

JSC QUADRA – POWER GENERATION

**Interim Condensed Consolidated
Financial Information (unaudited)**

for the six months ended 30 June 2013

JSC QUADRA – POWER GENERATION

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STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2013

The following statement, which should be read in conjunction with the independent auditors’ report on review of the interim condensed consolidated financial information set out on page 2, is made with a view to distinguishing the responsibilities of management and those of the independent auditors in relation to the interim condensed consolidated financial information of Joint Stock Company Quadra – Power Generation and its subsidiaries (the “Group”).

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of the Group as at 30 June 2013, and financial performance, cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”).

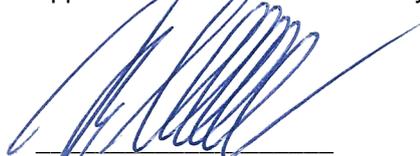
In preparing the interim condensed consolidated financial information, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial information;
- Preparing the interim condensed consolidated financial information on a going concern basis, unless it is inappropriate to presume that the Group will continue its business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- Maintaining statutory accounting records in compliance with the legislation and accounting standards of the Russian Federation;
- Taking steps to safeguard the assets of the Group;
- Detecting and preventing fraud and other irregularities.

The interim condensed consolidated financial information for the six months ended 30 June 2013 was approved on 16 October 2013 by:



V.V. Shelkov
General Director



I.A. Lapitskaya
Chief Accountant

Tula, Russia
16 October 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Open Joint Stock Company Quadra – Power Generation:

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Open Joint Stock Company Quadra – Power Generation and its subsidiaries (the “Group”) as of 30 June 2013 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected notes (altogether referred to as “interim condensed consolidated financial information”). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

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



16 October 2013
Moscow, Russian Federation

JSC QUADRA – POWER GENERATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013 (UNAUDITED) *in thousands of Russian Roubles*

	Notes	30 June 2013	31 December 2012
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	6	41,719,895	38,040,825
Available-for-sale investments		22,627	33,179
Accounts receivable and advances paid	7	1,880,026	1,698,192
Deferred tax assets		623,319	573,677
Other assets		210,201	180,015
		44,456,068	40,525,888
<i>Current assets</i>			
Inventories	8	2,102,098	1,856,196
Accounts receivable and advances paid	7	7,116,128	7,587,308
Income tax receivable		113,529	152,700
Cash and cash equivalents		323,104	261,033
Other assets		3,542	3,544
		9,658,401	9,860,781
TOTAL ASSETS		54,114,469	50,386,669
EQUITY AND LIABILITIES			
<i>Capital and reserves</i>			
Ordinary shares	9	19,125,056	19,125,056
Preferred shares	9	752,729	752,729
Share premium		10,921,097	10,921,097
Merger reserve		(1,807,993)	(1,807,993)
Revaluation reserve for property, plant and equipment		9,152,434	9,542,721
Revaluation reserve for available-for-sale investments		(3,644)	4,798
Accumulated deficit		(7,152,907)	(7,625,436)
Equity attributable to owners of the Company		30,986,772	30,912,972
Non-controlling interests		50	50
TOTAL EQUITY		30,986,822	30,913,022
<i>Non-current liabilities</i>			
Loans and borrowings	10	11,373,128	8,326,718
Pension liabilities	3	726,094	708,841
Deferred tax liabilities		995,852	879,373
		13,095,074	9,914,932
<i>Current liabilities</i>			
Loans and borrowings	10	6,646,326	5,263,665
Accounts payable and accruals		2,911,922	3,331,491
Provisions	11	74,974	250,039
Income tax payable		1,710	4,545
Other taxes payable		397,641	708,975
		10,032,573	9,558,715
TOTAL LIABILITIES		23,127,647	19,473,647
TOTAL EQUITY AND LIABILITIES		54,114,469	50,386,669

