

2011 GENERATING ASSETS **27 THERMAL POWER PLANTS, 2 HYDROPOWER PLANTS AND 1 WIND FARM** IN THE MANAGEMENT INSTALLED CAPACITY **28.2 GW (+45.8%)** SHARE IN THE TOTAL INSTALLED CAPACITY OF RUSSIA **10.2%** GENERATION OF ELECTRIC POWER **116.9BN KW*H (+37.3%)** BOILER HEAT THERMAL POWER **19.8M GCAL (+0.5%)** POWER SUPPLY ASSETS ENERGY POWER SUPPLY ASSETS ENERGY SALES VOLUME AT THE RETAIL MARKET **143.1BN KW*H (SHARE AT THE RF MARKET 14.02%)** POWER GRID ASSETS TOTAL LENGTH OF POWER TRANSMISSION LINES ABROAD **34265 KM (+1.1%)** ELECTRICITY EXPORT AND IMPORT EXPORT VOLUME **22.7BN KW*H (+21.9%)** (INCLUDING AZERBAIJAN **+148.1%** BELARUS **+10774.7%** GEORGIA **+111.2%** KAZAKHSTAN **+60.5%** CHINA **+26.0%** LITHUANIA **+8.6%** MONGOLIA **+23.2%** SOUTH OSSETIA **+11.7%** IMPORT VOLUME **+17.2%** (INCLUDING AZERBAIJAN **+93.2%** KAZAKHSTAN **+58.0%**) FINANCIAL INDICATORS REVENUE **536.2BN RUB (+15.5%)** EBITDA **41.7BN RUB (+24.1%)** NET PROFIT **41.5BN RUB (+123.1%)** CAPITAL EXPENDITURES **32.5BN RUB (+97.0%)** TOTAL ASSETS **531.9BN RUB (+113.5%)** TOTAL EQUITY **390.7BN RUB (+180.9%)** NUMBER OF PERSONNEL AS OF DECEMBER 31, 2011 **47014 PERSONS**

ENERGY WITHOUT BORDERS

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KEY INDICATORS	2011	
IN THE MANAGEMENT 27 heat power plants	2 hydropower plants	1 wind farm
TOTAL INSTALLED CAPACITY 28.2 GW Share in the total installed capacity of the Russian Federation: 10.2%	+45.8%	
GENERATION OF ELECTRIC POWER 116.9bn KWh	+37.3%	
VOLUME OF ELECTRIC POWER SALES IN THE RETAIL MARKET 144.7bn KWh Share in the total electric power sales volume of the Russian Federation: 24%		

FINANCIAL INDICATORS	2011	
REVENUE	536.2bn RUB	+15.5%
EBITDA	41.7bn RUB	+24.1%
NET PROFIT	41.5bn RUB	+121.9%
CAPITALIZATION	355.7bn RUB	+156.3%
TOTAL ASSETS	531.9bn RUB	+113.5%
RETURN ON ASSETS (ROA)	7.8bn RUB	+0.3%pp

ADDRESS BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHAIRMAN OF THE MANAGEMENT BOARD OF JSC “INTER RAO UES”

Dear Shareholders,

For the year 2011, INTER RAO UES Group showed good financial results: the company's revenue according to International Financial Reporting Standards grew by 15.5%; EBITDA grew by 24%; net income reached 41.5bn RUB.

In the reporting year, the company steadily advanced according to the outlined course, implementing the “INTER RAO UES” Development Strategy to 2015 with prospects up to 2020 approved by the Board of Directors in December 2010. We ensured development of all key areas embedded in the Strategy. Keeping our focus on the selected strategic priorities, i.e. reliable and trouble-free power supply, assurance of the energy security of Russia, and growth of shareholder value, – we continued expanding our presence in target markets in Russia and abroad.

As a result of the additional issuance of shares of JSC “INTER RAO UES”, a large-scale project completed in the first half of the year 2011, more than 40 companies of the electric power sector joined the holding company. This allowed us to take 3rd place in Russia in terms of installed capacity (approximately 28 GW). Currently the share of the companies in INTER RAO UES Group comprises about 14% of the country's retail market. Later on, the Company implemented the integration of assets acquired through selling shares in an additional issue, and the program for administering minority shares in the companies obtained in the process of additional issuance of shares.

During the period up to 2015, the Company will continue strengthening and developing the leadership positions it has achieved, including those in the field of effective management of energy assets based on innovation technologies, in order to enter the top ten electricity companies in the world in terms of installed capacity and business volume by 2020. There is a program for developing the target management system created and rolled out to achieve the outlined goals. We are creating dedicated divisions by type of business, namely generation, supply, engineering and foreign assets management. The trading division continues functioning within the executive framework of JSC “INTER RAO UES”.

In addition, for 2012 INTER RAO UES Group plans to develop over ten priority areas of its business, among which the first and the most important task is to increase investment attractiveness of the company through building a transparent property structure and assurance of full operational control over the main generating assets. The management of the company will continue working to increase operational effectiveness and realize the Group's investment program. The Company plans to develop supply and its own heating business. The Company plans to add new impetus to the foreign economic area of its business.

We have also identified the special need to ensure reliable and safe operation of the production assets. We are working on the creation of mechanisms for implementing unified technical and environmental policies. We are also preparing long-term production programs for technical re-equipment and repair, maintenance, etc. in strict compliance with the established reliability and safety criteria.

In 2012, we will also continue working on creation of a complete cycle engineering company, from design to construction of turnkey energy facilities.

In the short term, the company is planning to implement a program for increasing energy efficiency and savings and to its innovation activity. Within the framework of this activity, we created the R&D fund “Energy Without Borders”, which is to be involved in developments for the benefit of the whole industry, which will help eliminate duplication of work by energy companies and reduce the cost of projects to upgrade energy facilities.

We hope that with the support of the goals, plans and tasks outlined in the Strategy by the shareholders INTER RAO UES Group will be able to confidently ensure the achievement of its main goals: protection of shareholders' interests, increase in the shareholder value of the company and the company's reaching the level of world energy leader!

Chairman of the Board of Directors of JSC "INTER RAO UES"

Grigory KURTSEY

Chairman of the Management Board of JSC "INTER RAO UES"

Boris KOVALCHUK

OPERATION ACTIVITY

SALES					
REVENUE	362.6bn RUB	+8%	EBITDA	16.9bn RUB	+37%
EBITDA PROFITABILITY	5%	+1 pp	SALES	1448bn KWh	+1.12% share of the company in the RF market: 14%
GENERATION					
INSTALLED CAPACITY IN THE RF 10.2% of the installed capacity of Russia	22.3 MW	+57%	GENERATION IN THE RF 10% of the whole generation volume of the country	101.7bn KWh	+44%
REVENUE	126,548m RUB	+56%	EBITDA	18,007m RUB	+46%
EXPORT	21,207m KWh	+20%	IMPORT	3,403m KWh	+18.7%
ELECTRIC POWER SUPPLY VOLUME	26,406m KWh	+26.1%			
REVENUE	56,525m RUB	+22%			
KEY EVENT: resuming supply to Belarus					

1. General Information about the Company and its Place in the Industry

Full corporate name of the Company in Russian:

Открытое акционерное общество «ИНТЕР РАО ЕЭС»

Full corporate name of the Company in English:

Open Joint Stock Company “INTER RAO UES”

Abbreviated name of the Company in Russian:

ОАО «ИНТЕР РАО ЕЭС»

Abbreviated name of the Company in English:

JSC “INTER RAO UES”

Location of the Company:

27, Building 3, ul. Bolshaya Pirogovskaya, Moscow, 119435, Russian Federation

State registration information:

Primary State Registration Number of the legal entity (OGRN):

1022302933630

Date of state registration:

November 1, 2002

Name of the registration body as given in the Certificate of Record in the Unified State Register of Legal Entities:

Inspectorate of the Ministry of Taxes and Fees in Sochi, Krasnodar Region

Series and number of the Certificate of Record in the Unified State Register of Legal Entities:

Series 23 No. 002387411

1.1. Brief History of the Company

1997 – Establishment of the Company

JSC “INTER RAO UES” was established as a subsidiary of “RAO UES of Russia”

2001 – Entry into foreign markets

The company started its programs for selling electricity generated outside Russia on foreign markets. The first large project was the organization of the delivery of energy generated by the Ignalina Nuclear Power Plant (Lithuania) to the Republic of Belarus and the Kaliningrad Region.

In the same year, the first subsidiaries of JSC “INTER RAO UES” were established to work on international electricity markets.

2002 – Export and generation

JSC “INTER RAO UES” started independently exporting Russian energy. At the same time, the company for the first time started to produce energy by renting a generating unit at the Irikla Thermal Power Plant (OJSC “Orenburgenergo”).

2003 – Investments

Concern Rosenergoatom acquired 40% share in JSC “INTER RAO UES”. The company became a unified import and export operator for the two largest Russian generating companies.

In the same year JSC “INTER RAO UES” began to actively acquire energy assets abroad.

2004-2006 – Kazakhstan, Moldova, Turkey, Armenia

JSC “INTER RAO UES” carried out a large-scale consolidation of Russian and foreign energy assets. The company acquired shareholdings in JSC Stantsiya Ekibastuzskaya GRES-2 (Kazakhstan), CJSC “Moldavskaya GRES” (Pridnestrovyie), JSC “North-West Thermal Power Plant” (Russia), TGR Enerji (Turkey). A joint Russian-Tajik enterprise JSC Sangtudinskaya GES-1 was established with the participation of INTER RAO UES Group. In 2006 INTER RAO UES Group acquired 100% of shares in “Electric Networks of Armenia”, CJSC.

2007 – Reorganization

JSC “INTER RAO UES” made the strategic decision to consolidate its JSC “North-West Thermal Power Plant”, JSC “Ivanovo Thermal-Gas Plant”, JSC “Kaliningradskaya TEC 2” and JSC “Sochinskaya TPS” within one company.

2008 – JSC “INTER RAO UES”

As a result of large-scale reorganization JSC “INTER RAO UES” was transformed into an open joint-stock company and JSC “Sochinskaya TPS”, JSC “North-West Thermal Power Plant”, JSC “Ivanovo Thermal-Gas Plant” and JSC “Kaliningradskaya TEC 2” became branches of JSC “INTER RAO UES”.

2009 – Beginning of the global consolidation

In 2009 JSC “OGK-1” began to operate under the management of JSC “INTER RAO UES”. In the same year JSC “INTER RAO UES” became one of the top five companies in Standard & Poor’s informational transparency research and the company’s shares were included in the MSCI EM index.

2010 – Diversification and additional share issuance

JSC “INTER RAO UES” approved a medium-term development strategy focused on becoming one of the top ten players on the international electricity market by 2020.

As part of the diversification of its operations, in 2010 JSC “INTER RAO UES” actively developed related businesses mainly focused on engineering and energy industry machinery. To achieve this, the Group acquired the Quartz Group and created a number of joint ventures with leading international machine-building alliances, including General Electric and WorleyParsons.

In the same year the shareholders of JSC “INTER RAO UES” approved private placement of additional stock for the purpose of consolidating its energy assets.

By the Decree of the President of the Russian Federation dated September 30, 2010 No. 1190, JSC “INTER RAO UES” was included in Section 2 of the list of strategic enterprises and strategic joint-stock companies approved by the Decree of the President of the Russian Federation dated August 4, 2004 No. 1009 “On Approval of the List of Strategic Enterprises and Strategic Joint-Stock Companies”.

2011 – Leadership

Since April 2011 combined installed capacity of power plants managed by JSC “INTER RAO UES” exceeds 28 GW, allowing the company to become one of the leaders on the global market of electricity generation.

After a strategic consolidation of assets, JSC “INTER RAO UES” became a controlling shareholder in JSC “OGK-1”, JSC “WGC-3”, JSC “TGK-11”, nine electricity supply companies and the management company JSC “United Energy Retailing Company”.

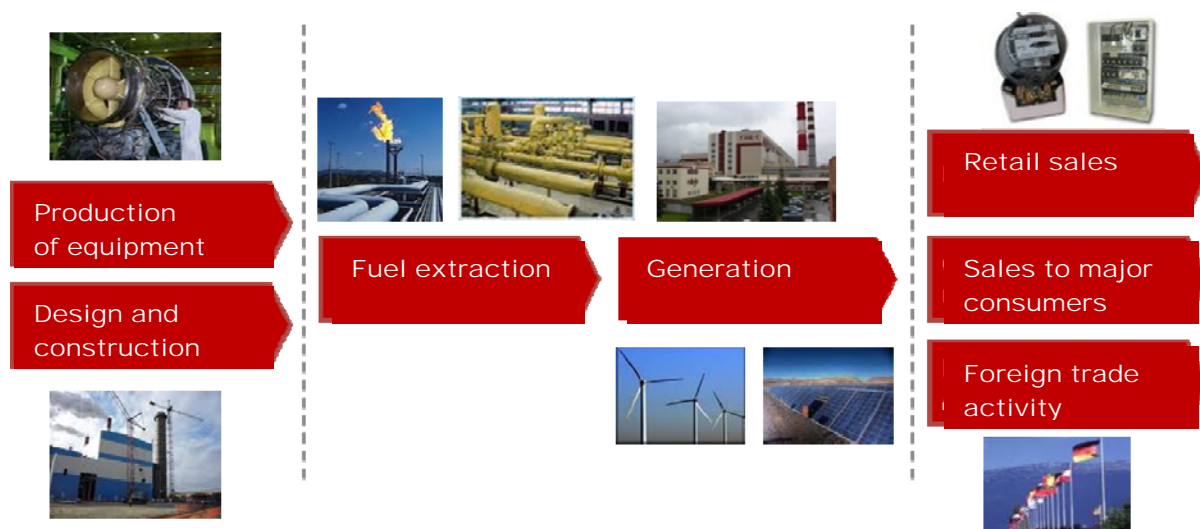
After a large-scale additional share issuance, the structure of the company’s shareholders changed. The share of the Russian Federation increased to 14.79%, or 1,436,971,195,062 shares.

The company shares were transferred from quotation list “B” to quotation list “A” on the CJSC MICEX Stock Exchange.

In addition, shares of JSC “INTER RAO UES” were included in the MSCI Russia Large Caps Index. At the end of 2011, shares of JSC “INTER RAO UES” had become the most liquid shares among thermal generation companies, and were in the top 3 of most liquid securities in the electric power sector.

Since November 2011 global depositary receipts of JSC “INTER RAO UES” have been admitted to trading on the International Order Book (IOB) platform of the London Stock Exchange.

1.2. Business Model of the Group



JSC “INTER RAO UES” is a diversified energy holding company participating in different segments of the electric energy industry in Russia and in 27 countries around the world.

Main areas of the company’s operations are:

- Production and sales of electric and thermal energy,
- International energy trading,
- Engineering, design and construction of generating units.

The strategy of JSC “INTER RAO UES” is aimed at the creation of a global energy company, one of the key players on the world energy market. The Group is actively increasing its participation in the generation and supply segments and is also developing new areas of business, including fuel business, engineering, investments and energy efficiency.

The total installed capacity of power plants included in and managed by INTER RAO UES Group is about 28 GW. The total volume of energy production at the end of 2011 reached about 116.9bn kWh. As of the end of 2011 the company employed more than 47,000 people.

JSC “INTER RAO UES” owns and manages the largest energy sales network in Russia: INTER RAO UES Group includes 9 of the largest energy sales companies operating in Russia; among them are JSC “Mosenergosbyt” and JSC “Saint-Petersburg Sale Company”.

JSC “INTER RAO UES” is actively developing and expanding its international cooperation, targeting both rapidly growing markets of the Middle East, Asia, Africa and Latin America and developed European markets. Today JSC “INTER RAO UES” is the main Russian energy player on the international market. According to 2011 data, the energy export volume of the company totalled 22,7bn kWh.

1. GENERAL INFORMATION ON THE COMPANY AND ITS POSITION IN THE INDUSTRY

1.3. Group set-up			
Organizational set-up of INTER RAO UES Group			
JSC "INTER RAO UES"			
Generation in RF	Engineering in RF	Retailing in RF	Foreign assets
INTER RAO - Management of Electric Power Plants, LLC	LLC "INTER RAO Engineering"	JSC "United Energy Retailing Company"	CJSC "Moldavskaya GRES"
INTER RAO - Electric Power Plants, OJSC	LLC "Quartz - Novie Tekhnologii"	JSC "Mosenergosbyt"	JSC Stantsiya Ekibastuzskaya GRES-2
Branch "Ivanovo Thermal-Gas Plant"	LLC "UK Quartz"	JSC "Saint-Petersburg Sale Company"	Mtkvari Enerergy LLC
Branch "Kaliningradskaya TEC 2"	"InterRAO-WorleyParsons" LLC	JSC "SARATOVENERGO"	JSC Telasi
Branch "North-West Thermal Power Plant"	INTERENERGOEFFECT LLC	JSC "Tambov Energy Retailing Company"	JSC Khramhesi II
Branch "Sochinskaya TPS"	Power Efficiency Center INTER RAO UES LLC	JSC "Altayenergosbyt"	JSC Khramhesi I
JSC "OGK-1"		INTER RAO – Orel energy distribution, LLC	"HrazTES", PJSC
JSC "WGC-3"		LLC "RN-Energo Ltd"	"Electric Networks of Armenia", CJSC
JSC "TGK-11"		RT-Energy Trading LLC	
		JSC "Promishlennaya energetika"	
Appendix 6 contains detailed information on participation of the Company in other organizations			

TRADING IN RF AND EUROPE	OTHER	REPRESENTATIVE OFFICES
RAO NORDIC OY	LLC "INTER RAO UES FINANCE"	OFFICE IN THE REPUBLIC OF CUBA
UAB "INTER RAO LIETUVA"	INTER RAO-Export, LLC	OFFICE IN THE KINGDOM OF BELGIUM
JSC "EASTERN ENERGY COMPANY"	LLC "INTER RAO SERVICE"	OFFICE IN THE REPUBLIC OF ECUADOR
	"INTER RAO INVEST" LLC	
	JSC "INTER RAO CAPITAL"	
	OTHER SERVICING COMPANIES	

1.4. Operations of the Group

1.4.1. Operating Segments

Operating segments are the company's business segments about which there is separate financial information, regularly evaluated by the governing body responsible for making decisions about operations when distributing resources between segments and evaluating the results of their activity. The supreme authority making such decisions is the Management Board of JSC "INTER RAO UES". An operating segment is a legal entity or a certain activity area of a legal entity.

Starting from 2011, the Management Board of JSC “INTER RAO UES” adopted a decision to analyse the effectiveness of operating business segments based on data under IFRS. The analysis is performed using both **geographic indicators** (countries where companies of the Group are registered) and **lines of business** (generation, trading, electricity sales, distribution, engineering and others). Consequently, each segment represents a certain line of business in a certain country.

In compliance with IFRS 8 “Operating Segments”, the following segments were identified (taking into consideration the aggregation criteria and quantitative threshold values of revenue and EBITDA):

- ▶ **Segment “Sales in the Russian Federation”** (represented by JSC “Mosenergosbyt”, JSC “Saint-Petersburg Sale Company”, JSC “Tambov Energy Retailing Company”, JSC “SARATOVENERGO”, JSC “Altayenergosbyt”, INTER RAO – Orel energy distribution, LLC, their managing company JSC “United Energy Retailing Company” and also by JSC “Promishlennaya energetika”, LLC “RN-Energo Ltd” and “RT-Energy Trading” LLC¹).
- ▶ **Segment “Generation in the Russian Federation”**, represented by the following reporting sub-segments:
 - Generation by JSC “INTER RAO UES” and INTER RAO – Electric Power Plants, OJSC²;
 - OGK-1 (represented by the OGK-1 Group including a 75% share in the joint venture NVGRES²);
 - TGK-11 (represented by the TGK-11 Group);
 - WGC-3 (represented by the WGC-3 Group) since the end of March 2011.
- ▶ **Segment “Trading in the Russian Federation and Europe”** (represented by trading operations of JSC “INTER RAO UES”, RAO Nordic Oy and UAB “INTER RAO Lietuva”);
- ▶ **Segment “Georgia”** (represented by JSC “Telasi”, LLC “Mtkvari Energy”, JSC “Khramhesi I” and JSC “Khramhesi II” (both since the beginning of April 2011), LLC “Khramhesi III” (since November 16, 011);
- ▶ **Segment “Armenia”** (represented by “Electric Networks of Armenia”, CJSC, “HrazTES”, PJSC and CJSC “International Energy Corporation” (the latter until March 2011);
- ▶ **Segment “Moldova”** (represented by CJSC “Moldavskaya GRES” and JLLC “Energospetsserviceobslyuzhivanie”);
- ▶ **Segment “Kazakhstan”** (represented by JSC Stantsiya Ekibastuzskaya GRES-2² and LLP “Kazenergoresource”);
- ▶ **Segment “Engineering in the Russian Federation”** (represented by LLC “INTER RAO Engineering” (since the end of September 2011), LLC “Quartz – Novie Tekhnologii”², LLC “UK – Quartz”², “InterRAO-WorlyParsons” LLC², Power Efficiency Center INTER RAO UES LLC² and “INTERENERGOEFFECT” LLC²);
- ▶ Others.

