 117   | 53  |
| Less impairment provision                | (46)  | (38)  |
| <b>Other receivables – net</b>           | <b>71</b>   | <b>15</b>   |
| <b>Short-term accounts receivable</b>    |   |   |
| Trade accounts receivable, gross         | 27,091  | 24,092  |
| Less impairment provision                | (10,446)  | (9,202)   |
| <b>Trade receivables – net</b>           | <b>16,645</b>   | <b>14,890</b>   |
| Advances issued                          | 989   | 1,437   |
| Advances issued for capital construction | 1,762   | 301   |
| Other receivables                        | 2,031   | 1,073   |
|  | <b>21,427</b>   | <b>17,701</b>   |

*(in millions of RUR)***24. Related party transactions (continued)****(d) Transactions with entities controlled by the Russian Federation (continued)**

|                                      | <b>30 September<br/>2015</b> | <b>31 December<br/>2014</b> |
|--------------------------------------|------------------------------|-----------------------------|
| <b>Accounts payable</b>              |                              |                             |
| Trade accounts payable               | 23,082                       | 25,148                      |
| Payables for capital construction    | 1,341                        | 1,466                       |
| Other accounts payable               | 619                          | 1,028                       |
| Advances received                    | 3,338                        | 7,271                       |
|                                      | <b>28,380</b>                | <b>34,913</b>               |
|                                      |                              |                             |
| <b>Loans and borrowings</b>          |                              |                             |
| Short-term loans and borrowings      | 11,871                       | 27,627                      |
| Long-term loans and borrowings       | 451                          | 837                         |
| Interest on loans and borrowings     | 135                          | 22                          |
|                                      | <b>12,458</b>                | <b>28,486</b>               |
|                                      |                              |                             |
|                                      |                              |                             |
| Cash and cash equivalents            | 5,112                        | 9,327                       |
|                                      |                              |                             |
|                                      |                              |                             |
| Other current assets (bank deposits) | 14,453                       | 16,997                      |
|                                      |                              |                             |
|                                      |                              |                             |
| <b>Financial transactions</b>        |                              |                             |
| Loans and borrowings received        | 21,220                       | 4,152                       |
| Loans and borrowings repaid          | (38,303)                     | (6,271)                     |
|                                      | <b>(17,083)</b>              | <b>(2,119)</b>              |

In July 2011 subsidiary of PJSC 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:

|                                    | <b>Nine months<br/>ended<br/>30 September<br/>2015</b> | <b>Nine months<br/>ended<br/>30 September<br/>2014</b> |
|------------------------------------|--|--|
| <b>Revenue</b>                     |  |  |
| Electricity and capacity           | 3,403  | 1,547  |
| Dividends received                 | 1,018  | 787  |
|                                    |  |  |
| <b>Operating expenses</b>          |  |  |
| Purchased electricity and capacity | 2,745  | 2,042  |
| Other expenses                     | 74   | 60   |

*(in millions of RUR)***24. Related party transactions (continued)****(e) Transactions with other related parties (continued)**

|                                       | <b>30 September<br/>2015</b>                           | <b>31 December<br/>2014</b>                            |
|---------------------------------------|--|--|
| <b>Short-term accounts receivable</b> |  |  |
| Trade and other accounts receivable   | 334  | 248  |
| <b>Short-term accounts payable</b>    |  |  |
| Trade and other accounts payable      | 97   | 134  |
|                                       | <b>30 September<br/>2015</b>                           | <b>31 December<br/>2014</b>                            |
| <b>Loans and borrowings payable</b>   |  |  |
| Long-term loans and borrowings        | 5,897  | 9,033  |
| Short-term loans and borrowings       | 2,707  | 3,560  |
|                                       | <b>8,604</b>   | <b>12,593</b>  |
|                                       | <b>30 September<br/>2015</b>                           | <b>31 December<br/>2014</b>                            |
| <b>Cash and cash equivalents</b>      |  |  |
| Cash in bank                          | 3,689  | 13,910   |
| Short-term bank deposits              | 8,602  | 7,788  |
|                                       | <b>12,291</b>  | <b>21,698</b>  |
|                                       | <b>Nine months<br/>ended<br/>30 September<br/>2015</b> | <b>Nine months<br/>ended<br/>30 September<br/>2014</b> |
| <b>Income and expenses</b>            |  |  |
| Interest income                       | (987)  | (703)  |
| Interest expenses                     | 911  | 258  |

**25. Events after the reporting period****1. Group**

In October 2015 the Group has sold the 25% share of its investments in the subsidiaries located in Republic of Armenia: CJSC Elektricheskiye seti Armenii and JSC RazTES for the cash consideration of USD 8.25 million to "Tashir" Group. As a result of the disposal from 30 October 2015 the Group will account for these entities as the joint ventures in accordance with the shareholders agreement between Group and "Tashir" Group.

**2. Loans and borrowings**

On 5 November 2015 Parent company signed RUR 10.5 billion long-term credit line agreement with Sberbank PJSC with a concessionary interest rate 11.5% for financing of construction Zatonskaya TEC under government decree №1044.