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

in thousands of Russian Roubles, unless otherwise stated

	Notes	Six months ended 30 June 2013	Six months ended 30 June 2012
Revenue			
Heat energy		11,923,571	10,755,978
Electricity		6,477,983	6,046,002
Capacity		4,262,566	3,687,138
Other revenue		352,721	396,880
Total revenue		23,016,841	20,885,998
Operating (expenses)/income			
Fuel		(12,366,797)	(11,481,394)
Staff costs		(2,986,215)	(2,694,498)
Purchase of energy and capacity		(2,678,438)	(2,165,102)
Change in allowance for doubtful receivables	7	(1,005,229)	(131,927)
Depreciation and amortisation	4	(854,091)	(1,542,259)
Materials and spare parts		(399,417)	(447,740)
Water usage expenses		(439,138)	(322,281)
Heat transportation		(277,954)	(23,630)
Taxes, other than income tax		(277,600)	(247,173)
Repair and maintenance		(268,696)	(429,362)
Rent expenses		(185,229)	(192,087)
OREM services		(184,011)	(176,421)
Security services		(99,107)	(88,939)
Change in provisions		(59,553)	292,051
Other operating expenses, net		(402,104)	(335,556)
Operating profit		533,262	899,680
Interest income		525	1,930
Finance costs, net		(329,790)	(170,353)
Foreign currency loss, net		(5,425)	(4,087)
Share of results of associates		(436)	503
Profit before income tax		198,136	727,673
Income tax expense			
Current income tax expense		(39,470)	(35,239)
Deferred tax expense		(70,443)	(260,247)
Total income tax expense		(109,913)	(295,486)
PROFIT FOR THE PERIOD		88,223	432,187
Attributable to:			
Owners of the Company		88,223	432,187
Non-controlling interests		–	–
		88,223	432,187

JSC QUADRA – POWER GENERATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED) (CONTINUED)

in thousands of Russian Roubles, unless otherwise stated

	Notes	Six months ended 30 June 2013	Six months ended 30 June 2012
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of pension liabilities	3	(7,476)	(14,952)
Attributable income tax		1,495	2,990
		<u>(5,981)</u>	<u>(11,962)</u>
Items that will be reclassified subsequently to profit or loss:			
Loss from revaluation of available-for-sale investments		(10,552)	(8,204)
Attributable income tax		2,110	1,641
		<u>(8,442)</u>	<u>(6,563)</u>
Other comprehensive loss for the period, net of income tax		<u>(14,423)</u>	<u>(18,525)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>73,800</u>	<u>413,662</u>
Attributable to:			
Owners of the Company		73,800	413,662
Non-controlling interests		–	–
		<u>73,800</u>	<u>413,662</u>
EARNINGS PER SHARE			
Basic and diluted earnings per share (in Roubles)	9	0.00005	0.00022

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

in thousands of Russian Roubles

	Six months ended 30 June 2013	Six months ended 30 June 2012
OPERATING ACTIVITIES		
Profit before income tax	198,136	727,673
Adjustments for:		
Depreciation and amortisation	854,091	1,542,259
Interest income	(525)	(1,930)
Finance costs, net	329,790	170,353
Foreign currency loss, net	5,425	4,087
Share of results of associates	436	(503)
Change in allowance for doubtful receivables	1,005,229	131,927
Change in provisions	59,553	(292,051)
Other	(14,877)	(35,045)
Operating profit before working capital changes	2,437,258	2,246,770
Change in inventories	(219,759)	(311,860)
Change in accounts receivable and advances paid	(717,720)	(85,513)
Change in other assets	2	–
Change in accounts payable and accruals	(455,452)	59,250
Change in other taxes payable	(311,334)	4,055
Cash generated from operations	732,995	1,912,702
Interest received	510	2,462
Interest paid	(293,677)	(142,901)
Income tax paid	(3,134)	(342,244)
Net cash generated from operating activities	436,694	1,430,019
INVESTING ACTIVITIES		
Purchase and construction of property, plant and equipment and intangible assets	(4,300,918)	(4,433,583)
Interest capitalized and paid	(461,966)	(93,650)
Proceeds from disposal of property, plant and equipment	5,009	3,568
Dividends received	1,011	–
Net cash used in investing activities	(4,756,864)	(4,523,665)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	24,914,327	19,958,507
Repayments of loans and borrowings	(20,526,515)	(17,098,998)
Dividends paid	(146)	(17)
Repayments of finance leases	–	(20,292)
Net cash generated from financing activities	4,387,666	2,839,200
Effect of exchange rates changes on the balance of cash held in foreign currencies	(5,425)	5,280
Net increase/(decrease) in cash and cash equivalents	62,071	(249,166)
Cash and cash equivalents at beginning of the period	261,033	412,548
Cash and cash equivalents at end of the period	323,104	163,382