¹ Jointly controlled companies (joint ventures), considered using the equity participation method. The EBITDA of the reporting segment includes the revenue/loss share of such joint ventures for the reporting period without detailed presentation of revenue and expenses on the segment level.

² These sub-segments include the results of the activity of INTER RAO - Management of Electric Power Plants, LLC are included. They are distributed according to the management service fee.

The chief operating decision maker evaluates performance of the segments based on **EBITDA**, which is calculated as profit/(loss) for the period before financial income and expenses, income tax expenses, depreciation and amortisation of fixed and intangible assets, impairment of fixed assets and investment property, impairment of goodwill and provisions for doubtful debts and obsolete inventory, share in profit/(loss) of associates and acquisition effects such as excess of the acquired share in the fair value of the identifiable assets and liabilities over the cost of investment and other effects of the kind. The Group's definition of EBITDA may differ from that of other companies. Information about depreciation and amortisation of fixed and intangible assets, interest income and expenses is disclosed in segment information as it is regularly reviewed by the chief operating decision maker.

Revenue of each segment is mainly represented by income from sales of electricity, capacity and heat allocated to the reporting segments.

As the chief operating decision maker analyses the financial leverage index of the Group's subsidiaries and jointly-controlled entities on a regular basis, loans and borrowings are allocated to the reporting segments, excluding inter-segment balances.

Jointly-controlled entities are reviewed by the chief operating decision maker in terms of the Group's share in their profit/(loss) and loans and borrowings.

"Unallocated and Eliminations" includes elimination of transactions between the reporting segments ("Eliminations") and management expenses, interest income and expenses of JSC "INTER RAO UES" as well as liabilities on loans and borrowings obtained by JSC "INTER RAO UES" or other subsidiaries, which cannot be allocated to a specific reporting segment on a reasonable basis ("Unallocated").

1. Financial information for the year ended December 31, 2011

2. Financial information for the year ended December 31, 2010

Financial information for the year ended December 31, 2011

	Units	Sales in the Russian Federation	Generation: Russian Federation				Trading in the Russian Federation and Europe	Armenia	Georgia	Moldova	Kazakhstan	Engineering in the Russian Federation	Others	Unallocated expenses	TOTAL
			JSC "INTER RAO UES"	OGK-1	TGK-11	WGC-3 ³									
Revenue	m RUB	362,616	18,777	55,653	21,024	31,094	56,525	8,587	5,965	5,506	602	-	3,584	(33,689)	536,244
Segment revenue share in the Total	%	68%	4%	10%	4%	6%	10%	2%	1%	1%	0%	-	1%	(6%)	100%
Operating expenses, including															
Purchased electricity and capacity	m RUB	(190,825)	-	(4,741)	(1,443)	(1,768)	(44,396)	(3,178)	(1,031)	(122)	(456)	-	(2,139)	33,413	(216,686)
Fuel expenses	m RUB	(165)	(9,452)	(33,150)	(9,695)	(18,828)	-	(1,139)	(1,603)	(3,322)	-	-	-	115	(77,239)
Electricity transmission expenses	m RUB	(140,323)	-	-	-	-	(6,473)	(349)	(356)	(114)	(69)	-	(400)	-	(148,084)
Share in income/ losses of the jointly controlled companies	m RUB	(7)	-	1,711	-	-	-	-	-	-	1,190	(3)	(60)	-	2,831
EBITDA	m RUB	16,907	5,847	8,934	1,633	1,593	5,316	1,641	1,211	1,127	1,238	(5)	1,192	(4,977)	41,657
Segment EBITDA share in the Total	%	40%	14%	21%	4%	4%	13%	4%	3%	3%	3%	0%	3%	(12%)	100%
EBITDA margin	%	5%	31%	16%	8%	5%	9%	19%	20%	20%	206%	-	33%	15%	8%

³ WGC-3 (represented by OGK-3 Group) since the end of March 2011.

Financial information for the year ended December 31, 2010

	Units	Sales in the Russian Federation	Generation: Russian Federation				Trading in the Russian Federation and Europe	Armenia	Georgia	Moldova	Kazakhstan	Engineering in the Russian Federation	Others	Unallocated expenses	TOTAL
			JSC "INTER RAO UES"	OGK-1	TGK-11	WGC-3 ⁴									
Revenue	m RUB	334,607	12,595	49,133	19,323	-	46,302	8,132	4,885	6,028	530	-	1 774	(18,923)	464,386
Segment revenue share in the Total	%	72%	3%	11%	4%	-	10%	2%	1%	1%	0%	-	0%	(4%)	100%
Operating expenses, including															
Purchased electricity and capacity	m RUB	(186,751)	-	(5,428)	(892)	-	(33,033)	(2,468)	(1,104)	(576)	(390)	-	(1 437)	18,837	(213,242)
Fuel expenses	m RUB	(498)	(5,872)	(27,295)	(8,997)	-	-	(639)	(718)	(3,644)	-	-	-	-	(47,663)
Electricity transmission expenses	m RUB	(117,431)	-	-	-	-	(4,800)	(251)	(280)	(80)	(58)	-	(219)	-	(123,119)
Share in income/ losses of the jointly controlled companies	m RUB	-	-	256	-	-	-	-	-	-	761	147	4	-	1,168
EDITDA	m RUB	12,338	3,605	6,827	1,860	-	7,011	2,068	1,552	882	804	147	841	(4,307)	33,628
Share of Segment EBITDA share in the Total	%	37%	11%	20%	5%	-	21%	6%	5%	3%	2%	0%	3%	(13%)	100%
EBITDA margin	%	4%	29%	14%	10%	-	15%	25%	32%	15%	152%	-	47%	23%	7%

⁴ WGC-3 (represented by OGK-3 Group) since the end of March 2011.

1.4.1.1. Sales in the Russian Federation

1.4.1.1.1. Description of the Segment

The segment includes assets performing sales of electric energy (power) and is represented by the following companies: JSC “Mosenergosbyt”, JSC “Saint-Petersburg Sale Company”, JSC “Tambov Energy Retailing Company”, JSC “SARATOVENERGO”, JSC “Altayenergosbyt”, INTER RAO – Orel energy distribution, LLC, their managing company JSC “United Energy Retailing Company”, as well as by JSC “Promishlennaya energetika”, “RN-Energo Ltd” LLC, and “RT-Energy Trading” LLC.

1.4.1.1.2. Description of Assets

As part of the supply business, JSC “INTER RAO UES” owns the managing companies, guaranteed suppliers of electric energy (“GS”) in Moscow and the Moscow Region, St. Petersburg and the Leningrad Region, the Tambov Region, the Altai Territory, the Altai Republic, the Saratov Region, the Orel Region, and unregulated sales companies (“USC”). The share of JSC “INTER RAO UES” in these assets ranges from 50% to 100%:

Table 3

Description of Assets		
Company	Place of Registration	Share of INTER RAO UES Group (%)
JSC “United Energy Retailing Company”	Moscow	100
JSC “Mosenergosbyt”	Moscow	50.92
JSC “Saint-Petersburg Sale Company” (JSC “SSC”)	St. Petersburg	88.27 (share of INTER RAO UES Group – 92.52%)
JSC “SARATOVENERGO”	Saratov	56.97
JSC “Altayenergosbyt”	Barnaul	100
JSC “Tambov Energy Retailing Company”	Tambov	59.38
INTER RAO – Orel energy distribution, LLC	Orel	100
LLC “RN-Energo Ltd”	Moscow	100
JSC “Promishlennaya energetika”	Moscow	51 (share of INTER RAO UES Group)
“RT-Energy Trading” LLC	Moscow	50

1.4.1.1.3. Description of Markets

As of December 31, 2011, the share of the electricity supply companies included in INTER RAO UES Group in the electric power supply retail market varied between 24% and 91%, depending on the region. The number of consumers (legal entities served by the managed power supply companies) amounted to more than 326,000 legal entity subscribers and more than 9,946,000 individual subscribers.

The regions served by the managed energy supply companies of the guaranteed supply companies are spread across 4 federal districts (8 constituent entities of the Russian Federation).

Table 4

Market Share of Energy Supply Companies					
Guaranteed supply company	Serviced territory	Number of subscribers (ths)		Volume of net output (m kWh)	Market share where present (%)
		Individuals	Legal entities		
JSC “Mosenergosbyt”	Moscow, the Moscow Region	6,434	249	78,113	90.8
JSC “Saint-Petersburg Sale Company”	St. Petersburg, the Leningrad Region	2,161	40	29,168	66
JSC “SARATOVENERGO”	Saratov and the Saratov Region	642	19	6,169	59
JSC “Altayenergosbyt”	The Altai Territory, the Altai Republic	402	12	5,682	62.8
JSC “Tambov Energy Retailing Company”	Tambov and the Tambov Region	237	5	1,453	46.3
INTER RAO – Orel energy distribution, LLC	Orel and the Orel Region	68	6	778	31
LLC “RN-Energo Ltd”	Krasnodar Territory, Stavropol Territory, Republic of Udmurtia, Samara Region, Komi Republic, Tyumen Region (including Khanty-Mansi Autonomous District – Yugra, Yamalo-Nenets Autonomous District), Tomsk Region, Irkutsk Region, Krasnoyarsk Territory, Sakhalin Region)			18328	1.77
JSC “Promishlennaya energetika”	Nizhniy Tagil, Volgograd, Stupino (Moscow Region), Berezniki (Perm Territory)			5844	0.56
“RT-Energy Trading” LLC	Samara Region, Moscow Region, Republic of Tatarstan, Republic of Bashkortostan			1549	0.15

The market share is calculated against the total consumption of the RF amounting to 1038277 kWh since the area of activity of USC is represented in several regions of the RF.

At present the energy supply companies of INTER RAO UES Group are widely developing value-added services (“VAS”) structured according to the following areas:

1. Preparation of technical documentation:

- accelerated preparation of documents required to sign energy supply contracts, technological joining contracts;
- preparation of electric energy loss calculations and recommendations on choice of tariff;

- drawing up reports of emergency and technological protection.

2. Consulting services:

- consulting clients on procedures and methods of preparing documents required to sign energy supply contracts and technological joining contracts;
- expert evaluation of electric energy loss calculations;
- consulting on methods of tariff choice; on procedure and endorsement of reports of emergency and technological protection.

3. Expert services:

(client services directly connected with the GS status and the relevant unique assessment availability)

- services related to reissuing and issuing copies of payment documents (energy bills), copies of energy supply contracts and appendixes to them, certificates confirming absence of outstanding debts;
- package of services for faster signing of energy supply contracts and endorsement of reports on emergency and technological protection with the network organization on behalf of the client.

4. Installation and maintenance of metering devices (MD):

- package of services related to installation, maintenance, replacement, inspection, reprogramming of single-rate and multi-rate power meters and metering systems (current transformers, voltage transformers, measuring circuits).

5. Installation and maintenance of Automated Information and Measuring System of Commercial Energy Metering⁵:

- package of services connected with installation, maintenance, replacement, inspection, reprogramming of single-rate and multi-rate power meters and metering systems (current transformers, voltage transformers, measuring circuits) included in the Automated Information and Measuring System of Commercial Energy Metering.

6. Electric installation work:

- services for diagnostics of the state, arrangement, repair, and routine maintenance of internal electric wiring and electrical devices.

7. Energy conservation:

- package of services to perform energy inspection, to plan measures for energy conservation and increasing energy efficiency with their subsequent realization.

8. Sales of electrical products:

- sale of electrical products also involves selling of lighting equipment, energy-saving products, climate control systems, etc.

9. Other services:

⁵ Automated Information and Measuring System of Commercial Energy Metering

- printing, copying and delivery of documents, installation of software intended mainly for cryptographic protection and electronic digital signature.

Every type of value-added service has a wide product line in accordance with the VAS classifier developed by the JSC “United Energy Retailing Company”.

1.4.1.1.4. Share of the Group’s Net Output Supply in Russia

Table 5

Share of the Group’s Net Output Supply in Russia				
Production	Units	2010	2011	2011/2010
Net output in Russia ⁶	m kWh	1,021,432	1,038,277	101.65%
Net output of the Segment	m kWh	143,160	144,757	101.12%
Share of the Segment net output in Russia	%	14.02%	13.94%	99.48%
Number of consumers, including	pieces	9,967,040	10,204,075	102.38%
Individuals	pieces	9,654,199	9,877,214	102.31%
Legal entities	pieces	312,841	326,861	104.48%

1.4.1.1.5. Segment Financial Results

Table 6

Segment Financial Results				
	Sales in the Russian Federation			
	Units	2010	2011	2011/2010
Revenue	m RUB	334,607	362,616	8%
INTER RAO UES Group Share in the Revenue	%	72%	68%	-
Operating expenses, including				
Purchased electricity and capacity	m RUB	(186,751)	(190,825)	2%
Electricity transmission	m RUB	(117,431)	(140,323)	19%
EBITDA	m RUB	12,338	16,907	37%
EBITDA margin	%	4%	5%	-
INTER RAO UES Group share in EBITDA	%	37%	40%	-

1.4.1.1.6. Brief Factor Analysis of Indicators Dynamics

The EBITDA indicator of Sales in the Russian Federation segment in 2011 increased by 37% as compared to 2010, constituting 40% of the 2011 total figure for the Group. The increase was caused by marginal revenue growth while keeping the semi-fixed costs at 2010 levels, as well as by acquisition of the JSC “Promishlennaya energetika” at the end of 2010. The reason for marginal revenue growth in 2011 was

⁶ Source: The background conditions of the electric energy sector’s development for the period to 2030. Agency for Electrical Energy Balance Forecasting 2011.

the excess of the rate of growth of average sales prices to consumers over the average energy and capacity purchase price on the wholesale market for energy and capacity.

1.4.1.1.7. Segment Development Prospects

According to the draft Strategy of the Development of Retail Operations of JSC “INTER RAO UES” for the period to 2015 (“Strategy”), the key goals for the development of energy sales activity of INTER RAO UES Group in retail operations on the regional electricity market are:

- Retention of state control over such a strategically important activity area as energy supply to end users, as well as the observance of state interests in the sphere of assistance in the development of competition in the field of electricity supply and maintenance services as a price growth control factor, increase in the quality of service, efficient and effective use of energy resources, decrease in specific power intensity of the economy and prevention of abuse of strategically significant, Treasury and socially unprotected consumer groups by unscrupulous market participants;
- Increase in capitalization of JSC “INTER RAO UES” assets due to retention and widening of the customer base; entry into existing retail electricity markets; expansion of activities and services connected with energy supply; entry into regions with a high rate of growth in energy consumption; provision of synergy of the energy sales business with the Holding’s generating assets.

To achieve the set goals the company is ensuring the fulfilment of the following strategic tasks:

- Provide an increase in capitalization of energy sales assets and assets created by JSC “INTER RAO UES” for maintenance of these assets, by means of:
 - maintaining and strengthening the lead position on the electricity sales market through retention and widening of the customer base and also through entry into new regions;
 - deriving stable profits from the electricity sales operations as the result of optimizing costs, the synergy effect of managing the network of similarly functioning energy sales companies, and the development of centralized services for energy sales activities.
- Provide high-quality energy supply to consumers by means of:
 - increasing the quality of customer service based on the use of the latest technologies in work with clients;
 - developing a wide line of value-added services, including a full package of services accompanying the energy supply, efficient and effective use of energy resources and providing convenient and high quality services to customers.

To solve the strategic tasks of the energy sales activities of INTER RAO UES Group, it is necessary to implement the following strategic initiatives which should acquire the status of high-priority projects:

Initiatives aimed at increasing the useful output:

- **Increase in the net output by the companies of the Holding** by “pickup” of new consumers in the area of operations of guaranteed supply companies, expansion of the area of operations of guaranteed suppliers, as well as search for new consumers outside the regions where the Holding is present;
- **Regional expansion** through purchasing energy sales companies and “pickup” of consumers from unscrupulous guaranteed suppliers;
- **Retention of the customer base**, taking into consideration consumer preferences of different segments of the customer base and evaluation of the practicability of customer retention;
- **Regulatory support of the main operations** with regard to tariff formation, conditions of provider replacement, and others.

Initiatives aimed at increasing the revenue and quality of the service.

- **Development of the retail network** (creation of retail network management function and office network optimization in the energy supply companies);
- **Diversification of revenue** (development of value-added services);
- **Conversion of contacts with customers** (managed transfer of customers to online forms of contacts);
- **Creation of new revenue sources** (centralization and transfer of some functions of energy sales activity to service companies with the subsequent cost reduction);
- **Increase in operating effectiveness.**

As a result of the implementation of the Strategy, the financial and economic indicators of the companies included in the retail assets of INTER RAO UES Group as of February 1, 2012, are expected to grow.

1.4.1.2. Generation in the Russian Federation

1.4.1.2.1. Description of the Segment

The segment includes branches of JSC “INTER RAO UES” producing electricity and heat (“Sochinskaya TPS”, “Kaliningradskaya TEC 2”, “North-West Thermal Power Plant”, “Ivanovo Thermal-Gas Plant”), and JSC “OGK-1”, JSC “TGK-11”, JSC “WGC-3”. At the end of 2011 the installed electric energy capacity of the generating equipment of the Segment totalled 22,280 MW; installed heat capacity was 13,748.68 Gcal/h.

The generating assets of the Company are distributed across five of the seven integrated energy systems of UES7:

Urals – 8,833 MW (19.4%);
 Center – 6,953 MW (13.8%);
 Siberia – 3,501 MW (7.5%);
 North-West – 2,835 MW (12.6%);
 South – 158 MW (0.9%).

DESCRIPTION OF POWER PLANTS

JSC “INTER RAO UES”

Production subsidiaries of the Company are represented by four power plants with total installed electric energy capacity 2226 MW and installed heat capacity 1509.1 Gcal/h including: “Ivanovo TGP”, “Sochinskaya TPS”, “Kaliningradskaya TEC 2”, North-West Thermal Power Plant. All power plants are operated at binary steam and gas cycle which explains their relatively high energy efficiency: the mean equivalent specific fuel consumption on the electricity distribution in 2011 at branches of the parent company is 246.5 g/kWh against the Russia’s average of 334g/kWh. The similar indicator on thermal energy output in 2011 amounted to 134.9 kg/Gcal as compared to the Russia’ average of 144 kg/Gcal. The power plants are equipped with up-to-date foreign and domestic power equipment. The main fuel for all heat TPPs is natural gas. The competitive advantages of branches of JSC “INTER RAO UES” are:

- one of the industry’s best energy efficiency indicators which ensures high demand for TPP products on the market;
- the most up-to-date stock of generating facilities in the Russian Federation.

⁷ The Group’s assets share in the established electrical capacity is given in brackets

JSC “OGK-1”

Productive assets of JSC “OGK-1” (taking into account CJSC “Nizhnevartovskaya GRES”) include six condensation power plants with total installed electric energy capacity 9861 MW including “Permskaya GRES”, “Verkhnetagil'skaya GRES”, “Kashirskaya GRES”, “Urengoyskaya GRES”, “Irkliinskaya GRES” and “Nizhnevartovskaya GRES”.

All power plants of JSC “OGK-1” are located in energy deficiency regions (power grids of the Urals and Center) with high rates of power consumption growth and have relatively high fuel efficiency indicators. The main fuel is gas that accounts for approximately 70% of the fuel balance of the Company. Two power plants – “Verkhnetagil'skaya GRES” and “Kashirskaya GRES” – use coal together with natural gas.

The competitive advantages of JSC “OGK-1”:

- it has some of the most advanced generating facilities among OGKs;
- the size of the installed electric generating capacity places the Company second among OGKs and TGKs.
- JSC “OGK-1” tariffs are on a level which guarantees demand for electric power from the Company above the average in Russia.