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

in thousands of Russian Roubles

	Equity attributable to owners of the Company							Total	Non-controlling interests	Total
	Ordinary shares	Preferred shares	Share premium	Merger reserve	Revaluation reserve for property, plant and equipment	Revaluation reserve for available-for-sale investments	Accumulated deficit			
Balance at 31 December 2011	19,125,056	752,729	10,921,097	(1,807,993)	3,560,611	13,167	(2,240,475)	30,324,192	(6,025)	30,318,167
Total comprehensive (loss)/income for the period	-	-	-	-	-	(6,563)	420,225	413,662	-	413,662
Dividends	-	-	-	-	-	-	(14,060)	(14,060)	-	(14,060)
Transfer of realised revaluation reserve for property, plant and equipment to accumulated deficit, net of related income tax in the amount of RUB 69,434 thousand	-	-	-	-	(277,735)	-	277,735	-	-	-
Balance at 30 June 2012	19,125,056	752,729	10,921,097	(1,807,993)	3,282,876	6,604	(1,556,575)	30,723,794	(6,025)	30,717,769
Balance at 31 December 2012	19,125,056	752,729	10,921,097	(1,807,993)	9,542,721	4,798	(7,625,436)	30,912,972	50	30,913,022
Total comprehensive (loss)/income for the period	-	-	-	-	-	(8,442)	82,242	73,800	-	73,800
Transfer of realised revaluation reserve for property, plant and equipment to accumulated deficit, net of related income tax in the amount of RUB 97,572 thousand	-	-	-	-	(390,287)	-	390,287	-	-	-
Balance at 30 June 2013	19,125,056	752,729	10,921,097	(1,807,993)	9,152,434	(3,644)	(7,152,907)	30,986,772	50	30,986,822

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

in thousands of Russian Roubles, unless otherwise stated

1. GENERAL INFORMATION

Organisation

Open Joint Stock Company Quadra – Power Generation (the “Company”) was established on 18 April 2005, as a subsidiary of Open Joint Stock Company RAO “UES of Russia” within the framework of Russian electricity sector restructuring.

The principal business activity of the Company and its subsidiaries (the “Group”) is generation and sale of electricity (capacity) and heat energy. The major operational facilities of the Group are located on the territory of the Russian Federation in the following regions: Belgorod, Bryansk, Voronezh, Kaluga, Kursk, Lipetsk, Oryol, Ryazan, Smolensk, Tambov and Tula.

The Company’s registered office is located at: 99v, Timiryazev str., 300012, Tula, Russian Federation.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual consolidated financial statements in accordance with IFRS. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2012 prepared in accordance with International Financial Reporting Standards (“IFRS”).

Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this financial information is read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 December 2012 prepared in accordance with IFRS. In the opinion of management, this financial information reflects all adjustments necessary to present fairly the Group’s financial position, results of operations, statements of changes in shareholders’ equity and cash flows for the interim reporting period.

Liquidity

As at 30 June 2013 the Group had a working capital deficiency of RUB 374,172 thousand. Until the end of 2013 the management intends to refinance short-term borrowings of the Group with long-term credit facilities to improve the working capital situation. Long-term credit facilities obtained after the reporting date (Note 14) will be partially used for the purposes of refinancing of the Group’s short-term borrowings. Furthermore, as at the reporting date the Group had unused credit facilities.

Management assumes that working capital deficiency as at 30 June 2013 will not have effect on the Group’s ability to continue its activities as a going concern, thus interim condensed consolidated financial information was prepared on the going concern basis.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

in thousands of Russian Roubles, unless otherwise stated

3. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies, presentation and methods of computation have been followed in this interim condensed consolidated financial information as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2012, except for the impact of the adoption of the new and revised Standards and Interpretations described below.

New and revised Standards

IFRS 13 Fair Value Measurement

IFRS 13 *Fair Value Measurement* establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 *Fair Value Measurement* is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures amount fair value measurements, except in specified circumstances. Application of IFRS 13 *Fair Value Measurement* did not result in significant changes to the Group's interim condensed consolidated financial information disclosures.

IAS 19 Employee Benefits (as revised in 2011)

The amendments to IAS 19 *Employee Benefits* change the accounting for defined benefit plans and termination benefits and a definition of short-term benefits.

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 *Employee Benefits* and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 *Employee Benefits* are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The effects of adjustments made to the information as at 31 December 2012 due to the amendments in IAS 19 are as follows:

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Deferred tax assets (before reclassification, refer to Note 5)	1,180,819	(7,201)	1,173,618
Accumulated deficit	(7,654,242)	28,806	(7,625,436)
Pension liabilities	744,848	(36,007)	708,841

Amendments to IAS 1 Presentation of Financial Statements "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to IAS 1 *Presentation of Financial Statements* "Presentation of Items of Other Comprehensive Income". The amendments require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

in thousands of Russian Roubles, unless otherwise stated

Several other amendments including amended IFRS 7 *Financial Instruments: Disclosures* “Disclosures – Offsetting Financial Assets and Financial Liabilities” and amendments resulting from “Annual Improvements to IFRSs” (2009-2011 cycle) were applied for the first time in this interim consolidated financial information. Application of these amendments did not result in significant changes to the Group’s financial position or results of operations.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group’s annual consolidated financial statements for the year ended 31 December 2012 prepared in accordance with IFRS, except for changes in estimates in respect of useful economic lives of property, plant and equipment.

As a result of revaluation of property, plant and equipment by independent and qualified appraiser as at 31 December 2012 management revised useful economic lives of property, plant and equipment. Revision of useful economic lives was accounted for as a change in estimates beginning 1 January 2013. As a result the weighted average remaining useful economic lives changed from 11 to 25 years. Had the remaining useful economic lives not changed the amount of depreciation charge for the six months ended 30 June 2013 would be RUB 2,111 million.

5. RECLASSIFICATIONS

Certain comparative information, presented in the consolidated financial statements for the year ended 31 December 2012 and the interim condensed consolidated financial information for the six months ended 30 June 2012 has been reclassified in order to achieve comparability with the presentation used in the interim condensed consolidated financial information for the six months ended 30 June 2013. Reclassifications were made in accordance with the decision of the Group’s management to present deferred tax assets and liabilities related to the same legal entity on the net basis and to present interest paid for investment activities in cash flows, related to investment activities.

The reclassifications were made as follows:

	<u>Before reclassification</u>	<u>Reclassification</u>	<u>After reclassifi- cation</u>
<i>Impact on financial position as at 31 December 2012</i>			
Deferred tax assets	1,173,618	(599,941)	573,677
Deferred tax liabilities	1,479,314	(599,941)	879,373
<i>Impact on cash flows for the six months ended 30 June 2012</i>			
Interest paid	(236,551)	93,650	(142,901)
Interest capitalized and paid	-	(93,650)	(93,650)

6. PROPERTY, PLANT AND EQUIPMENT

During the reporting period Group invested in the capital construction and purchase of property, plant and equipment RUB 4,526,136 thousand (six months, ended 30 June 2012: RUB 4,669,232 thousand). During the six months ended 30 June 2013 new capacity of Novomoskovsk GRES with a total cost of RUB 7,476,127 thousand was put into operation.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

in thousands of Russian Roubles, unless otherwise stated

7. ACCOUNTS RECEIVABLE AND ADVANCES PAID

	30 June 2013	31 December 2012
Trade accounts receivable	11,520,930	11,331,888
Other accounts receivable	138,017	99,608
Less: allowance for doubtful receivables	<u>(3,707,036)</u>	<u>(2,805,516)</u>
Total financial assets	7,951,911	8,625,980
Advances paid and prepaid expenses	449,499	363,177
VAT reimbursable	591,754	218,428
Other taxes receivable	<u>2,990</u>	<u>77,915</u>
Total non-financial assets	1,044,243	659,520
Total non-current accounts receivable and advances paid	1,880,026	1,698,192
Total current accounts receivable and advances paid	7,116,128	7,587,308

During the six months ended 30 June 2013 some energy supplying companies, customers of the Group, lost their status of guaranteeing suppliers. The management expects that there is a high probability that accounts receivable of the abovementioned entities would be partially reimbursable. The management's believes that the allowance created for these receivables as at 30 June 2013 in the range of 60-80% is sufficient based on the information available at the reporting date.