1. Company general information and its position in the industry						
07 List of generating power facilities of generation segment						
	Constituent entity RF/Municipal entity	Basic/starting, emergency, alternate fuel	Installed electric power, MW	Installed thermal power, Gcal/h	ICUF	
					2010	2011
Total in the segment*			22.280	13.748,68	53	56
JSC "INTER RAO UES"			2.091	1.509,1	57	69
"Ivanovo Thermal-Gas Plant"	Ivanovo region	Natural gas / diesel fuel	158	79.1	21	16
"Kaliningradskaya TEC 2"	Kaliningrad region	Natural gas / diesel fuel	875	680	75	83
"North-West Thermal Power Plant"	St.-Petersburg	Natural gas / diesel fuel	900	700	61	72
"Sochinskaya TPS"	Krasnodar Territory	Natural gas / diesel fuel	158	50	57	80
JSC "OGK-1"			9.861	2.864	61	64
"Verkhnetagil'skaya GRES"	Sverdlovsk region	Hardcoal, natural gas / mazout	1.497	480	55	60
"Irkliinskaya GRES" (with HPP 30 MW)	Orenburg region	Natural gas / mazout	2.430	120	54	55
"Kashirskaya GRES"	Moscow region	Hardcoal, natural gas / mazout	1.910	458	45	48
"Nizhnevartovskaya GRES"	Khanty-Mansi Autonomous Okrug - Yugra	Natural gas / mazout	1.600	758	81	89
"Permskaya GRES"	The Perm Territory	Natural gas / mazout	2.400	620	70	73
"Urengoyskaya GRES"	Yamalo-Netets Autonomous Okrug	Natural gas / mazout	24	410	85	83
JSC "TGK-11"			1.971	7.638,09	50	48
"Omskaya CHPP-2" (boiler station)	Omsk	Hardcoal, natural gas / mazout		378		
"Omskaya CHPP-3"	Omsk	Natural gas / mazout	370	1.430	47	47
"Omskaya CHPP-4"	Omsk	Hardcoal, natural gas / mazout	435	1.095	33	33
"Omskaya CHPP-5"	Omsk	Hardcoal, mazout	695	1.735	59	57
"Kirov District Boiler House"	Omsk	Natural gas / mazout		585		
"Tomskaya TTP-2"	Tomsk	Hardcoal, natural gas / mazout	331	815	55	44
"Tomskaya CHPP-3"	Tomsk	Natural gas / mazout	140	780	71	74
The Peak Reserve Boiler House and local boiler houses	Tomsk	Natural gas / mazout		820.09		
JSC "WGC-3"			8.357	1755,49	44	46
"Gusinozerskaya TPP"	Republic of Buryatia	Hardcoal and brown coals / mazout	1.100	224.49	47	46
"Kostromskaya TPP"	Kostroma region	Natural gas / mazout	3.600	450	40	44
"Pechorskaya TPP"	Komi Republic	Natural and associated gases / mazout	1.060	327	39	41
"Kharanorskaya TPP"	The Zabaikalye Territory	Brown coal / mazout	430	265	71	74
"Cherepetskaya TPP"	Tula region	Natural gas / mazout	1.285	94	32	30
"Yuzhnouralskaya TPP"	Chelyabinsk region	Hardcoal and brown coal natural gas / mazout	882	395	67	68

"Without JSC "Stend" (110 MW)						
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JSC "TGK-11"

JSC "TGK-11" is the largest producer of thermal and electric energy in Omsk and Tomsk: in 2011 the Company produced about 70% of thermal energy production in Omsk and more than 90% in Tomsk; 63% of electricity demand in the Omsk Region, and about 30% in the Tomsk Region.

The combined heat and power plant (CHPP) of JSC "TGK-11" is the main source of thermal energy for central heating systems of Omsk and Tomsk. In addition, JSC "TGK-11" owns and manages a wide network of heating lines.

The production facilities of JSC "TGK-11" include 5 power plants, 3 boiler houses with 27 heating turbines, 44 power-generating boilers and 21 hot water and steam boilers. The installed electric capacity of these facilities is 1,971 MW and the thermal capacity is 7,638.09 Gcal/h. All of the company's power plants are combined heat and power plants generating two types of energy – electric and thermal.

In 2011 the installed electric capacity of JSC "TGK-11" generating equipment declined 80 MW due to the long-term mothballing of one of the turbo-units of "Omskaya CHPP-4" with a power of 100 MW, while two turbo-units of "Omskaya CHPP-3" were regarded to increase installed capacity there by 20 MW.

The total length of the heating lines owned by JSC “TGK-11” is 769 km in single pipe count. In addition, JSC “TGK-11” has a lease for 274 km of district pipe networks (in double pipe count) and operates 71 km of networks it does not own.

The main generating facilities of JSC “TGK-11” are concentrated in Omsk – about $\frac{3}{4}$ of the Company’s electric and thermal capacities:

- 3 combined heat and power plants: “Omskaya CHPP-3”, “Omskaya CHPP-4”; “Omskaya CHPP-5”;
- 2 boiler houses: “Omskaya CHPP-2”, “Kirov District Boiler House” (KDBH);
- main heating networks.

In Tomsk there are:

- 2 combined heat and power plants: “Tomskaya TPP-2”, “Tomskaya CHPP-3”;
- the Peak Reserve Boiler House and also 15 rental local boiler houses;
- Heating networks: main networks owned by the Company and rental district networks.

The main fuel types for the Company’s CHPPs and boiler houses are natural gas and black coal from the Kuznetskiy and Ekibastuzs Basins.

JSC “WGC-3”

JSC “WGC-3” includes six thermal power stations operating mainly as condensing plants. The total installed capacity of JSC “WGC-3” stations is 8,357 MW including: “Gusinoozyorskaya TPP”, “Kostromskaya TPP”, “Pechorskaya TPP”, “Kharanorskaya TPP”, “Cherepetskaya TPP”, and “Yuzhnouralskaya TPP”.

The largest concentration of the Company’s energy capacities is Center IES (4,855 MW, “Kostromskaya TPP” and “Cherepetskaya TPP”) – 59% of the Company’s installed capacity.

41% of the installed capacity of JSC “WGC-3” is distributed in the Ural IES (“Yuzhnouralskaya TPP”), North-West IES (“Pechorskaya TPP”), and Siberia IES (“Gusinoozyorskaya TPP” and “Kharanorskaya TPP”).

The Company’s fuel balance structure in 2011:

- 55% - natural and associated gas;
- 44% - black and brown coal;
- 1% - mazut (heavy fuel oil).

The Company’s power plants use a wide range of coal from the Kuznetskiy, Kansk-Achinskiy, Ekibastuzskiy, Maykubinskiy and Donetsk Coal Basins, as well as coal from small coal fields of the local importance.

The main competitive advantages of JSC “WGC-3” are:

- **Geographical diversification:** the branches of JSC “WGC-3” are located in integrated energy systems;
- **Diversified fuel balance:** the branches of JSC “WGC-3” are both gas and coal generating units;
- “Kostromskaya TPP” is one of the most efficient stations of the Center IES with respect to electricity generation;
- “Kharanorskaya TPP” is one of the most modern stations in the Russian Federation.

1.4.1.2.3. Description of Markets

In 2011 actual electricity consumption in UES of Russia amounted to 1,000,069.5m kWh, which exceeds the 2010 figures by 1.1% and the 2009 figures by 5.7%.

For the first nine months of 2011, the average increase in the electricity consumption in UES of Russia as compared to the same period of the year 2010 was 1.4%.

In the fourth quarter, there was a change in the trend of electricity consumption caused mainly by the temperature factor⁸. The decrease in electricity consumption in December 2011 in UES of Russia as compared to the same period of 2010 totalled 1.8%.

Electricity consumption for energy systems of the Russian Federation in 2009-2011

Table 8: Electricity consumption for energy systems of the Russian Federation in 2009-2011

Name of energy system	Electricity consumption, m kWh						
	2009	2010	2011	Deviation (+/-) as compared to 2009	Deviation (+/-) as compared to 2010	% as compared to 2009	% as compared to 2010
UES of Russia	946,454.2	988,960.6	1,000,069.5	53,615.3	11,108.9	5.7	1.1
Center IES	211,709.0	221,847.2	223,676.6	11,967.6	1,829.4	57	0.8
Middle Volga IES	99,344.2	104,992.0	108,005.0	8,660.8	3,013.0	8.7	2.9
Ural IES	239,320.4	248,730.5	254,597.5	15,277.1	5,867.0	6.4	2.4
North-West IES	88,811.6	92,722.7	92,554.1	3,742.5	-168.6	4.2	-0.2
South IES	78,099.3	82,408.5	85,748.6	7,649.3	3,340.1	9.8	4.1
Siberia IES	200,924.1	208,353.9	204,966.3	4,042.2	-3,387.6	2.0	-1.6
East IES	28,245.6	29,905.8	30,521.4	2,275.8	615.6	8.1	2.1

The annual total of the number of hours of utilization of installed capacity for UES of Russia in 2011 amounted to 4,702 hours:

- Combined heat and power plants – about 4,635 hours, or 52.9% of calendar time (installed capacity utilization factor);
- Nuclear power plants – 7,131 hours (81.4% of calendar time);
- Hydro power plants – 3,492 hours (39.9% of calendar time);
- Power plants of industrial enterprises – 5,050 hours (57.6% of calendar time).

The data provided were obtained from the Report on Functioning of UES of Russia in 2011, prepared by JSC “System Operator of the United Power System”.

The Russian Federation data provided were obtained from the Report on the Functioning of UES of Russia in 2011, prepared by JSC “System Operator of the United Power System”. Data on INTER RAO UES Group were obtained from internal corporate reports.

⁸ In October 2011, the temperature exceeded the temperature norm by 3.5°C and it exceeded by 1.7°C the average monthly temperature of the same period last year. Due to this fact, in October 2011 energy consumption in UES of Russia decreased in general by 0.8%. Compared to the warm November of 2010 (in UES of Russia the deviation of the average monthly temperature from the norm was +5.4 °C) the increase in electricity consumption in 2011 amounted to 4.5%. In December 2010, the average monthly temperature in UES of Russia corresponded to the norm -11.9°C. In December 2011, there was a significant temperature increase, thus the average monthly temperature in UES of Russia exceeded the norm by 5.4 °C.

Installed capacity utilization factor of power stations of UES of Russia and IES in 2010 and 2011 (%)

Table 9: Installed capacity utilization factor of power stations of UES of Russia and IES in 2010 and 2011 (%)

Name of energy system	2010				2011			
	CHPP	HPP	NPP	CHPP of industrial enterprises	CHPP	HPP	NPP	CHPP of industrial enterprises
UES of Russia	52.9	40.8	81.6	56.0	52.9	39.9	81.4	57.6
Center IES	47.3	23.6	80.7	54.7	47.3	21.7	78.5	58.9
Middle Volga IES	42.1	33.4	90.5	48.8	43.3	32.9	92.5	46.7
Ural IES	66.9	28.7	74.8	77.2	66.2	29.7	80.9	77.7
North-West IES	46.4	50.8	75.8	46.3	47.2	47.1	76.6	48.3
South IES	50.4	40.6	89.3	32.0	50.7	37.1	90.2	36.8
Siberia IES	53.5	44.4	-	51.0	51.4	44.7	-	47.6
East IES	37.7	39.2	-	19.2	42.0	34.5	-	21.0

1.4.1.2.4. Production Share of the Russian assets of JSC “INTER RAO UES”

As of the end of 2011, the installed electric capacity in Russia totalled 218.1 GW, including 149.2 GW of CHPP capacity. The share of the Segment’s generating assets comes to 10.2% of the total installed capacity and 14.9% of electric capacity of Russian CHPPs. In 2010 the same indicators were 6.2 and 9.0% respectively. The growth of the Segment’s share in the Russian energy sector is connected with the entry into the JSC “WGC-3” Group.

The share of the Segment’s power plants in the total electricity production in Russia in 2011 reached 10.0%, while the share in thermal energy output was 3.8%. In 2010 the same indicators were 6.8 and 3.8% respectively.

Generation Share of the Russian Assets of t JSC “INTER RAO UES” in Russia

Table 10: Generation Share of the Russian Assets of t JSC “INTER RAO UES” in Russia

Indicator	2010			2011		
	Russian Federation	INTER RAO UES Group	Group’s share (%)	Russian Federation	INTER RAO UES Group	Group’s share (%)
Installed electrical capacity by the end of the year, GW	230.0	14.2	6.2	218.1	22.3	10.2
including CHPP, GW	158.1	14.2	9.0	149.2	22.3	14.9
Electricity production, bn kWh	1,038.0	70.6	6.8	1,019.4	111.1	10.0
including CHPP, bn kWh	699.2	70.6	10.1	691.4	101.7	14.7
Thermal energy output, ths Gcal	517.7	19.5	3.8	518.9	19.5	3.8

*Exclusive of JSC “Stend” (110 MW)

The data provided regarding the Russian Federation were obtained from the Report on the Functioning of UES of Russia in 2011, prepared by JSC “System Operator of the United Power System”. The data provided regarding INTER RAO UES Group were obtained from corporate reports.

1.4.1.2.5. Segment Production Results

Table 11: Segment Production Results

Production													
	Units	JSC "INTER RAO UES"			OGK-1			TGK-11			WGC-3		
		2010	2011	2011 /2010 %	2010	2011	2011 /2010 %	2010	2011	2011/ 2010 %	2010	2011 (2-4 quarter)	2011/ 2010 %
Installed capacity (by the end of the year)	MW	2,258	2,091	93	9,861	9,861	100	2,051	1,971	96		8,357	
Fuel type (structure of fuel balance)	coal/gas/liquid fuel	0.0/100.0/0.0	0.0/100.0/0.0		9.1/90.6/0.3	7.5/92.2/0.3		51.6/48.0/0.4	53.5/46.0/0.5			43.8/55.1/1.1	
Electricity generation in Russia	m kWh	1,038,000	1,019,400	98	1,038,000	1,019,400	98	1,038,000	1,019,400	98		1,019,400	
Electricity generation in the Segment	m kWh	9,220	13,520	147	52,356	55,548	106	9,057	8,685	96		23,952	
Share of the IRAO Russian assets in electricity generation in Russia	%	0.9	1.3		5.0	5.4		0.9	0.9			2.3	
Equivalent specific fuel consumption (ESFC) for electricity	g of equivalent fuel/kWh	245	247	100	330	329	99	347	340	98		345	
Average ESFC for electricity in the industry	g of equivalent fuel/kWh	334	No data		334	No data		334	No data			No data	
Installed capacity utilization factor (ICUF)	%	57	69	121	61	64	105	50	48	96		46	

Average ICUF in the industry	%	52 (CHPP - 51)	55		52 (CHP P -51)	55		52 (CHP P 51)	55			55	
Thermal energy output in Russia	thousand Gcal	518,900	518,000	100	518,900	518,000	100	518,900	518,000	100		518,000	
Thermal energy output in the Segment	thousand Gcal	1,273	1,515	119	1,331	1,236	93	16,894	15,985	95		841	
Share of the Russian assets of IRAO in thermal energy generation in Russia	%	0.2	0.3		0.3	0.2		3.3	3.1			0.2	
Equivalent specific fuel consumption (ESFC) for thermal energy	kg of equivalent fuel/Gcal	142	135	95	171	171	100	145	145	100		180	
Average ESFC for thermal energy in the industry	kg of equivalent fuel/Gcal	144	No data		144	No data		144	No data			No data	

Electricity generation in 2011 totalled 111.1bn kWh, which exceeded the previous year's generation by 44%. This was mainly due to JSC "WGC-3" merger with the Group and to the increase in the Installed Capacity Utilization Factor (ICUF) for the Group from 53 to 56%. Thermal energy output totalled 19.5 Gcal, which was equal to the preceding year's output.

The equivalent specific fuel consumption on the electricity distribution based on the data for 2011 was 324 g/kWh, which is 1.3% higher than the previous year's value of the same indicator and 3.2% higher than the average indicator of thermal electric energy in Russia in 2010. The increase in the energy efficiency of electricity generation is due to growth of average equipment load and the increase in electricity generation in the relatively more efficient steam-gas cycle from 9 to 12%.

The equivalent specific fuel consumption on the electricity output based on the data of 2011 was 148.2 kg/Gcal, which is 0.3 g/Gcal lower than in 2010. This decrease is due to the beginning of thermal energy output from the highly efficient equipment of "Kaliningradskaya TEC 2".

1.4.1.2.6. Segment Financial Results

Table 12: Segment Financial Results

		Generation in the Russian Federation											
	Units	JSC “INTER RAO UES”			OGK-1			TGK-11			WGC-3		
		2010	2011	2011/2010 (%)	2010	2011	2011/2010 (%)	2010	2011	2011/2010	2010	2011	2011/2010
Revenue	m RUB	12,595	18,777	49%	49,133	55,653	13%	19,323	21,024	9%	-	31,094	100%
INTER RAO UES Group Share in the Revenue	%	3%	4%		11%	10%		4%	4%		-	6%	
Operating expenses, including													
Electricity and power acquisition expenses	m RUB	-	-	0%	(5,428)	(4,741)	(13%)	(892)	(1,443)	62%	-	(1,768)	100%
Fuel acquisition expenses	m RUB	(5,872)	(9,452)	61%	(27,295)	(33,150)	21%	(8,997)	(9,695)	8%	-	(18,828)	100%
Share in profit/losses of jointly controlled companies	m RUB	-	-	0%	256	1 711	568%	-	-	0%	-	-	
EBITDA	m RUB	3,605	5,847	62%	6,827	8,934	31%	1,860	1,633	-12%	-	1,593	100%
EBITDA margin	%	29%	31%		14%	16%		10%	8%		-	5%	
INTER RAO UES Group share in EBITDA	%	11%	14%		20%	21%		5%	4%		-	4%	

1.4.1.2.7. Segment Development Prospects

The Group's innovative development program projects achievement of the following target indicators in 2012:

- Installed electrical capacity for the Segment of 24,118 MW;
- The share of progressive energy technologies in the installed capacity – 13.06%;
- Equivalent specific fuel consumption for electricity output – 319.5 g/kWh;
- Specific electricity consumption for own needs – 4.5%.

Work on enhancing the technical level and economic efficiency of the Segment and on achieving target indicators is progressing in two directions:

- Modernization and upgrading of the energy-generating equipment pool, with transition to new technologies,
- Ensuring maximum effective use of existing equipment.

The investment program of JSC “INTER RAO UES” stipulates the commissioning of the following in 2012:

- CCP-325 MW power-generating unit at “Ivanovo Thermal-Gas Plant”;
- CCP-450 MW power-generating unit at “Urengoyskaya TPP”;
- 225-MW coal-fired power-generating unit at “Kharanorskaya TPP”;
- Commissioning after reconstruction of the 210-MW coal-fired power-generating unit No.4 at “Gusinoozyorskaya TPP”;
- CCP-90 at “Omskaya CHPP-3”;
- GTP-16 with waste heat recovery boilers to generate heat at Tomsk peak reserve boiler house ;
- Modernised turbine PT-50-130 plant No. 12 with a 10-MW increase in its capacity at “Omskaya CHPP-3”.

Effective use of the installed capacity of existing equipment is further enhanced through a system of measures that maintain the technical and economic indicators of the equipment on a standard level or improve them and this involves the following set of measures:

- Upgrade of the principle process equipment, improvement of the thermal cycle arrangements and sale of surplus thermal energy;
- Optimizing operating regimes of power-generating equipment;
- Efficient use of co-generation of electricity and thermal energy, increasing combined heat and power at TTPs and CHPPs, including by way of transferring to a combined cycle for steam-power heat-generating equipment, raising the load of combined heat and power removal of turbines and the transfer of heat loads from the distribution company to CHPPs;
- Elimination of plant- and system-based disruptions and restrictions in use of installed capacity in terms of cooling towers, steam-generating boilers and fuel quality because of the insufficient throughput capacity of mains networks;
- Realization of the CHPP energy-saving potential by reducing losses and energy expenses on own production and business needs through introduction of a frequency-controlled drive and hydraulic couplings;
- Automation of technological and production processes, especially in labour-intensive sectors of boiler shops, fuel feeding, ash removal, improvement of the staffing structure and enhancing labour efficiency.

1.4.1.2.8. Brief Factor Analysis of Indicators Dynamics

Growth in the EBITDA value (46.5%) for “Power Generation in the Russian Federation” segment in 2011 was a result of the rise in indicators for a number of power-generating assets:

JSC “INTER RAO UES” by 62% (by 2,242,000,000 RUB)

Revenue from the parent company’s generating assets grew by 49% compared with the same period for the previous year. This increase is explained by the considerable growth in the volumes of electricity and capacity supply, including in connection with commissioning for industrial production the second unit of t“Kaliningradskaya TEC” in December 2010 and the increased power generation at the “Sochinskaya TPS”. At the same time, there was a fall in the volume generated at the “Sochinskaya TPS” because of the long-term repair of the plant’s entire gas turbine equipment in the first quarter of 2011.

OGK-1 Group by 31% (by 2,107,000,000 RUB).

The growth in the indicator in 2011 was a result of the rise in revenue by 6.52bn RUB (by 13.24%) on account of an increase in electricity generation linked with the growth in electricity consumption in the regions where the Group’s production assets are present, a rise in the prices of the wholesale market for electricity and power due to low winter temperatures and a drop in production by hydro power plants.

Another growth factor was the acquisition in the first six months of 2011 of 81.93% of the common stock of JSC “WGC-3”, which increased the EBITDA value for the segment by 1,593,000,000 RUB.

1.4.1.3. Trading in the Russian Federation and Europe

1.4.1.3.1. Description of the Segment

“Trading in the Russian Federation and Europe” segment constitutes the trading operations of JSC “INTER RAO UES”, RAO Nordic Oy and UAB “INTER RAO Lietuva”.

The basis of the electricity exports of JSC “INTER RAO UES” in physical volume in 2011 was comprised of supplies to Finland (45%), Lithuania (26%) and Belarus (15%). This fact is down to the relatively high prices of these regional markets compared with the market of the Russian Federation, the balance of energy of these energy systems and the existence of a network infrastructure. In addition, electricity was supplied to the energy systems of Georgia, Kazakhstan, South Ossetia and Azerbaijan. The total volume of export supplies in 2011 (exclusive of supplies under agency agreements with JSC “Eastern energy company”) amounted to 21,207,000,000 kWh, which is 20% more than in 2010. Electricity imports into Russia were predominantly from Kazakhstan’s energy systems, as well as from Georgia and Azerbaijan, and amounted to 3,403,000,000 kWh, against 2,867,000,000 kWh in 2010. The purchase and sale of electricity to secure export supplies were made on the wholesale market for electricity and power of the Russian Federation, both in price zones and in the non-price zone of the Kaliningrad Region.

In 2011, as in 2010, supplies were made to contracting parties who were subjects of the regional markets, independently performing further supply of electricity. In 2011, JSC “INTER RAO UES” also began direct trading in electricity on the Scandinavian Nord Pool. This new tool facilitates more flexible accounting of the differences between the operating rules of the energy markets of Russia and Finland, and it raises the efficiency of trading operations and commercial risk management in the company.

RAO Nordic Oy is a subsidiary of JSC “INTER RAO UES” and a legal entity incorporated under the laws of the Republic of Finland. RAO Nordic Oy was registered on October 15, 2002. The company is an outpost of JSC “INTER RAO UES” on the European market.

RAO Nordic Oy conducts its trading operations in the import of electricity from Russia, purchasing it from JSC “INTER RAO UES” under a supply agreement with subsequent re-sale of this electricity in the Finnish price zone of the Nord Pool electricity market of Northern European countries and the sale to direct contracting parties. The company operates on a single electricity market for countries of Northern Europe – Nord Pool. Nord Pool has a zonal differentiation of prices for electricity (Norway – 5 zones; Denmark – 2 zones; Sweden – 4 zones; Finland and Estonia). RAO Nordic Oy operates in the Finland price segment.

In addition to physical trading activity, RAO Nordic Oy actively trades in standard energy product derivatives on the Nasdaq OMX Commodities exchange and in structured products designed for the client based on bilateral contracts with direct contracting parties. The company offers standard and individual energy solutions for major industrial enterprises and for enterprises operating in the electricity sector. In particular, contracts on price differences at different periods of time, different option strategies and electricity procurement agreements.

In 2011 the company bought up a total of 7,324,000,000 kWh from JSC “INTER RAO UES”, which is considerably more than in 2010, when the figure was 5,231,000,000 kWh.

Company sales on the Nord Pool market jumped significantly, reaching 6,161,000,000 kWh compared with 4,238,000,000 kWh in 2010, while supplies to contracting parties did not rise much. In 2011 RAO Nordic supplied 1,182,000,000 kWh to direct consumers. In 2010 this figure was 1,001,000,000 kWh.

The main lines of business of UAB “INTER RAO Lietuva” (51% of the shares in which are owned by RAO Nordic Oy, 49% – by the Lithuanian investment company Scaent Baltic) are the following: export and import of electricity, trading in electricity in the country’s domestic market and power generation. In 2011 the company purchased from JSC “INTER RAO UES” a total of 5,543,000,000 kWh, which exceeds the 2010 figure by 431,000,000 kWh. The total volume of electricity sold in 2011 was 7,994,000,000 kWh, of which 6,217,000,000 kWh was sold on the country’s domestic market, 1,564,000,000 kWh in Latvia and 213,000,000 kWh in Estonia. The volume of electricity sold by UAB “INTER RAO Lietuva” rose by 47% in 2011 compared with 2010 supplies, a result primarily of an increase in trading operations on Lithuania’s domestic energy market (approximately 33% growth) – an increase in direct contracts with consumers; almost a doubling in supply volumes to Latvia as there were technical conditions for supplies of electricity from the Kaliningrad Region. UAB “INTER RAO Lietuva” is actively developing wholesale and retail trading operations in Estonia. Starting from March 1, 2011 supply of electricity Estonia began. The company’s market share in Lithuania equals 43%; in Latvia – 22% and in Estonia – 3%. The key factors that influence both the status of the sector as a whole and the activity of UAB “INTER RAO Lietuva” in 2011 appear to be the rising demand for electricity, the rise in prices for energy resources within the country and the favourable pricing situation for purchasing imported electricity from Russia.

In 2011, after repairs were completed with “Smolensk Nuclear Power Plant– Belarusskaya 750-kW Electrical Power Line”, which lasted for just the course of 2010, supplies were also restarted to Belarus. Electricity supplies were made both under commercial supply contracts and as part of work performed in parallel and emergency assistance to foreign energy systems. In particular, 2011 saw contracts for electricity supply while rendering emergency assistance between UES of Russia and UES of Ukraine and the energy systems of the Baltic States, Azerbaijan, Georgia and Kazakhstan; work was performed on concluding such contracts with the energy system of Belarus as well. In 2011 JSC “INTER RAO UES” supplied electricity in enforced regimes, to ensure the reliability of power supplies to the Sochi region and the Republic of Dagestan.

Supplies to China and Mongolia

Electricity supplies to China and Mongolia in 2011 were made by JSC “Eastern energy company”, a subsidiary of JSC “INTER RAO UES”. The total export volume in these areas came to 1,502,000,000 kWh, 25% more than in the year 2010. The volume of electricity exported to China in 2011 was 1,238,000,000 kWh, 26% more than 2010 supplies. The rise in supply volumes is linked primarily with the commissioning of a new 500 kW interstate power line Amurskaya-Heihe, significantly increasing the export capabilities of Russia to China. What is more, in 2011, in the trading segment, JSC “INTER RAO UES” began working on the Russian market for financial instruments for electricity – the futures market, trading on the Moscow Energy Exchange. Accessing this segment of the market was a result of the need to hedge price risks on the electricity market. In all, during 2011 hedging operations were performed at a total volume of more than 44m RUB.

1.4.1.3.2. Description of Markets

In the countries to which JSC “INTER RAO UES” supplies electricity, the following market platforms are in operation: NordPool – in Scandinavian countries and Estonia and BaltPool – in Lithuania. Supplies to Belarus were made to the vertically integrated energy company GPO Belenergo. Trading is represented on the NordPool and BaltPool exchange platforms in different sectors: the day-ahead market, intraday trading and a set of secondary financial instruments. The annual average price of the Finnish zone of the NordPool market in 2011 amounted to EUR 49.3/MWh as opposed to EUR 56.64/MWh in 2010 and in the Estonian zone of NordPool in 2011 it was EUR 43.26/MWh as opposed to EUR 49.3/MWh in 2010. The average annual price of the BaltPool market in 2011 amounted to EUR 45.3/MWh, as opposed to EUR 46.3/MWh in 2010.

A significant fall in the average annual price of the Finnish and Estonian zones of the NordPool market was due to an increase in water reserves in the reservoirs of hydroelectric power plants from September 2011 in these countries, as opposed to the low level of 2010/early 2011 and, as a consequence, the increase in their own generation of electricity at the hydro power plants.

1.4.1.3.3. Export/Import share in Russia

INTER RAO UES Group is the only member of the Russian wholesale market for electricity and power that is engaged in export and import of electric power purchased on the wholesale market.

1.4.1.3.4. Segment Production Results

Table 13: Segment Production Results

	Units	2010	2011	2011/2010
Electricity sold, including	m kWh	20,945	26,406	126%
Russian Federation	m kWh	2,867	3,403	119%
Finland	m kWh	10,543	9,654	92%
Lithuania	m kWh	4,680	6,217	133%
Belarus	m kWh	29	3,173	10,941%
Latvia	m kWh	771	1,564	203%
other	m kWh	2,055	2,182	106%

Electricity sales volumes in the trading segment in physical figures (exports from Russia minus supplies to RAO Nordic Oy, UAB “INTER RAO Lietuva” and under agency agreements with JSC “Eastern energy company”, allowing for imports on the wholesale market for electricity and power and the sales of RAO Nordic Oy and UAB “INTER RAO Lietuva” on the domestic and international markets) in 2011 rose compared with 2010 by 5,461,000,000 kWh and amounted to 26,406,000,000 kWh, which is linked with the restart of supplies to Belarus of some 3,173,000,000 kWh and with the increase in sales volumes of the markets of the Baltic States and Finland. At the same time, electricity sales volumes on the Finnish domestic market by RAO Nordic Oy increased by 40% compared with 2010 and amounted to 7,343,000,000 kWh, compared with 5,239,000,000 kWh in 2010; energy sales volumes by UAB “INTER RAO Lietuva” increased by 47% compared with 2010 and constituted 7,994,000,000 kWh compared with 5,455,000,000 kWh in 2010, linked mostly with the favourable price offers on the domestic markets of these countries and increased supplies from Russia to the companies in the Group.

Segment Production Results in 2011

Table 14: Segment Production Results

		Trading in the Russian Federation and Europe		
		2010	2011	2011/2010
	Units			
Revenue, including	m RUB	46,302	56,525	22%
Russian Federation	m RUB	13,973	13,551	(3%)
Finland	m RUB	20,925	19,008	(9%)
Lithuania, Latvia, Estonia	m RUB	8,755	14,590	67%
Belarus	m RUB	47	5,553	11,715%
Other	m RUB	2,602	3,823	47%
Share in the revenue of INTER RAO UES Group	%	10%	11%	
Electricity and capacity purchase expenses	m RUB	(33,033)	(44,396)	34%
Electricity transmission expenses	m RUB	(4,800)	(6,473)	35%
EBITDA	m RUB	7,011	5,316	(24%)
EBITDA margin	%	15%	9%	
Share in the EBITDA of INTER RAO UES Group	%	21%	13%	

1.4.1.3.6. Segment Development Prospects

For the year 2012, it is expected that in the segment of JSC “INTER RAO UES” the demand, volumes and the pricing situation for supplies to Lithuania and Belarus will remain the same. Supply volumes to Lithuania and Belarus will be determined primarily based on balance-sheet consumption (the correlation between the region’s power consumption and its power generation) of the energy systems and it is expected to be on more or less the same level as in 2011.

In 2012 a certain drop is possible in supply volumes to Finland as compared with 2011, allowing for the low pricing situation on NordPool and the higher purchase price on the Russian wholesale market. With a positive pricing situation in place, the throughput capacity of the existing transboundary Russia-Finland transfer is utilised at a level that is close to maximum. As regards electricity imports, it is also forecast that the principal supply directions and supply volumes will remain about the same. The Segment’s development prospects are seen at the start of application of the interstate transmission of electricity as part of the Russia-Kazakhstan-Belarus Common Economic Space, which envisages an increase in the volume of energy exchange in the CES. In 2012 an expansion of the Group’s presence is assumed in the trading segment on the Scandinavian market. Electricity sales alongside RAO Nordic Oy will be performed by Inter Green Renewables and Trading AB (Sweden), which is a subsidiary of RAO Nordic Oy.

The general development trends of the electricity sector in 2011 and 2012 in UAB “INTER RAO Lietuva” segment are seen as moderately optimistic, which is associated with the following events that occurred in the reporting year and had a profound impact on the industry:

- A rise in demand for electricity in the region of about 2-3 %;
- A successful start for electricity exchanges in Lithuania and Estonia;
- Rising electricity prices in the Russian Federation.

In order to stabilise its position in the industry, UAB “INTER RAO Lietuva” is taking the following steps: the company is actively developing trade in the retail segment of the market and

is creating a base of prospective new consumers, analyzing the possibility of starting trading in new markets; the priority is to start trading in Estonia, creating a broad contractual base with all major companies in the region.

1.4.1.3.7. Brief Factor Analysis of Indicators Dynamics

“Trading in the Russian Federation and Europe” segment constitutes the trading operations of JSC “INTER RAO UES,” RAO Nordic Oy, and UAB “INTER RAO Lietuva”.

In 2011 RAO Nordic Oy purchased 980 MW of capacity from JSC “INTER RAO UES” for further sale of electricity to the Nord Pool market and to Finnish trading companies. The significant increase in sales volumes (by 39.9%) is explained by an increase in demand for electricity. As a result of the increasing volumes of electricity procurement, the Russian market is experiencing a significant rise in expenses on transit and dispatcher control and also infrastructure arrangements on the national energy market. There has also been a rise in general business expenses linked with reflecting the costs of maintaining the Audit Committee and the expenditure incurred in liquidation of subsidiary company Saint Guidon.

UAB “INTER RAO Lietuva” performs export and import of electric power, trading in electricity in the domestic market and in neighbouring countries.

In 2011 the volume of electricity sold by UAB “INTER RAO Lietuva” rose by 47%. This significant rise in sales volumes is linked with a successful strategy for sales of electric power to consumers in the Baltic States and with a change in the sales structure in Lithuania as, in later 2010, a number of contracts were signed with suppliers and consumers for guaranteed sales of electricity which then facilitated an increase in electricity sales.

The total volume of electric power sold over 2011 amounted to 7,994,000,000 kWh, of which 6,217,000,000 kWh was sold on the country’s domestic market, 1,564,000,000 kWh – in Latvia and 213,000,000 kWh – in Estonia.

In 2011 the basic electric power exports of JSC “INTER RAO UES” in physical volume were supplies to Finland (45%), Lithuania (26%) and Belarus (15%). This fact is due to the relatively high prices of these regional markets compared with the Russian market, the balance of energy of these energy systems and the existence of a network infrastructure. In addition, electric power was supplied to the energy systems of Georgia, Kazakhstan, South Ossetia and Azerbaijan. The total volume of export supplies in 2011 (not counting supplies under agency agreements with JSC “Eastern energy company”) amounted to 21,207,000,000 kWh, which is 20% more than in 2010.

Alongside the increase in the volumes of electric power purchased and sold, there was a significant increase in expenses incurred on the services of infrastructure organisations of the national energy market due to the growth of turnover (by 41.9%).

1.4.1.4. Armenia

1.4.1.4.1. Description of the Segment

“Armenia” segment includes Hrazdan Power Company, Public joint-stock company with installed capacity of 1110 MW, and “Electric Networks of Armenia”, CJSC.

1.4.1.4.2. Description of Power Plants

Hrazdan Power Company, Public joint-stock company generates approximately 5–6% of all electric power produced in the Republic of Armenia annually.

The station is the largest power station in Armenia. “HrazTES”, PJSC is the largest consumer of Russian natural gas in Armenia. INTER RAO UES Group is the owner of 100 % of the shares forming the authorized capital of Hrazdan Power Company, Public joint-stock company. At the end of 2011, total energy generation came to 628m kWh.

“Electric Networks of Armenia”, CJSC is the sole national company in the Republic of Armenia which distributes and supplies electric power, provides distribution and sale of 100 % of electric power consumed in the country (more than 940,000 subscribers).

The company has 12 branches located on the entire territory of the Republic of Armenia. There are electric networks in its ownership with voltage of 0.4-110 kV, consisting of 24,800 km of overhead power lines, 5,400 km of cable power lines, 324 transformer substations, 7,956 transformer points.

At the end of 2011, for “Electric Networks of Armenia”, CJSC, electric power sales amounted to 5,071m kWh.

1.4.1.4.3. Description of the Armenian Energy Sector

The electric power market is regulated by the state, represented by the Public Services Regulation Commission.

In Armenia, hydro power plants generate about 35 % of electric power. Other generation is distributed between the Armenian Nuclear Power Plant and three thermal stations.

The largest hydropower stations are part of Sevano-Hrazdansk (7 HPPs) and Vorotansk (3 HPPs) cascades. The Gyumush Hydro Power Plant (also known as Argel Hydro Power Plant) with capacity of 224 MW on the Razdan river is the largest hydro power plant of Armenia.

Armenian (Medzamor) Nuclear Power Plant (was managed by JSC “INTER RAO UES” until March 1, 2012) generates 30% of all electric power of Armenia. The first generating unit of the power plant was put into operation in 1976.

The total installed capacity of power plants of Armenia as of 2011 was approximately 3300 MW.

Subjects of the electric power market are:

- “Electric Networks of Armenia”, CJSC;
- CJSC “Raschetnij Zentr” ;
- Large-scale power-generating enterprises:
 - Armenian Nuclear Power Plant with a capacity of 408 MW;
 - Hrazdan Power Company, Public joint-stock company, with a capacity of 1110 MW;
 - CJSC “Erevanskaya TEZ” (Erevanskaya Combined Heat and Power Plant), a combined cycle plant with a capacity of 220 MW;
 - CJSC “MEK” with a capacity of 561.4 MW;
 - CJSC “Vorotanskaya Sistema GES” with a capacity of 405.4 MW;
 - as well as:
 - 95 mini hydro power plants;
 - a wind power plant;
 - a biomass power plant;

- CJSC “Visokovoltnie elektricheskie seti”;
- CJSC “Operator elektroenergeticheskoi sistemy”.

Segment Generation Share in the Country

Table 15: Segment Generation Share in the Country (%)

Name	2010	2011
HrazTES”, PJSC	6.7	11.1

Distinctive characteristics of the segment:

- Exclusive positions in distribution sector;
- Well-run relations with executive authorities;
- Well-run business relations with the management of various structures in the electric power industry;
- Possibility of power export to neighboring countries.

1.4.1.4.5. Segment Production Results in 2011

Table 16: Segment Production Results

Indicators	Units	Generation			Grids		
		2010	2011	2011/2010	2010	2011	2011/2010
Installed capacity	MW	1,110.0	1,110.0	100.0	-	-	-
Fuel type (fuel balance structure)	Coal/gas/fuel oil	Gas	Gas	-	-	-	-
Energy generation in the Country	m kWh	6,491.4	7,432.7	115%	-	-	-
Energy generation in the segment	m kWh	348.4	628.1	180.3	-	-	-
Share of energy generation by the Segment in the country	%	6.7	11.1	166.7	-	-	-
Specific reference fuel consumption for energy generation	Goe/kWh	373.1	360.6	(3.4)	-	-	-
Installed capacity factor	%	4.9	8.9	181.8	-	-	-
Total length of power lines in the segment	km	-	-	-	30,218.18	30,218.18	100.0%
Actual net generation in the segment	m kWh	-	-	-	4,637.88	5,070.84	109.3%
Actual net generation in the country	m kWh	-	-	-	4,637.88	5,070.84	109.3%

In comparison with 2010, energy generation for the segment increased by 80.3% in connection with energy increase in demand. In comparison with 2010, the specific reference fuel consumption decreased by 3.4% in connection with energy generation increase and operational changes. In 2011, the installed capacity factor increased by 81.8% in connection with the increased station loading. All thermal energy generated by “HrazTES”, PJSC, is spent for own needs.

Segment Financial Results in 2011

Table 17: Segment Financial Results

		Armenia					
	Units	Generation			Grids		
		2010	2011	2011/2010 %	2010	2011	2011/2010 %
Revenue*	m RUB	1,222	1,485	22%	8,132	8,604	6%
Share in INTER RAO UES Group revenue	%	0%	0%		2%	1%	
Electricity and capacity purchase expenses*	m RUB	(25)	(16)	(36%)	(3,658)	(4,662)	27%
Electricity transmission expenses	m RUB	-	-	0%	(251)	(349)	39%
Fuel purchase expenses	m RUB	(640)	(1,139)	78%	-	-	0%
EBITDA	m RUB	174	126	(28%)	1,894	1,515	(20%)
EBITDA margin	%	14%	8%		23%	18%	
Share in INTER RAO UES Group EBITDA	%	1%	0%		6%	4%	
* Including intersegment turnovers:							
Revenue	m RUB	1,196	1,485		26	17	
Electricity and capacity purchase expenses	m RUB	(25)	(16)		(1,190)	(1,484)	

1.4.1.4.7. Brief Analysis of Indicators Dynamics

EBITDA decrease was caused mainly by the influence of changes in the indicators of “Electric Networks of Armenia”, CJSC. In 2011, at sales growth by 9.9 %, and relatively constant cost reduction, the profit margin decreased, mainly due to growth of the tariff for the electric energy supply and transit. At the same time, the tariff for electric power sales did not change. Also, in March 2011, CJSC International Power Corporation withdrew from the business segment and from the Group, however this did not affect segment’s activity results considerably.

1.4.1.4.8. Segment Development Prospects

The Group strategy is focused on realizing the following projects:

- Optimization of overall performance and diversification of “ENA”, CJSC, business
- Establishing long-term tariffs

Up to 2020, in the region, realization of some projects for strengthening interstate relations is planned. The realization of all building plans may cause radical modification in the configuration of IES/UES and Armenia-Iran-Turkmenistan synchronous zones.

In the medium term, the capacity and electric power redundancy in Armenia will not change.

1.4.1.5. Georgia

1.4.1.5.1. Description of the Segment

The segment includes JSC Telasi, Mtkvari Energey LLC (thermal power plant), JSC Khamhesi I and JSC Khamhesi II (cascade of hydro power plants).

1.4.1.5.2. Description of Power Plants

JSC Telasi is one of largest grid companies in Georgia, performing electric energy distribution and supply, serving the capital of Georgia – Tbilisi, and its suburbs.

JSC Telasi has 16 branches serving more than 475,000 subscribers. The company owns networks with 0.4–110 kV, 1660 km of overhead power lines, 2,077 km of cable transmission and 1585 transformer substations.

JSC Telasi exports electric power to the Russian Federation and Turkey. At the end of 2011, the electric power sales volume reached 2 167m kWh.

The Group is the owner of more than 75% of the shares of authorized capital of JSC Telasi, Georgia is the owner of less than 25% of shares.

Mtkvari Energey LLC is the most up-to-date thermal power plant of Georgia, annually developing 10% of all electric power produced in the country.

The company is the owner of two generating units. For the operating generating unit with installed capacity of 300 MW gas is used as fuel.

Electric power output is realized under contracts concluded with JSC Telasi and with the commercial operator of the Georgian electric power market. At the end of 2011, electric power output reached 1338m kWh.