8. INVENTORIES

	30 June 2013	31 December 2012
Fuel	1,229,514	1,275,517
Raw materials and spare parts	586,662	380,168
Other inventories	<u>298,055</u>	<u>212,660</u>
Total inventories, at cost	2,114,231	1,868,345
Less: allowance for obsolete and slow moving items	<u>(12,133)</u>	<u>(12,149)</u>
Total	2,102,098	1,856,196

9. EARNINGS PER SHARE

Earnings per share for the six months ended 30 June 2013 and 2012, were calculated based on the weighted average number of the Company's ordinary shares outstanding during respective periods and profit for the period, attributable to owners of the Company and presented as follows:

	For the six months ended 30 June 2013	For the six months ended 30 June 2012
Profit for the period attributable to owners of the Company	88,223	432,187
Less: earnings attributable to the holders of the Company's preferred shares	-	(11,252)
Profit for the period used in the calculation of earnings per share	88,223	420,935
Weighted average number of the Company's ordinary shares, in thousands of shares	1,912,505,578	1,912,505,578
Earnings per share, in RUB	0.00005	0.00022

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

in thousands of Russian Roubles, unless otherwise stated

10. LOANS AND BORROWINGS

	30 June 2013		31 December 2012	
	Rate, %	Balance	Rate, %	Balance
JSC Sberbank of the Russian Federation	7.96-11.98	9,108,402	5.45 – 11.98	8,753,096
JSC Gazpombank	7.95-12.00	8,785,936	8.00 – 12.00	4,753,430
Interest payable on loans and borrowings		125,116		83,857
		18,019,454		13,590,383
Long-term portion of loans and borrowings		11,373,128		8,326,718
Current portion repayable in one year		6,646,326		5,263,665

All bank loans are RUB-denominated and are obtained within credit facilities provided to the Group. Interest rates are fixed for each tranches as set up in credit facility agreements and respective addendums.

Certain bank loans are subject to the restrictive covenants that the Group has to comply with at various dates, including but not limited to:

- Maintenance of certain financial ratios (such as EBITDA/Net Debt, net assets and others);
- Pre-approval restrictions on pledging of the Group's assets; and
- Determined minimum amount of cash collection that has to be transferred to the account at defined banks during reporting periods (month).

All bank loan agreements have accelerated clauses, allowing creditors to request early repayment of outstanding amounts in case of non-compliance with these covenants.

All loans and borrowings were unsecured as at 30 June 2013 and 31 December 2012.

11. PROVISIONS

	30 June 2013	31 December 2012
Balance at beginning of the period	250,039	345,476
Additional provision recognised	63,669	4,116
Fines for non-compliance with OREM obligations	-	234,623
Reversal of previously recognised provision	(4,116)	(289,971)
Settled in cash	(234,618)	(44,205)
Balance at end of the period	74,974	250,039

During the six months ended 30 June 2013 the Group repaid in cash fines for non-compliance with OREM obligations.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

in thousands of Russian Roubles, unless otherwise stated

12. RELATED PARTIES

Details of transactions between the Group and related parties are presented as follows:

	Sales and other income		Purchase of goods and services	
	For the six months ended 30 June 2013	For the six months ended 30 June 2012	For the six months ended 30 June 2013	For the six months ended 30 June 2012
LLC SK Soglasie	4,231	28	63,984	66,393
Other	–	–	232	742
Total	4,231	28	64,216	67,135

There were no significant outstanding balances with related parties as at 30 June 2013 and 31 December 2012.

13. CAPITAL COMMITMENTS

As at 30 June 2013, the Group's contractual capital commitments, including VAT, amounted to RUB 7,502,576 thousand (31 December 2012: RUB 9,991,483 thousand).

14. SUBSEQUENT EVENTS

Loans and borrowings

On 22 August 2013, the Group signed the credit facility agreement with JSC Gazprombank and JSC Sberbank of the Russian Federation in the amount of RUB 10,000,000 thousand. The loan bears interest of 10.80% per annum and matures in the second quarter of 2024. The facilities under the agreement would be used for financing of the investment program in respect of the four capacity supply agreements or refinancing of short-term loans used for financing of the investment program.