The Group is the owner of 100% of Mtkvari Energey LLC authorized capital.

JSC Khamhesi I and JSC Khamhesi II form a cascade of hydro power plants on the Khami River. These hydroelectric power plants generate more than 5% of all electric power produced in Georgia.

The total installed capacity of the two hydroelectric power stations is 226.8 MW. Both hydroelectric power stations are operational; their operation is performed all year long.

Electric power is supplied under contracts concluded with JSC Telasi. At the end of 2011, the electric power sales reached 708m kWh.

Before Q1 2011, the Republic of Georgia was the owner of shares forming the authorized capital of both companies, and the Group had the rights of management of JSC Khamhesi I and JSC Khamhesi II until 2024. Currently, Gardabani Holdings B.V., a subsidiary of JSC “INTER RAO UES”, is the owner of 100% of JSC Khamhesi I and JSC Khamhesi II shares.

1.4.1.5.3. Description of Markets

The power supply system of Georgia is excessive in summer (May-August) and has a shortfall in winter. The total installed capacity in Georgia is approximately 3800 MW. In the country’s electric power generation, hydroelectric power plants prevail.

The Inguri Hydro Power Plant with installed capacity of 1,300 MW is the largest power station in Georgia. The station generates 3.8bn kWh of electric power per year which accounts for 42% of the electric power produced in Georgia.

Gas power plants and imported electric power satisfy the peak demand of the winter period. In Georgia two main thermal power stations are in operation: Mtkvari Eneregy LLC and Energy Invest, with total installed capacity of approximately 860 MW.

A great hydropotential is concentrated in Georgia, so the energy sector’s development progresses mainly through construction of hydro power plants for the purpose of cheap electric power generation for the population and industrial plants needs in the autumn-winter period as well as for export in the summer time. Hydropower generation is highly manoeuvrable, thus in Georgia there are two balancing combined heat and power plants during the winter power loads.

Segment Generation Share in the Country

Table 18: Segment Generation Share in the Country

Name	2010	2011
Mtkvari Eneregy LLC	5%	12%
JSC Khamhesi I	3%	3%
JSC Khamhesi II	3%	4%

Segment Production Results in 2011

Table 19: Segment Production Results

Indicators	Units	Generation			Grids		
		2010	2011	2011/2010 %	2010	2011	2011/2010 %
Installed capacity	MW	826.8	826.8	100.0	-	-	-
Fuel type (fuel balance structure)	coal/gas/fuel oil	gas	gas	-	-	-	-
Energy generation in the country	m kWh	11,570.6	11,036.7	95.4	-	-	-
Energy generation in the segment	m kWh	1,262.4	2,046.0	162.1	-	-	-

Share of energy generation by the segment in the country	%	10.9	18.5	169.9	-	-	-
Specific reference fuel consumption for energy generation	Goe/kWh	333	330	99.1	-	-	-
Installed capacity factor	%	17.4	28.2	162.1	-	-	-
Total length of power lines in the segment	km	-	-	-	3,685	3,930	106.6
Actual net generation in the segment	m kWh	-	-	-	1,968	2,167	110.1
Actual net generation in the country	m kWh	-	-	-	8,442	8,904	105.5

In 2011 energy generation for the segment increased by 62.1% in connection with increased energy demand. In comparison with 2010, fuel equivalent specific consumption decreased by 0.9% in connection with the energy generation increase and operational changes. In comparison with 2010, the installed capacity factor increased by 62.1% in 2011 in connection with the increased generation.

Table 20: Segment Financial Results

	Measurement unit.	Georgia					
		Generation			Grids		
		2010	2011	2011/2010 %	2010	2011	2011/2010 %
Revenue*	m RUB	1,136	2,705	138%	4,020	4,476	11%
INTER RAO UES Group Revenue share*	%	0%	0%		1%	1%	
Costs for the electric power and capacity procurement*	m RUB	(94)	(297)	216%	(1,281)	(1,950)	52%
Costs for the electric power transmission	m RUB	-	(38)	100%	(280)	(318)	14%
Cost for the fuel procurement	m RUB	(718)	(1,603)	123%	-	-	0%
EBITDA	m RUB	191	356	86%	1,361	855	(37%)
EBITDA margin	%	17%	13%		34%	19%	
INTER RAO UES Group EBITDA share	%	1%	1%		4%	2%	
* Including intersegment turnovers:							
Revenue	m RUB	271	1,154		-	62	
Electricity and capacity purchase expenses	m RUB	-	(62)		(271)	(1 154)	

1.4.1.5.7. Brief Factor Analysis of Indicators Dynamics

Decrease in EBITDA in the segment was caused by the performance of JSC Telasi, essentially due to disproportionately high growth of operational expenses in comparison with revenue growth.

The cost increase was caused by changes in the electric power purchasing structure in 2011 compared with 2010; particularly, in February-April repair work was performed at Inguri GES, the basic energy producer in the Republic with the lowest tariff, and as a result in January-April, 2011, electric energy was bought from more expensive suppliers, including Mtkvari Energy LLC.

In turn, the EBITDA indicator for Mtkvari Energy LLC increased due to electric power sales increasing by 130% compared with 2010.

1.4.1.5.8. Segment Development Prospects

Taking into account the forecast electric power demand for a realistic version of the nation's economic development, power consumption in 2015 will increase 1.3 times compared with 2010, making this segment a promising and efficient investment along with the high rate of potential GDP growth and power consumption per capita of about 6% annually to 2020.

1.4.1.6. Moldova

1.4.1.6.1. Description of the Segment

The Moldova segment includes CJSC "Moldavskaya GRES".

1.4.1.6.2. Description of Power Plants

CJSC "Moldavskaya GRES" is located in the South-East of the Pridnestrovian Moldavian Republic (PMR), on the western coast of the Kuchurgansky estuary on border with the Odessa Region, Ukraine. CJSC "Moldavskaya GRES" is a thermal power station with 12 power units having a total installed capacity of 2520 MW. In March, 2005 the station was included into INTER RAO UES Group. INTER RAO UES Group is the owner of 100% of the shares forming the authorized capital of CJSC "Moldavskaya GRES". CJSC "Moldavskaya GRES" is one of the largest thermal stations of this kind on the Continent. Its first power unit of 200 MW delivered current in 1964. After that new blocks were put into operation almost annually. The station can produce electric power using various fuel types, such as natural gas, power station coal and fuel oil. The electric power output is delivered to consumers of the Pridnestrovian Moldavian Republic, Moldova and Romania.

Owing to reduced loading, and also considering the basic facility wear rate, the PMR Government decided to take some blocks out of service and to suspend them, ensuring equipment safety. Therefore, power units No. 2, 3, and 6 are now suspended. The power units No.8 and 9 are being reconstructed. In 2011, the available output of the CJSC "Moldavskaya GRES" was 1770 MW.

CJSC "Moldavskaya GRES", as a generating unit, is an integral part of the unified energy system of Moldova and Ukraine. Its outdoor switchgears (110, 330 and 400 kV) are extremely important in electric power transfer for Ukrainian and Moldavian consumers and possible transfer to the European Union countries.

CJSC "Moldavskaya GRES" meets the electric and thermal energy needs of the Pridnestrovian Moldavian Republic completely.

1.4.1.6.3. Description of Markets

The electric power industry is a key industry in the economy of the PMR accounting for 34.2% of industrial production in the Republic in 2011. The electric power market in the PMR consists of three basic sectors:

- Generation, including two electric power producers: the CJSC “Moldavskaya GRES”, with installed capacity of 2520 MW that represents 98.1 % of the installed capacity of the PMR’s generating companies, and Dubossarskaya Hydro Power Plant, with installed capacity of 48 MW that represents 1.9 % of aggregate installed capacity of the PMR;
- Transfer and dispatch: the natural-exclusive market sector operated by the State Unitary Enterprise “GK Dnestrenergo”;
- Distribution and supply: the exclusive market sector in which GUP “Edinye Raspredelitelnye Elektricheskie Seti” is the only company carrying out electric power resale to end users.

Electric power is sold in wholesale and retail segments of the market. In the domestic market, electric power is bought and sold under adjustable tariffs confirmed annually by decrees of the President of the PMR. CJSC “Moldavskaya GRES” generates electric power for delivery to the domestic market to “GK Dnestrenergo” state company and other large consumers.

The export electric power price is defined on the basis of contractual commitments and is not subject to adjustment. As the PMR is a region with a power surplus, Transdnistria exports electric power to Romania and Moldova. In 2004 Romania became a UCTE (ENTSO-E) member, and the Moldova-Romania border represents the border of nonsynchronous zones. Currently electric power deliveries to Romania are carried out in small volumes on passive islands of loading (“Island” mode) by the lines Vulkanesti-Isakcha 400 kV, Choara-Hush 110 kV, Koteshty-Stynka and are limited by the capacity of the frontier districts of Romania.

Segment Generation Share in the Country

Table 21: Segment Generation Share in the Country

Name	2010	2011
CJSC “Moldavskaya GRES”	93.8	93.3

1.4.1.6.5. Segment Production Results

In 2011, the total amount of generated electric power reached 4 255.424m kWh; production supply to consumers was 3 954.385m kWh.

In 2011, the total amount of thermal power production reached 109.9 thousand Gcal, while the population and the State organizations consumed more than 80% of this amount.

Table 22: Segment Production Results

Production				
	Units	Generation		
		2010	2011	2011/2010
Installed capacity	MW	2,520	2,520	
Fuel type (fuel balance structure)	Coal/gas/fuel oil	1.61/98.37/0.03	2.4/97.3/0.3	

Energy generation in the country	m kWh	4,922.15	4,558.42	92.6%
Energy generation in the segment	m kWh	4,619.15	4,255.42	92.1%
Share of energy generation by the segment in the country	%	93.8	93.3	99.4%
Specific reference fuel consumption for energy generation	Goe/kWh	361.04	361.77	100.2%
Installed capacity factor	%	20.92	19.28	92.16%
Heat power output in the country	thousand Gcal	112.00	118.0	105.3%
Heat power output in the segment	thousand Gcal	112.00	118.0	105.3%
Share of heat power output by the segment in the country	%	100	100	100%

The electric power generation and installed capacity factor in the segment decreased by 7.9 % and 7.8 % respectively in comparison with 2010 as a result of increased delivery volume by Dubossarskaya Hydro Power Plant to the domestic market.

1.4.1.6.6. Segment Financial Activity Results

Table 23: Segment Financial Activity Results

		Moldavia		
	Units	2010	2011	2011/2010
Revenues	m RUB	6,028	5,506	(9%)
Share in INTER RAO UES Group revenue	%	1%	1%	
Electricity and capacity purchase expenses	m RUB	(576)	(122)	(79%)
Electric power transmission expenses	m RUB	(80)	(114)	43%
Fuel procurement expenses	m RUB	(3,644)	(3 322)	(9%)
EBITDA	m RUB	882	1,127	28%
EBITDA margin	%	15%	20%	
Share in INTER RAO UES Group EBITDA	%	3%	3%	

1.4.1.6.7. Brief Factor Analysis of Indicators Dynamics

In 2011 EBITDA of CJSC “Moldavskaya GRES” increased by 28%. In spite of an 8.4% drop in generation compared with 2010 due to the increased delivery volume of Dubossarskaya Hydro Power Plant the gross margin increased mainly on account of a greater price increase in relation to the cost increase.

1.4.1.6.8. Segment Development Prospects

In case investment projects within the limits of synchronization of power units No. 11 and No. 12 of the CJSC “Moldavskaya GRES” and ENTSO-E zone (“Antenna” project) are implemented, it will be possible to increase the volume of supply to Romania, as well as to export to other countries of the Balkan region. Capacity for the antenna scheme will come to not less than 400 MW, i.e. taking into account the intermediate period — 290m kWh per month.

Within “Antenna” project, an Agreement has been signed with “Moldelectrica” State Enterprise about measures to introduce in the Moldovan power supply system at the initial stage of the project of the CJSC “Moldavskaya GRES” power units radial operation for the power supply system of Romania. In 2012 there are plans to coordinate key conditions of the project financing and the investments return with ANRE (Republic of Moldova) and with other organizations according to applicable legal requirements and corporate norms. The choice of the executor to design and realize “Antenna” project, and also completion of design works is planned.

Simultaneously, an agreement has been reached with the system operator of Romania, “Transelectrica” S.A., about joint research into stability modes of the Romania power supply system, taking into account the allocation of CJSC “Moldavskaya GRES” power units for radial operation.

1.4.1.7. Kazakhstan

1.4.1.7.1. Description of the Segment

The Group’s generating units in Kazakhstan are represented by JSC Stantsiya Ekibastuzskaya GRES-2, a thermal power plant with a capacity of 1,000 MW.

1.4.1.7.2. Description of Assets

JSC Stantsiya Ekibastuzskaya GRES-2 is a thermal power plant with installed capacity of 1,000 MW, with two power units of 500 MW, located 38 km to the Northeast of Ekibastuz on the east coast of Lake Shandoksor.

On Ekibastuzskaya GRES-2 boilers allowing the burning of coal with up to 53% of ash are being used for the first time and licensed pulverizer mills of the MPS-2560 type are being applied. On the boiler unit of block No. 2, a two-flame fire chamber with direct-injection burners and phased fuel burning is installed to decrease nitric oxides generated during coal combustion. For ash and slag removal, the air-lift method is used.

The first power unit was brought on line in December, 1990; the second power unit – in December 1993.

1.4.1.7.3. Description of Markets

Today power supply system of Kazakhstan includes three power zones: Northern and Southern, electrically connected between themselves and with adjacent power supply systems of Russia and countries of the Central Asia; and a Western zone consisting of four generating centers – Aktyubinsk, Ural, Atirau and Mangistaus.

The latter three generation centers are not connected electrically with the physically connected power supply system of the North and the South of Kazakhstan.

37 thermal power stations using coals of Ekibastuz, Majkubinsk, Turgajsky and Karaganda basins, generate most of the electric power in Kazakhstan. Ekibastuzskaya GRES-1 is the largest among the constructed stations in Kazakhstan.

In Kazakhstan there are considerable water resources. Theoretically, the capacity of all water resources of the country is 170bn kWh per year. The rivers Irtysh, Ili and Syr-Darya are the main ones. The Buhtarminsk, Shulbinsk, Ust-Kamenogorsk and Kapchagajsk hydro power plants are the largest ones.

At the present moment, about 70 power stations of various types and various patterns of ownership are functioning in Kazakhstan. At the end of 2010, total installed capacity of these stations came to 19,440.5 MW, and available capacity stood at 14 045 MW.

The unified electric power market consists of two levels: the wholesale electric capacity and energy market (OREME) and the regional retail markets of electric power.

In the wholesale market, the energy producing organizations sell the electric power they generate to wholesale buyers (at-large consumers and regional energy commissions) freely. At the same time, the price

of electric power is defined by the sales contracts between the buyer and the seller, and tariffs of the grid companies for electric power transfer through their grids are established by the Regulatory Authority.

1.4.1.7.4. The Segment's Share of Generation in the Country

Name	2010	2011
JSC Stantsiya Ekibastuzskaya GRES-2	6.61	6.86

1.4.1.7.5. Segment Production Results

JSC Stantsiya Ekibastuzskaya GRES-2 Facility			
	2010	2011	2011/2010 %
Installed capacity	1,000	1,000	100.0%
Fuel type (fuel balance structure)	Coal/fuel oil	Coal/fuel oil	
Energy generation in the country	82,295.55	86,202.97	104.7%
Energy generation in the segment	5,438.53	5,917.62	108.8%
Share of energy generation by the segment in the country	6.61	6.86	103.8%
Specific reference fuel consumption for energy generation	356.86	368.05	103.1%
Installed capacity factor	62.08	67.55	108.8%
Thermal power generation in the segment	0.239	0.268	112.1%
Specific reference fuel consumption for thermal power generation	187.26	194.56	103.9%

In 2011, energy generation for the segment increased by 8.8% in connection with increased demand for energy. At the same time in 2011, the specific reference fuel consumption increased by 3.1% for process reasons.

Also in 2011, the installed capacity factor increased by 8.8% as a result of increased generation. Thermal power generation increased by 12.1% as a result of expanded heat consumption by outside consumers. In comparison with 2010, the specific reference fuel consumption for thermal power increased by 3.9% for the same reasons, as with electric power generation because heat generation is carried out by the boiler block system. Consequently, the factors influencing cost-efficient performance of the turbine units (blocks) extend to thermal power generation.

26 Segment Financial Results

		Kazakhstan		
		2010	2011	2011/2010 %
Proceeds	m RUB	530	602	14%
Share in the INTER RAO UES Group revenue	%	0%	0%	
Electricity and capacity purchase expenses		(390)	(456)	17%
Electricity transmission expenses	m RUB	(58)	(69)	19%

Share in profits/losses of jointly controlled entities	m RUB	761	1 190	56%
EBITDA	m RUB	804	1,238	54%
EBITDA margin	%	152%	206%	
Share in the EBITDA of the INTER RAO UES Group	%	2%	3%	

1.4.1.7.7. Brief Factor Analysis of Indicators Dynamics

Growth of EBITDA in the Kazakhstan segment came to 54 % in 2011 compared with 2010. The growth reflected growth of indicators for a number of assets.

For 2011, LLP “Kazenergoresource” increased revenue from electric power supply in the domestic market by 13.5% compared to the previous period, which positively affected the EBITDA growth.

Nevertheless, the key factor of the EBITDA growth for the Segment was the growth of income from participation in JSC Stantsiya Ekibastuzskaya GRES-2’s jointly controlled entity (99% of the general indicator change for a segment). The EBITDA increase was connected with increasing proceeds from electric power sales, thanks to increased prices for the electric power output and growth of volume.

1.4.1.7.8. Prospects for the Segment Development

The segment is characterized by transit potential and possibilities to export electric power that gives a favourable forecast to the segment’s development prospects.

Furthermore, in July 2011, President of the Republic of Kazakhstan N. A. Nazarbaev launched the construction of the 3rd power unit of the Ekibastuzskaya GRES-2 that would cover 10-12% of all power consumption of the Republic of Kazakhstan.

1.4.1.8. Engineering in the Russian Federation

1.4.1.8.1. Description of the Segment

Development of an engineering segment for rendering complex engineering services with use of advanced project control systems and innovative process solutions is one of the key development areas of JSC “INTER RAO UES”. In 2011, the JSC “INTER RAO UES” engineering segment was represented by the following assets: LLC “INTER RAO Engineering”, LLC “Quartz – Novie Tekhnologii” and “InterRAO-WorleyParsons” LLC.

- LLC “INTER RAO Engineering” is the main engineering asset of the Group created at the end of 2011 which will carry out complex engineering services in the next few years, from designing to commissioning power units of the Group and external projects.
- LLC “Quartz – Novie Tekhnologii” is one of the leading Russian companies in the power engineering industry. The company performs complex works for building power facilities on EPC (M) terms and, performs service maintenance of power units.
- LLC “InterRAO-WorleyParsons”, a joint entity of JSC “INTER RAO UES” and the Australian WorleyParsons company, performs functions of customer’s engineer for construction projects of the Group. At the same time, the aforementioned assets of JSC “INTER RAO UES” rendered engineering services both under projects of new building and reconstruction of generating units of JSC “INTER RAO UES” (Urengoyanskaya Thermal Power Plant 450 MW, Dzhubginskaya Combined Heat and Power Plant 180 MW, Omskaya Combined Heat and Power Plant 3 (combined cycle power plant 90 MW), Ekibastuzskaya GRES 2 (thermal power plant) 600 MW) and for projects of other generating companies (Troitskaya Thermal Power Plant 660 MW, Tyumenskaya Combined Heat and Power Plant 1 220 MW, Tobolskaya Combined Heat and Power Plant 210 MW, Chelyabinskaya Combined Heat and Power Plant 3 210 MW).

In the future JSC “INTER RAO UES” plans to actively develop the aforementioned engineering assets by:

- Implementing advanced technologies;
- Procuring additional authorizations;
- Expanding its geographic reach (in the Russian Federation and in foreign countries);
- Diversifying activities within the engineering segment (micro generation) etc.

1.4.1.8.2. Description of Markets

The Russian engineering services market features Russian and major international engineering companies. Russian Group “Quartz” (LLC “Quartz – Novie Tekhnologii”), VO “Tehnopromeksport”, Group E4 and Atomstroyexport JSC have a more than 50 % share of the market of general contracts for large generating unit construction.

Among the most active external companies are VO “Tehnopromeksport”, which has considerable experience in engineering services in the field of electric power industry both in Russia and abroad, and also Group E4, which unites various engineering assets and offers engineering services for the mining and smelting, chemical, oil and gas industries, housing and community amenities, as well as implementation of infrastructural building projects. The foreign companies Gama, Iberdrola, GE, Alstom, Siemens and Foster Wheeler among the companies tendering to build new power units in the territory of the Russian Federation. Thus, the Russian generating companies with participation of foreign capital own the greatest share of foreign engineering companies’ orders.

1.4.1.8.3. Segment Financial Results

	UoM	Engineering assets		
		2010	2011	2011/2010 %
Revenue	m RUB	-	-	-
Share in the INTER RAO UES Group Revenue	%	-	-	
Expenses	m RUB	-	(2)	100%
EBITDA	m RUB	147	(5)	(103%)
EBITDA margin	%	-	-	
Share in the EBITDA of the INTER RAO UES Group	%	0%	0%	
Share in profits/losses of jointly controlled entities	m RUB	147	(3)	(102%)

1.4.1.8.4. Brief Factor Analysis of Indicators Dynamics

The share in profit/losses of jointly controlled entities is included in the indicator of this segment. Quartz Group has the main share.

The EBITDA for 2011 was influenced by a decrease in income while keeping a conditionally constant level of expenses, which may be due to implementation of construction and modernization projects with a long project realization period and heterogeneity of structure, composition and, most important, the cost of the works fulfilled during the project’s implementation period.

1.4.1.8.5. Prospects for the Segment Development

Volumes of generating capacity inputs define the power engineering services market, including design, construction and commissioning, management of turnkey projects. Thus, the volume (including CAPEX) and dynamics of the engineering market in Russia is defined by development of Russian power as a whole. So, in intermediate term prospect, till 2015, its volume is defined basically by the program of new power facilities building within the limits of power supply agreements (hereinafter referred to as PSM). According to PSM, a 42 GW input of generating capacity (from 2011 to 2015) is supposed (30 GW – TES, 4.3 Gw will be brought on line by the companies of the INTER RAO UES Group). Thus, total volumes of capital

investments (CAPEX) in building power stations up to 2015 are estimated to be 2,102bn RUB, including 1,257bn RUB for TES, 159bn RUB of which – for the INTER RAO UES Group.

Figure 1. CAPEX (bn RUB) and commissioned capacity (GW) of TES in Russia in 2011-2015

01 CAPEX (bn RUB) and introduced capacity (GW) of Russian thermal power stations in 2011-2015

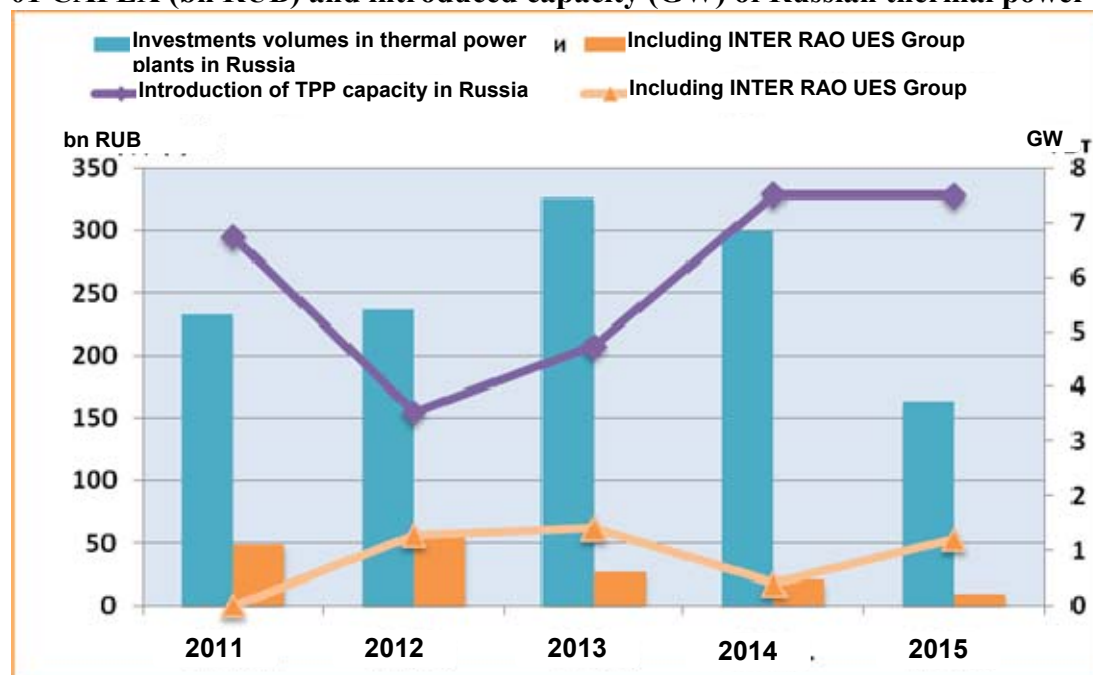


Figure 2. CAPEX (bn RUB) and commissioned capacity (GW) of TES in Russia in 2011-2015

FINANCE					
EBITDA	41.7BN RUB	+37%	REVENUE	536.2BN RUB	+15.5%
NET PROFIT	41.7BN RUB	+121.9%	CAPITAL EXPENSES	32.5BN RUB	+97.0%
Structure of assets			Structure of liabilities		
1. Fixed assets: 43%			1. Equity: 73%		
2. Long-term financial investments: 9%			2. Long-term credits and loans: 9%		
3. Financial assets available for sale: 19%			3. Short-term credits and loans: 8%		
4. Short-term accounts receivable: 8%			4. Accounts payable: 11%		
5. Cash and equivalents: 8%			5. Other liabilities: 7%		
6. Other: 12%					
Sales profitability	7.8	+0.6pp	Assets profitability	7.8	+0.3pp
Total assets	531.9	bn RUB			
Capital	390.7	bn RUB			
	73% of all the assets (17.6 pp)				

2. Financial Activity of the Group

28 Aggregate Statement on Total Income for 2011–2010 period, bn RUB

Indicators	2011	2010	Growth rate 2011/2010, %
Revenue	536.2	464.4	15.5%
Operating expenses	548.5	438.3	25.2%
Profit/loss from sales	(4.5)	29.2	(115.4)
Financial expenses	(5.3)	(4.8)	10.4%
Profit before tax	51.8	25.7	101.6%
Income tax expense	10.4	7.0	48.6%
Net profit	41.5	18.6	123.1%

In 2011, revenue of INTER RAO UES Group amounted to 536.2bn RUB, 15.5% (71.8bn RUB) higher than in 2010. Growth of income relates to the increase of the aggregate demand for electric power as seen both in Russia, and in foreign markets, as well price growth recorded on the wholesale power and capacity market in Russia. Key segments of the Group recording the most contribution to the growth of income are as follows:

- ✓ *Trading companies* – revenue growth (28.0bn RUB) relates to the increase of the sales tariffs for power;
- ✓ *Generating assets* – the key income driver (45.5bn RUB) is the inclusion of the Group of WGC-3 into the Group of Companies (starting from the second quarter of 2011) and the commissioning of fresh capacities, as well as the increase of the average price on the wholesale power market in 2011;
- ✓ *Trading* – revenue growth (10.2bn RUB) mainly relating to the expansion of power supply to the Baltic states, Finland, Republic of Belarus and Kazakhstan, and the opportune pricing environment in the energy markets of the said countries.
- ✓ *Foreign assets* – Armenia: Increase in revenues in comparison with 2010 due to increase of foreign sales of electric power (by 108.2m KWh) and increase of electric power consumption (by 199.2m KW·h). Georgia: due to generation increase; as for networks – due to better sales, in spite of lower tariffs. At the same time, increase of return of Armenia, Georgia and Kazakhstan segments is leveled by reduction of returns on Moldova resulting in 0.9bn rubles.

In 2011, operating expenses of the Group amounted to 548.5bn RUB, 25.2% (110.2bn RUB) higher than in 2010. Growth of expenses was caused by the increased sales volumes generated by the companies of the Group and the growth in the value of electric power and capacities. Key factors contributing to the increase of operating expenses, are as follows:

- ✓ Inclusion during the second quarter of 2011 of WGC-3, Khrameshi I and Khrameshi II in the Group, and as a result, including the growth of depreciation deductions, also the inclusion of JSC “Promishlennaya energetika” in the Group occurring as from November 2010;
- ✓ Increase of fuel expenses for the generating assets of the Group by 29.6bn RUB relating to the 15% increase of gas prices in 2011 and the growth of electric-power production;
- ✓ Growth of expenses on the transfer of electric power by 25.0bn RUB relating to the significant growth of tariffs for the companies of the Groups and for the transfer of electric power;

- ✓ Growth of expenses for the commercial electric power and capacities by an amount of 3.4bn RUB (predominantly for the JSC “Mosenergosbyt” and JSC “Saint-Petersburg Sale Company”) relating to the growth of the average price in the wholesale electric power and capacity market, occurring in 2011 within the first price zone;
- ✓ *The non-monetary effect* from the impairment of *financial assets available-for-sale* and *assets held-for-sale* in the amount of 23.1bn RUB relating to the deterioration of the economic situation in the Russian stock exchange market and a significant reduction in share quotes for energy producers in 2011.

EBITDA: 41.7bn RUB, increased by 24.1%.

The increase of this index is mainly due to generating assets (5.7bn rubles, plus 46.5%) and sales segment (4.6bn, plus 37.0%). Key factors of the EBITDA growth are the increase of sales of electrical power and capacity due to new assets acquired by the Group, Russian wholesale market price increase and successful operations on foreign currency hedging and export supply price hedging.

The income of the Group as a result of acquisition of assets due to additional emission of JSC "INTER RAO UES" shares in 2011 in the amount of 44.7bn rubles, was adopted in the fiscal period profit composition.

The share of profit in associated and mutually controlled companies is 17.0bn rubles, increased by 15.8bn rubles.

This significant change is generally stipulated by profit from acquisition of non-controlled share of “Bashkirenergo” (14.2bn rubles) in 2011, and increase of net profit interest of CJSC “Nizhnevartovskaya GRES” for 2011.

The net profit is 41.5bn rubles, increased by 22.9bn rubles.

Analysis of dynamics of assets and liabilities

29 Statement on Financial Position, bn RUB

Indicators	2011	2010	Growth rate 2011/2010, %
Fixed assets	328.	151.0	117.3
Current assets	203.8	98.1	107.7
TOTAL ASSETS	531.9	249.1	113.5
Capital	390.7	139.1	180.9
Long-term liabilities	75.8	41.2	84.0
Short-term liabilities	65.4	68.8	-4.9
TOTAL CAPITAL and LIABILITIES	531.9	249.1	113.5

Growth of Total Assets of the Group by 282.8bn RUB (113.5%) mainly relating to the acquisition of share packages in a number of power assets as part of the placement of an additional share issue, classified within the financial reports as financial assets available-for-sale and assets held-for-sale. As of December 31, 2011,

the total increase of these assets, if compared to the beginning of 2011, came to 102.2bn RUB. The growth is also associated with the inclusion of WGC-3 in the Group starting from the second quarter of 2011 (127.8bn RUB at the day of acquisition of this asset).

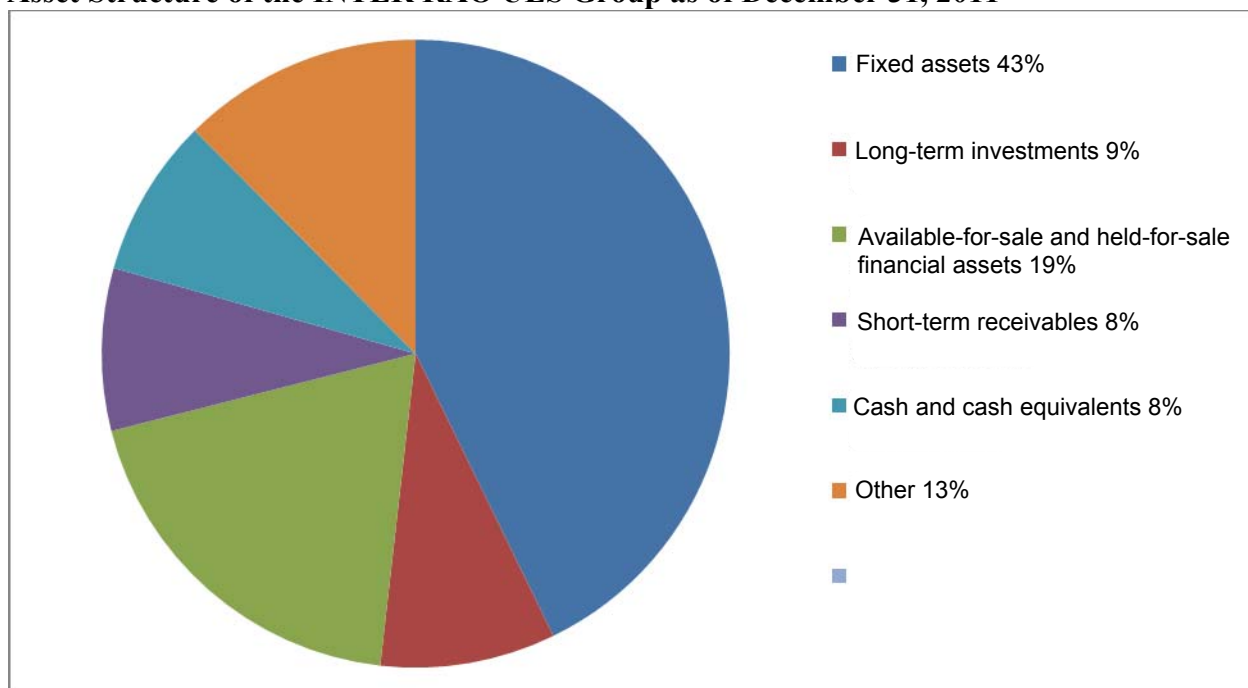
The growth of **Fixed Assets by 177.1bn RUB (117.3%)** mainly relates to the 91.7% increase of the value of the fixed assets of the Group (108.8bn RUB). The main reason for the significant growth of this index was the acquisition of the WGC-3 Group of Companies (63bn RUB). Other factors which influenced the growth in the value of fixed assets of the Group were as follows:

- ✓ Incorporation of the second power generating unit of the “Kaliningradskaya TEC 2” (+13bn RUB) in the fixed assets;
- ✓ Construction and commissioning of new facilities as part of the implementation of the investment program of the Group. Growth of capital investments in 2011 was essentially based on the construction of fresh capacities at “Urengoyskaya TPP”, “Gusinoozerskaya TPP”, “Cherepetskaya TPP”, and “Yuzhnouralskaya TPP”.

Besides, the increase of noncurrent assets was influenced by the cost increase of financial investments into associated and mutually controlled companies, mainly connected with the acquisition of investments into JSC “Bashkirenergo” (fair value of investment amounted 24.2bn rubles) as the result of additional emission of the Company, along with the Group interest profit earning in NVGRES Holding and Ekibastuzskaya GRES-2 for the period in the amount of 1.7bn rubles and 1.2bn rubles accordingly and stated by the Group as the increase of investments cost.

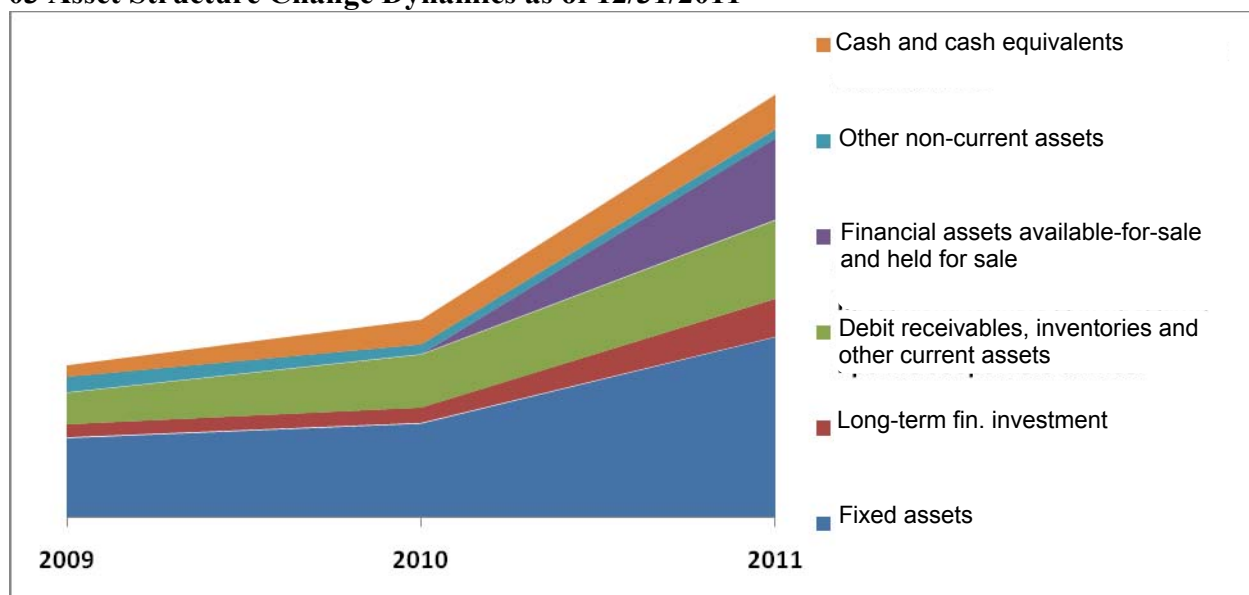
Current Assets of the Group (**minus the assets held-for-sale**) increased by 44.1bn RUB (+45.0%) mainly due to the growth of cash and equivalent (+12.2bn RUB), as well as other current assets, by 24.6bn RUB (+135.9%) achieved through short-term deposits amounting to 37.3bn RUB, including those obtained through the acquisition of “WGC-3”.

Asset Structure of the INTER RAO UES Group as of December 31, 2011

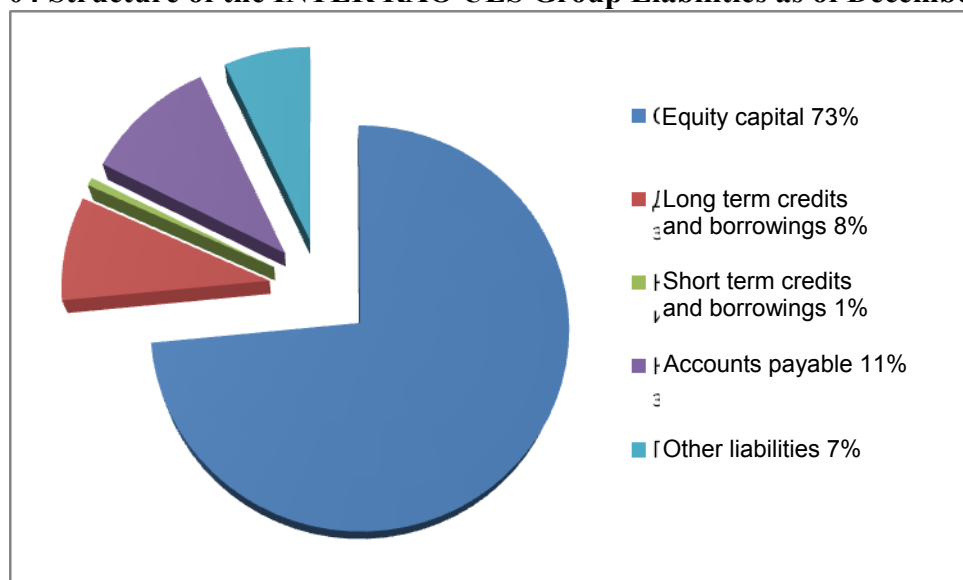


Fixed assets 43%	Short-term accounts receivable 8%
Long-term financial investments 9%	Cash and cash equivalents 8%
Financial assets, available for sale and held for sale 19%	Other 12%

03 Asset Structure Change Dynamics as of 12/31/2011



04 Structure of the INTER RAO UES Group Liabilities as of December 31, 2011



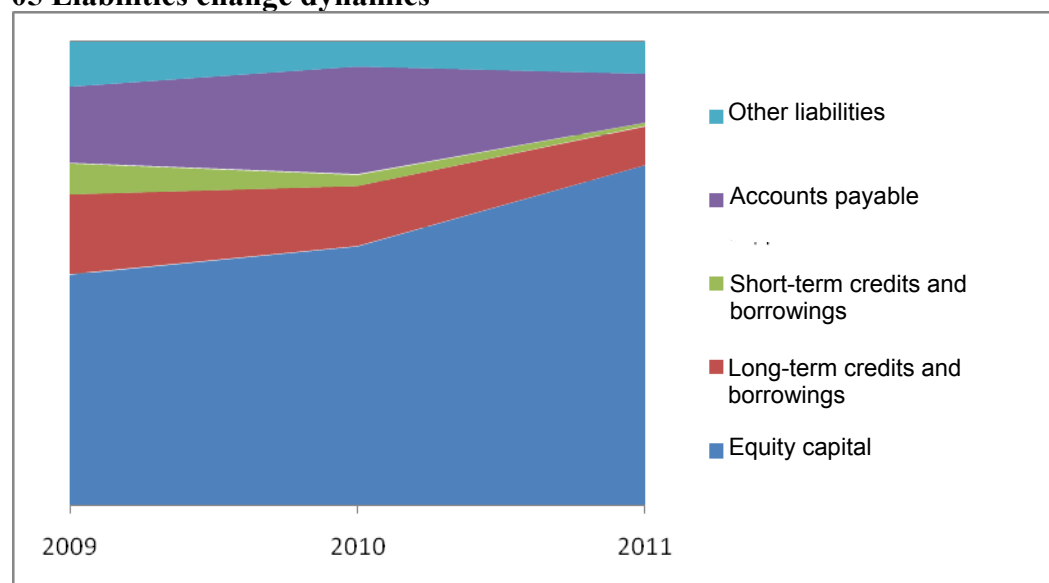
Equity capital 73%	Accounts payable 11%
Long-term loans and borrowings 8%	Other liabilities 7%
Short-term loans and borrowings 1%	

Placement of shares as part of an additional issue commissioned by JSC “INTER RAO UES” (6.823bn shares) for the purpose of consolidating the shares of the power supply companies served as the core reason for the growth of **Capital** of the Group by an amount of 251bn RUB (+180.8%). Share premiums were recorded in the amount of 58.2bn RUB.

Aggregate Liabilities of the Group came to 141.3bn RUB that is 31.3bn RUB (28.5%) more than the index recorded at the start of the year. Growth of liabilities was mainly related to the increase of the debt load (+9.4bn RUB), as well as the growth of the deferred tax liabilities (+12.7bn RUB).

Debt Load of the Group (taking into account the share of loans and borrowings within the jointly managed companies) as compared to the beginning of 2011, increased by 9.4bn RUB (24.0%), to 48.6bn RUB, which was related to the revival of the target financing contract received from the Gazprom Group of Companies for the construction of the second power generating unit of the “Kaliningradskaya TEC 2” in a long-term loan agreement. At the end of the reporting period, the loan portfolio of the Group was dominated by long-term borrowings (more than 90%), and the currency structure of the loan portfolio was balanced in relation to the currency structure of assets and income of the Group. At the same time, during the reporting period the net debt of the Group (taking into account short-term deposits) declined by 40.2bn RUB and amounted to -33.6bn RUB, which is an indication that the Group increased its drawing potential and thus confirms that the Group was able to execute the investment obligations it assumed.

05 Liabilities change dynamics



Brief Cash Flow Statement of the INTER RAO UES Group for 2010-2011, bn RUB

30 Aggregated Cash Flow Statement of the INTER RAO UES Group for the period of 2010 – 2011, bn RUB

Indicators	2011	2010
Net cash receipts from current operations	46.0	24.2
Net expenditure of cash from investment activity	25.2	18.9
Net receipt/expenditure of cash from financial activity	(8.9)	11.4
Net increase in cash and cash equivalents	12.3	16.6

Net cash inflow was recorded during the reporting period in the amount of 12.3bn RUB, originating, on the one side, from substantial cash inflow from operations (46.0bn RUB) mainly through the increase of income from generating and supply of power, and on the other side, from utilization of cash on investment financial activity in the total amount of 34.1bn RUB.

Analysis of the financial condition of the INTER RAO UES Group

31 Key income indicators

Indicators	2011	2010	Growth rate 2011/2010
EBITDA, bn RUB	41.7	33.6	24.1%
EBITDA margin, %	7.8%	7.2%	0.6%
Net profit, bn RUB	41.5	18.7	123.1%

EBITDA of the group grew by 24.1% (from 33.6bn RUB recorded in 2010, to 41.7bn RUB as recorded in 2011). Growth in this index is mainly attributable to generating assets (5.7bn RUB, + 46.5%) and the sales segment (4.6bn RUB, +37.0%). Key factors determining the EBITDA growth were the increase in the volume of sales of electric power and capacities, as well as the opportune pricing environment on the Russian and foreign power supply markets.

Income obtained by the Group as a result of acquisition of assets as part of the additional share issue of JSC “INTER RAO UES” in 2011 in the amount of 44.7bn RUB was recognized as income of the reporting period.

Share in profits in associated and mutually controlled companies is 17.0bn RUB, increased by 15.7bn RUB.

A significant change of index is generally stipulated by profit earned due to acquisition of non-controlled share of “Bashkirenergo” (14.2bn rubles) in 2011, and increase of net profit interest of CJSC “Nizhnevartovskaya GRES” for 2011.

Net profit of the Group in 2011 amounted to 41.5bn RUB, which is 22.9bn RUB more than the corresponding figure for the comparable period in 2010.

Key profitability indicators

Indicators	2011	2010	Growth rate 2011/2010
Profit margin on EBITDA, %	7.8%	7.2%	8.3%
Return on assets (ROA), %	7.8%	7.5%	4.0%
Return on equity (ROE), %	10.6%	13.4%	-20.9%

Key profitability indices in 2011, when compared to 2010, have had some minor changes. Increased profitability of operations in 2011 can be explained by the opportune market conditions in the energy markets and the policy implemented by the management on the hedging of trading operations in part of price changes on the foreign markets.

The positive development trends of the INTER RAO UES Group have been reflected in the return on equity index. Here we should take into account that the increase of equity occurring in May of 2011, which was achieved through the additional share issue of JSC "INTER RAO UES" and resulting the receipt of share packages in the power supply, sales, engineering and other companies, could not result in an additional income for the Group in 2011 alone. However, within the medium-term period the financial investments made by the shareholders will result in economic returns which entail a gradual increase of the asset and equity profit margins.

Liquidity and business solvency indicators

33 Key liquidity indicators

The absolute liquidity ratio value is calculated as the ratio of highly-liquid assets and short-term liabilities.

Indicators	2011	2010	Growth rate 2011/2010
Absolute liquidity ratio	0.7	0.5	40.0%
Current liquidity ratio	3.1	1.4	121.4%

The absolute liquidity ratio value is calculated as the ratio of highly-liquid assets and short-term liabilities.

The current liquidity ratio value is calculated as the ratio of current assets and short-term liabilities.

The current liquidity ratio value is calculated as the ratio of current assets and short-term liabilities.

Significant growth of liquidity ratios during the reporting period was mainly driven by the growth of cash and equivalent (+12.2bn RUB), as well as other current assets by 24.6bn RUB (+135.9%) achieved through short-term deposits made in the amount of 37.3bn RUB, including those obtained as a result of acquisition of JSC "WGC-3". In the future, the obtained funds will be directed at the implementation of an investment

program of the Company in compliance with the development schedule for the investment program of the Group, thus influencing the reduction of the specified ratios to the normal level.

34 Solvency and financial stability indicators

Indicators	2011	2010	Growth rates 2011/2010
Net debt at the end of the period, bn RUB	(33.5)	6.6	-
Net debt/ EBITDA	(0.8)	0.2	(500.0%)
EBITDA/ interest payable	13.0	8.8	47.7%
Share of equity in liabilities	73.5	55.8	31.7%

Debt load indices have shown a significant improvement mainly thanks to the growth of operating profits, as well as the accumulated highly-liquid assets. Moreover, as a result of the additional share issue of JSC “INTER RAO UES,” there was a significant growth in the share of equity within the sources of funding for the operations of the Company, which forms the basis for the successful implementation of the investment program of the Company.

On the whole, the analysis of change of the structure of assets and liabilities, sources of funding for the operations of the Group, as well as the assessment of the efficiency of operating activities, indicate stable development of the Group focused on the implementation of its long-term strategy. Key financial indicators point to the sound financial stability of the Group both in the short-term and long-term perspectives. Increase of the equity of the Group, growth in the profitability and operating cash flow figures for 2011 create the basis for successful implementation of the investment program and further development of the Group.

INVESTMENTS

INVESTMENTS 41.7bn RUB	Launch new capacities using modern high performance technologies
CAPACITIES TO BE INTRODUCED TILL 2015 >3.4 GW	Ensure the reliability and operability of the existing equipment
	Increase its energy efficiency
	Reduce the production impact on the environment

3. Investments and innovations

3.1. Investment activities of the Group

The investment program of the INTER RAO UES Group is focused on the input of new capacities with application of modern, highly efficient technologies, the maintenance of reliability and working capacity of the existing equipment, its power efficiency increase and decrease of environmental influences.

In 2011, the following basic investment projects were realized:

JSC “INTER RAO UES”:

- “Ivanovskaya GRES” reconstruction with the power unit No.2 installation

The Block No. 2 building is a continuation of the Ivanovskaya GRES reconstruction program begun by JSC “INTER RAO UES”. The first block was brought into operation in 2004.

The in-house produced gas-turbine unit GTE-110 by NPO Saturn OJSC, being a basis of PGU-325 blocks with efficiency up to 51 %, is used in the block No. 2 building.

Commissioning of the 325 MW power unit is expected in 2012. Disbursement under the project in 2011 came to 621.1m RUB without the VAT, with financing of 557m RUB taking into account the VAT.

▪ **Power unit No.2 building at “Kaliningradskaya TEC 2”**

The block No.2 building at “Kaliningradskaya TEC 2” was made within the limits of the Federal target program of the Kaliningrad region’s development to 2014 (according to the Governmental order of the Russian Federation of 12/7/2001, No.866).

The power unit building has been divided into two starting complexes. The first start-up facility was put into operation in 2010; the second start-up facility — in December, 2011.

Block capacity is 450 MW. Disbursement under the project in 2011 amounted to 818.1m RUB without the VAT, at financing of 1,261.1m RUB inclusive of VAT.

JSC “OGK-1”

▪ **“Urengoyanskaya GRES” power unit building**

The power unit building is intended for maintenance of system reliability of electric energy deliveries in the Tyumen region, the major oil and gas extraction region in Russia. The basic fuel is gas.

All works were performed according to schedule: for the given project’s realization a main contract was concluded, the contract on technical joining was signed, the turbine equipment was delivered and installed on the site. The exhaust boiler modules were installed.

Power unit commissioning is expected in Q3 2012. Disbursement under the project in 2011 came to 9,952.5m RUB without VAT, at financing of 6,002.1m RUB inclusive of VAT.

▪ **“Permskaya GRES” power unit No.4 building**

The Permskaya GRES block No.4 is intended to exclude electric capacity shortfall in Ural UES connected with power consumption growth and capacities leaving existing blocks out of operation.

Now the project’s preliminary technical and economic inspection is being developed; the scheme for the site’s capacity delivery development has been updated.

The power unit commissioning is expected in 2015. Disbursement under the project in 2011 came to 3.2m RUB without VAT, at financing of 7.6m RUB inclusive of VAT.

▪ **“Nizhnevartovskaya GRES” power unit No.3.1 building**

Nizhnevartovskaya GRES is the third highest capacity power station of the Tyumen region. The third power unit commissioning will allow it to end generation shortfalls in the Nizhnevartovsk area.

All works are being performed according to schedule: planned development of the building working documentation was carried out, the building permit was received, the main contract was concluded in which the framework construction site is prepared, the pile basis and the bases for the basic facility are being arranged, and metal structures of main housing, the pile basis and the chimney bases are installed. The first delivery of the basic facility, namely, the gas turbine and the synchronous generator, has been carried out. The 410 MW power unit’s commissioning is expected in 2013. Disbursement under the project in 2011 came to 2,418.1m RUB without VAT, at financing of 4,319m RUB inclusive of VAT.

JSC “WGC-3”

▪ **“Kharanorskaya GRES” power unit No.3 building**

The 225 MW power unit’s commissioning is expected in Q4 2012. Disbursement under the project in 2011 came to 1,415.2m RUB without VAT, at financing of 1,508.7m RUB inclusive of VAT.

▪ **“Cherepetskaya GRES” two power units building**

The project is being realized according to schedule and within the limits of the EPC contract execution.

The 225 MW power units’ commissioning is expected in 2013-2014.

Disbursement under the project in 2011 came to 9,892.5m RUB without VAT, with financing of 7,138.8m RUB inclusive of VAT.

▪ **“Gusinoozerskaya GRES” power unit No.4 reconstruction and restoration**

The project is being carried out within the limits of restoration of the Gusinoozerskaya GRES power unit No. 4, with installation of the missing equipment and replacement of out-of-date and physically worn out equipment. As a result, the power unit No.4’s installed capacity will increase by 30 MW up to a rated value of 210 MW.

The basic facilities (pulverized coal fired boiler, steam turbine, generator) are mounted completely on the building site. The pulverized coal fired boiler units and flue gases clearing system have been installed.

The power unit’s commissioning is awaited in Q4 2012. Disbursement under the project in 2011 came to 2,569.3m RUB without VAT, with financing of 2,374.7m RUB inclusive of VAT.

▪ **“Yuzhnouralskaya GRES” 2 power unit No.1 building**

The project is being realized according to schedule and within the limits of the EPC contract execution. The turbine equipment has been delivered to a building site.

The 400 MW power unit’s commissioning is awaited in 2013. Disbursement under the project in 2011 came to 1,969.7m RUB without VAT, with financing of 1,547.1m RUB inclusive of VAT.

▪ **“Dzhubginskaya TES” power units No.1 and 2 building**

The Dzhubginskaya TES Building investment program from 12/29/2007 No. 991 is included in the Olympic building sites and the program for Sochi city development as an alpine climatic resort by the governmental order of the Russian Federation. The Olympics building project is being realized according to the Agreement with GK Olimpstroy dated February 15, 2010. The project provides for the building of two new power units on a site around Defanovka village of the Tuapse area of Krasnodar Territory.

All works are being performed according to schedule: the construction documents were developed, the positive conclusions of the State Environmental Expertise Committee and Glavgosexpertiza have been received; preparatory and basic works on the building site have begun.

The 90 MW twin power units’ commissioning is awaited in 2013. Disbursement under the project in 2011 came to 614.8m RUB without VAT, at financing of 2,310.7m RUB inclusive of VAT.

JSC “TGK-11”

▪ **“Omskaya TEC 3” power unit building**

All works are being performed according to schedule: the design documentation has passed state expertise, planned development of the building working documentation has been carried out, the building permit was received, the main contract was concluded in which framework construction site and the basic facilities bases are prepared.

The 90 MW power unit’s commissioning is expected in Q4 2012. Disbursement under the project in 2011 came to 516.89m RUB without VAT, at financing of 2,187.99m RUB inclusive of VAT.

▪ **GTU-17 installation on “Tomskaya PRK”**

All works are being performed according to schedule: the building site has been planned; the bases under the basic facilities with their preservation for winter time were arranged. The design documentation passed corresponding expertise. The working documentation was developed. Basic and auxiliary equipment delivery is planned for 2012.

The 16 MW power unit’s commissioning is expected in Q4 2012. Disbursement under the project in 2011 came to 61.13m RUB without VAT, at financing of 456.37m RUB inclusive of VAT.

▪ **Ekibastuzskaya GRES-2 expansion and reconstruction with the power unit No.3 installation**

The project is realized within the limits of the Agreement between the Government of the Russian Federation and the Republic of Kazakhstan Government about the building and subsequent operation of the Ekibastuzskaya GRES-2 third block from September 11, 2009.

Boiler and turbine units of Harbin power corporation (People’s Republic of China) manufacture were chosen as the basic facility for delivery. The tower type direct flow boiler with supercritical parameters was chosen the boiler unit. The given equipment meets the advanced requirements and is equipped with the newest industrial control system.

The 600 MW power unit’s commissioning is expected in 2014. Disbursement under the project in 2011 came to 1,421.3m tenge or 9.5m USD without VAT. The project financing in 2011 came to 1,691m tenge or 11.3m USD with the VAT.

Source of INTER RAO UES investment program financing in 2011

Sources of the INTER RAO UES Group investment program in 2011 were own and external funds (m RUB):

No.	Source name	Value
1.	Own sources	37,291. 640
1.1.	Amortization	7,327. 895
1.1.1.	Current period amortization	7,055. 613
1.1.2.	Previous period amortization	272. 282
1.2.	Current period profit	2,048. 988
1.3.	Previous period profit	747. 497
1.4.	Other own sources	27,167. 261
2.	External sources	5,618. 172
2.1.	Special purpose financing	816. 142
2.2.	Banking credits	1,279. 220
2.3.	Loans	3,519. 202

	Total:	42,909. 812
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3.2. Innovation activities of the Group

For the company, last year was important for defining the further innovation development of the INTER RAO UES Group. Innovative activity has been recognized as one of the major factors of the Group's development which will ensure JSC "INTER RAO UES" achieves technological leadership in the electric power industry on the territories of Russia and maintains long-term steady growth of cost competitiveness of the Group.

Previously INTER RAO innovative activity was focused on generating actives of the Group basically. However, the importance of developing new technologies and implementation problems defined the shaping of a new approach to this activity in terms of the organization and management.

For strategic problems and definition of long-term innovative development reference points, the INTER RAO UES Group's Innovative Development Program was developed and approved in September, 2011 by decision of the Society Board. The given document defines the main objectives and key indicators of innovative development, and it includes a complex of actions for process, marketing and administrative innovations development and introduction, and also stages and terms of realization.

Program actions have been generated with a view to 2015. At the same time, indicators (in particular, such as a share in Group proceeds from new products and services, a share of research and development costs in relation to total proceeds, the intellectual factor of the added cost (VAIC), the share of capacity of new progressive technologies in the total capacity of Group TES), and also the main directions of innovative development are all presented in the Program with a view to 2020. In particular, proceeding from the current economic situation, it is expected that in 2020 more than third of thermal power station capacity will consist of progressive technologies, and specific carbon oxides emissions will be reduced to 17%.

Innovation implementation is provided along all links of the chain of cost creation for the account:

- Increase of the process level and overall performance of generating assets to the best world level for comparables
- Creation of modern services for end users of energy resources
- Formation of a scientific-engineering and industrial basis for innovative development of the Group and the thermal electric power industry of Russia.

The innovative development program corresponds to the Substantive strategic provisions of JSC "INTER RAO UES" and is closely connected with the investment program, the research and development program, the program for increasing power efficiency and power savings, the strategy of development of retail activity and other program documents of the Group.

Furthermore, last year the basic shape of the Group's innovative activity management was defined. The Energy without Borders Fund for support of scientific, technical and innovative activity created in 2011 plays a key role. JSC "INTER RAO UES" is the founder. The fund will carry out coordination of interaction of the largest power companies in R&D realization and implementation of new technologies. The fund's

objective is the organization of scientific research and realization of programs of development in the field of manufacture, transfers, distribution and uses of electric power on the basis of innovative technologies, bringing the industrial potential of the fuel and energy complex to world scientific and technical levels and high ecological standards.

SHARE CAPITAL

VNESHECONOMBANK 5.4478%
ROSATOM GROUP 13.4209%
RUSSIAN FEDERATION 14.7897%
NORILSKY NICKEL GROUP 14.1913%
FGC UES GROUP 19.9527%
ROSNEFT GROUP 1.3563%
RUSHYDRO GROUP 5.2815%
JSC “INTER RAO CAPITAL” 12.5566%
MINORITY SHAREHOLDERS 13.0032%
KEY EVENT: ADDITIONAL SHARE ISSUE

CAPITALIZATION: 355.7BN RUB (+156.3%)
AUTHORIZED CAPITAL: 273BN RUB (+235.8%)

4. Share Capital and Shareholders of the Company

The authorized capital of JSC “INTER RAO UES” as of January 1, 2011 came to 81,287,328,349.66226643 (eighty one billion two hundred and eighty seven million three hundred and twenty eight thousand three hundred and forty nine point sixty six million two hundred and twenty six thousand six hundred and forty three) RUB and was divided into ordinary shares with a nominal value of 0.02809767 RUB each, in the amount of 2,893,027,370,229 units.

The Annual General Meeting of Shareholders of JSC “INTER RAO UES” took place on June 25, 2010 and voted to increase the authorized capital of JSC “INTER RAO UES” through the offer of an additional 13,800,000,000,000 of ordinary nominal book-entry shares of JSC “INTER RAO UES” by closed subscription with the possibility of payment for the offered shares of the Company with the shares of power supply companies.

Through the decision dated November 16, 2010, the Federal Financial Markets Service (FFMS of Russia) registered the issue and the prospectus of ordinary nominal book-entry shares of the Open Joint Stock Company INTER RAO UES (Moscow), offered through closed subscription, with the state registration number of the issue 1-03-33498-E-002D.

After the exercise of the preference right by the shareholders of the Company, a total of 39,668,193,314 ordinary nominal book-entry shares were offered for purchase. The total offer consisted of 6,822,972,629,771 additional securities of JSC “INTER RAO UES”.

Payment for the offered shares was made by property and funds in the total amount of 365,029,035,693.106 RUB. The Company became the owner of shares in the following companies (taking into account the shares which the Company held before the additional issue):

Table 1 Participation interest of JSC “INTER RAO UES” in legal entities as a result of additional shares issuance

	Share of the authorized capital
Generating assets	
Hrazdan Power Company (Armenia)	100%
JSC “OGK-1”	75.02%
JSC “WGC-3”	81.93%
JSC “TGK-11”	67.53%
JSC “Irkutskenergo”	40.01%
JSC “TGK-7” (Volzhskaya TGK)	32.44%
JSC “Enel OGK-5”	26.43%
JSC Kubanskaya Power Generating Company	26.26%
JSC “TGK-6”	26.08%
JSC Bashkirenergo	22.23%
JSC Sangtudinskaya GES-1	16.66%
JSC “OGK-6”	13.2%
JSC “TGK-3” (Mosenergo)	5.05%
JSC RAO UES Vostok	4.29%
JSC “OGK-4”	3.26%
JSC “OGK-2”	3.05%
JSC “Fortum” (TGK-10)	3.04%
JSC “Quadra” (TGK-4)	2.25%
JSC “Eniseyskaya TGK”	2.16%
JSC “TGK-1”	1.97%
JSC “Kuzbasenergo” (TGK-12)	1.97%
JSC “TGK-9”	1.71%
JSC “RusHydro”	1.63%
JSC “TGK-2”	1.19%
JSC “TGK-14”	0.6%
JSC “Novosibirskenergo”	0.18%
Grid assets	
JSC FGC UES	0.37%

Power supply	
JSC “RN-Energo”**	100%
JSC “Altayenergoby”	100%
JSC “Saint-Petersburg Sale Company”	88.28%
JSC “Tambov Energy Retailing Company”	59.38%
JSC “SARATOVENERGO”	56.97%
JSC “Mosenergoby”	50.92%
JSC “Tomsk Energy Retailing Company”	31.27%
JSC “Kuban Energy Retailing Company”	26.26%
Engineering	
JSC “Tomskenergoremont”	25.88%
Management companies	
JSC “United Energy Retailing Company”	100%
Other assets	
JSC “TGK-11 Holding”	34.34%

The above decision on the placement and the report of an additional share issue, registered by the FFMS of Russia on June 9, 2011, was used as the basis for the registration of the amendments to the Articles of Association of the Company, relating to the increase in the number of offered shares and the reduction of the declared shares of the Company. Authorized capital of the Company amounted to 272,996,961,720 RUB, divided into 9,716,000,000,000 ordinary nominal book-entry shares of the Company with the nominal value of 0.02809767 RUB each; the amount of the declared shares was reduced to 7,958,113,845,013 units.

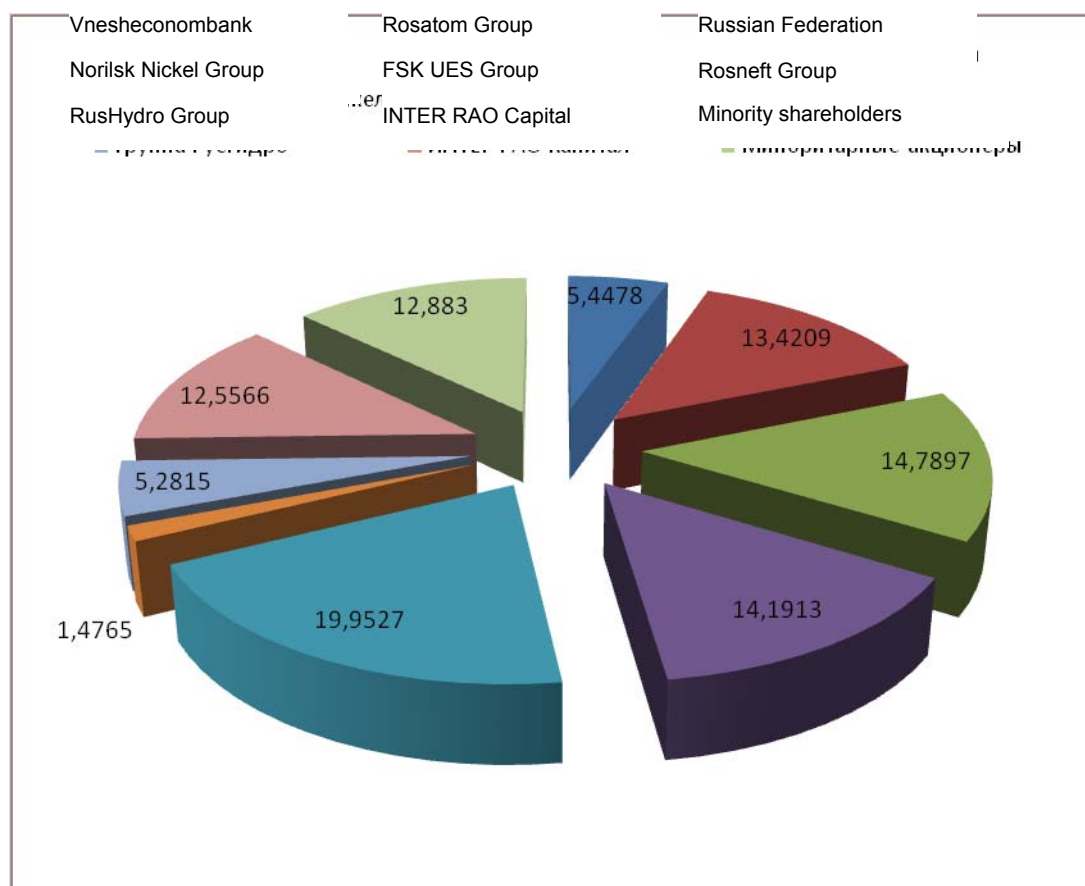
The make-up of entities registered in the shareholder register of JSC “INTER RAO UES” and holding more than 5% of the voting shares of the Company, as of December 31, 2011 (taking into account the disclosure of nominal shareholders), was as follows:

37 Composition of entities entered in the shareholder register of JSC “INTER RAO UES” holding more than 5% of the voting shares of the Company as of December 31, 2011 (taking into account the disclosure of nominal shareholders as of December 12, 2011):

Name of the owner	Share in the authorized capital
Open Joint Stock Company “Federal Grid Company of the Unified Energy System”	15.1237
Russian Federation Represented by the Federal Agency for the Administration of State Property	14.7897
JSC “INTER RAO Capital”	12.5566
Open Joint Stock Company “Mining and Smelting Company Norilsk Nickel”	11.7823
Closed Joint Stock Company “Atomstroyexport”	7.3335
State Corporation “Bank for Development and Foreign Economic Activities (Vnesheconombank)”	5.4478

As a result of the additional issue of shares that ended in 2011, the structure of the authorized capital of the Company changed.

Structure of the authorized capital as of December 30, 2011



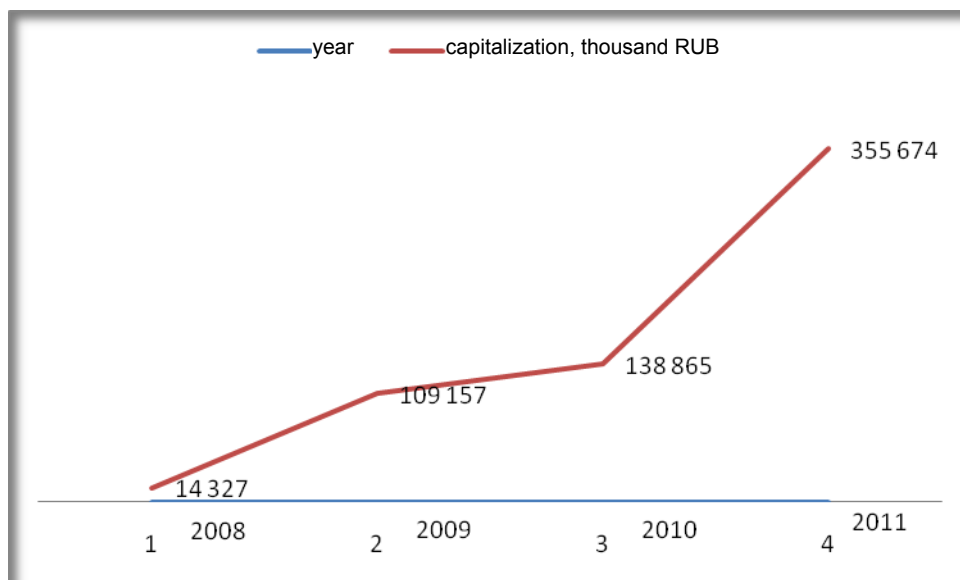
Ordinary shares of JSC “INTER RAO UES” are traded at the unified Russian stock exchange MICEX-RTS (first level A quotation list).

Market sector	Stock Ticker	ISIN	Type of the share	Trade access date
Primary market	IRAO*	RU000A0JPNM1	Ordinary	17.07.2008
Classica	IRAO	RU000A0JPNM1	Ordinary	17.07.2008
Standard	IRAOS	RU000A0JPNM1	Ordinary	06.12.2010

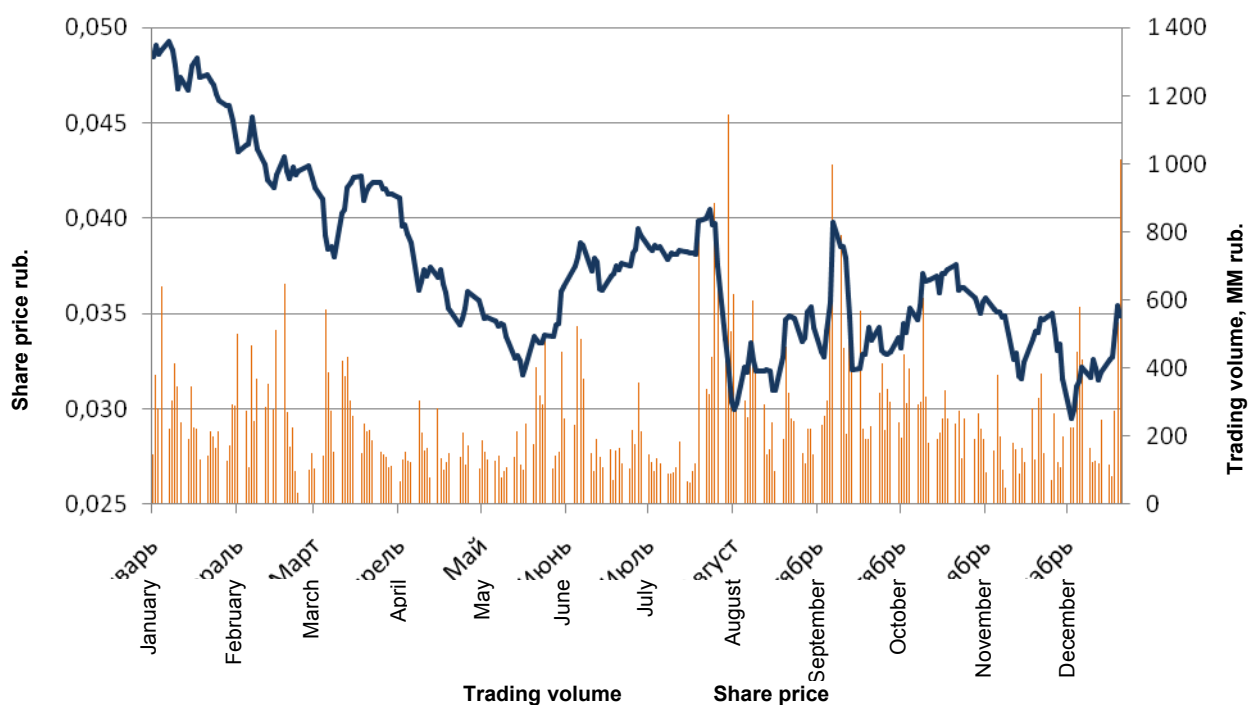
*IUES stock ticker during the period from December 1, 2009 till November 18, 2011

The information below shows the market capitalization of the Company according to the MICEX (MICEX-RTS). During the period from December 2010 to December 2011, the market capitalization of the Company, as a result of an additional share issue and the consolidation of a number of power assets, recorded a 2.5 fold growth.

Information about the market capitalization of the Company from 2008 till 2011



Price behaviour on the primary MICEX-RTS market for 2011



Price behaviour on the Classica MICEX-RTS market



Ordinary shares of JSC “INTER RAO UES” are included in the calculations of the following indexes:

Indicators	Stock ticker	Weight of the INTER RAO securities within the index, %
MSCI Russia Large Cap Index	MXRU	0.58
MICEX (composite index)	INDEXCF	0.80
Power Sector MICEX (industry index)	MICEXPWR	14.10
MICEX Mid cap (capitalization index)	MICEXMC	6.59
RTS index	RTSI	0.73

MSCI Russia – an index of the companies operating in the Russian market, included in the MSCI Emerging Markets index group. The index is calculated by the Morgan Stanley Capital International analytical agency for Russian companies with high and average market capitalization and is used as a landmark by many international investors investing money into the Russian assets, as well as by investors who employ an index investment strategy.

MICEX – a price-weighted market capitalization (free-float) composite index of the Russian stock exchange including 30 of the most liquid shares of the largest and dynamically developing Russian issuers, types of business operations of which relate to the principle economic sectors represented on the MICEX.

Power Sector MICEX – a price-weighted market capitalization (free-float) composite index including the most liquid shares of Russian companies operating within the power market which have been admitted for trade on the MICEX.

MICEX Mid Cap – a price-weighted market capitalization (free-float) index of the most liquid shares of Russian companies with standard capitalization which have been admitted for trade on the MICEX.

RTS – a price-weighted market capitalization (free-float) index including the shares of the 50 most capitalized Russian companies which have been admitted for trade on the RTS.

From November 28, 2011, global depository receipts, issued by The Bank of New York Mellon on the S provision for shares of JSC “INTER RAO UES” admitted for trade on the London Stock Exchange (LSE) in the IOB (International Order Book) segment.

An efficient and transparent system of interaction between the JSC “INTER RAO UES”, investors, shareholders and stakeholders is a competitive advantage in business increasing the investment appeal, reducing the loan price and, as a consequence, increasing the market capitalization.

CORPORATE GOVERNANCE

The Corporate Ethics Code was developed

The Board of Directors approved the R&D program as a high priority of development

A special ICS (Internal Control System) department was created

Group transformation into a Holding structure

5. Corporate Governance

5.1. Regulations

JSC “INTER RAO UES” aspires to follow the path of improving and aligning the corporate management system with acknowledged global practices. The Company understands that an efficient and transparent system of interaction between its management bodies, investors, shareholders and interest persons is a competitive advantage in business, making it possible to increase investment attractiveness, reduce the importance of credit facilities and, as a result, increase market capitalization.

Corporate management is implemented in compliance with the adopted Corporate Governance Code and the Articles of Association of the Company, the valid edition of which was approved on February 15, 2012 by the Extraordinary General Meeting of Shareholders of JSC “INTER RAO UES” (minutes dated February 17, 2012 No. 10) and registered on March 11, 2012.

In 2011, during the work focused on the improvement of the corporate management system, Company developed the documents below which have been approved by the Board of Directors.

Code of Conduct (minutes of the meeting of the Board of Directors dated October 21, 2011 No. 50) which have been approved for the first time, setting forth the principles, norms and rules of corporate conduct which the Company voluntarily undertakes to observe. Provisions of the Code are binding for members of the Board of Directors, Management Board, Revision Commission of the Company, as well as all the employees of JSC “INTER RAO UES” irrespective of the held position.

A new edition of the informational policy (minutes of the meeting of the Board of Directors dated September 30, 2011 No. 48), containing a corrected list of information that is subject to disclosure, as well as the frequency and terms of disclosure.

New edition of the provisions on insider information (minutes of the meeting of the Board of Directors dated September 1, 2011 No. 47), the effects of which are targeted at the observance of the requirements of the Federal Law dated July 27, 2010 No. 224-FZ “On countering illegal use of insider information and market manipulation and about the amendment in individual legislative acts of the Russian Federation”, set up for the purpose of assuring fair pricing for financial instruments, equality of investors and reinforcing trust of investors through the creation of legal mechanisms for the prevention, identification and suppression of corrupt practices on the organized stock exchanges.

In compliance with the specified Provision, the Company has compiled a list of information and a list of company insiders. A special section has been set up on the Company website – Insider Information: <http://www.interrao.ru/company/insiders/>, showing documents regulating matters relating to the observance of the requirements of the legislation on insider information.

Provisions on dividend policy (minutes of the meeting of the Board of Directors dated May 3, 2011 No. 41), first approved by the Board of Directors of the Company, for the purpose of informing the shareholders of the Company about the principles of distribution of net profit of the Company, the procedure for identifying the amount of dividends and payments thereof, as well as the identification of rules which must be observed by the Board of Directors during the preparation of recommendations for the General Meeting of Shareholders with respect to stock dividend and payment thereof.

New edition of the provisions on the Human Resources and Remuneration Committee of the Board of Directors (minutes dated August 5, 2011 No. 46), approved for the purpose of identifying the rules for the incorporation of the Committee and the competence thereof. These provision have, for the first time, established that the members of the Committee may only be the members of the Board of Directors, who in turn shall meet the criteria of an independent director defined in compliance with the Corporate Code of Conduct, recommended for application under the order of the FCSM of the Russian Federation dated July 18, 2003 No. 03-1169/p.

Documents regulating the interaction in the field of corporate management of the Company are published on the corporate website of JSC “INTER RAO UES”: <http://www.interrao.ru/investors/uprav/docs/>

5.2. Shareholder Rights

In compliance with the Company's Articles of Association, shareholders-owners of ordinary shares enjoy the following rights:

- Participate in the General Meeting of Shareholders with the right to vote on all the matters within its competence, or through a representative;
- Elect and be elected to the management bodies and controlling bodies of the Company within the procedure established by the legislation of the Russian Federation and the Articles of Association of the Company;
- Alienate the shares belonging to them without the prior consent of other shareholders of the Company;
- Receive a part of the net profit (dividends) that is subject to distribution between the shareholders within the procedure provided by the legislation of the Russian Federation and the Articles of Association of the Company;
- Have access to Company documents within the procedure provided by the legislation of the Russian Federation and the Articles of Association of the Company;
- Demand that the Company redeems all or part of his/her shares in the cases foreseen by the legislation of the Russian Federation;
- Enjoy a preferential right of purchase in cases where the Company will make an additional placement of shares and equity securities through an open subscription which are convertible into shares in the amount commensurate with the number of shares in the given category (type) belonging to the shareholder;
- Receive part of the property of the Company (liquidation value) within the procedure established by the legislation of the Russian Federation and the Articles of Association of the Company;
- Exercise other rights as provided by the legislation of the Russian Federation, the Articles of Association and the decisions of the General Meeting of Shareholders.

5.3. Management and Control Bodies

The Articles of Association of the Company provide for the following management bodies of the Company: General Meeting of Shareholders;

Board of Directors;

Management Board;

Sole Executive Body (Chairman of the Management Board).

The body controlling the financial and business activities of the Company is the Revision Commission.

5.3.1. General Meeting of Shareholders

5.3.1.1. Order of Convening and Holding the General Meeting of Shareholders

The General Meeting of Shareholders of the Company is the supreme management body. The General Meeting of Shareholders presents the shareholders with an opportunity to exercise their right to participate in the management of the Company through the adoption of decisions on the most essential matters of the Company's activity in compliance with the competence of the General Meeting of Shareholders as defined by the Articles of Association. The Board of Directors, executive bodies and the Revision Commission all report to the General Meeting of Shareholders. The competence of the General Meeting of Shareholders, the terms, preparation procedure and the forms of the meeting are defined within the Federal Law "On Joint Stock Companies", the Articles of Association and the Provisions on the procedure of preparation and

holding of the General Meeting of Shareholders approved by the annual General Meeting of Shareholders of JSC “INTER RAO UES” dated June 25, 2010 (minutes dated June 25, 2010 No. 5).

At least once every year, the Company holds a regular General Meeting of Shareholders in the form of the collective presence of all the shareholders. This Annual Meeting of Shareholders, summoned upon the initiative of the Board of Directors, shall necessarily consider the matters relating to the election of the Board of Directors, the Revision Commission, approval of the Auditor of the Company, approval of the annual report, annual financial statements, including income statements (profit and loss accounts) of the Company as presented by the Board of Directors, as well as the distribution of profit (including the payment (declaration) of dividends, excluding profit distributed as dividends upon the results of the first quarter, six months and nine months of the fiscal year) and loss of the Company upon hearing the results of the fiscal year.

Other general meetings of shareholders that are held in addition to the annual general meeting of shareholders are considered extraordinary. Such meetings are held upon the decision of the Board of Directors of the Company on the basis of its own initiative, the request of the Revision Commission of the Company or the Auditor of the Company, as well as by a shareholder (shareholders) holding at least 10 (ten) per cent of the voting shares of the Company. Matters put up for consideration by the extraordinary General Meeting of Shareholders shall be stated within the requirement for its convocation.

5.3.1.2. Information about the General Meetings of Shareholders in 2011

No.	Type of the meeting (annual/extraordinary)	Date	Form	Location (in case of collective presence)	Date and number of the minutes
1.	Extraordinary	21.02.2011	Absentee voting	-	24.02.2011, No. 6
2.	Extraordinary	25.04.2011	Absentee voting	-	24.07.2011, No. 7
3.	Annual	24.06.2011	Joint Presence	12, entrance 4, 2nd floor,	28.06.2011, No. 8
4.	Extraordinary	31.08.2011	Joint Presence	Krasnopresnenskaya Naberezhnaya, Moscow (International Trade Center, Circle hall)	01.09.2011, No. 9

For more details about the matters considered during the meetings of shareholders of the Company in 2011, as well as the decisions rendered, please visit the Company website: www.interrao.ru

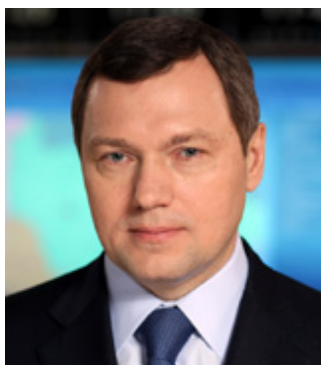
5.3.2. Board of Directors

General management over the activities of the Company is performed by the Board of Directors, which adopts decisions on the vital matters of Company activities in compliance with its competence defined within the Articles of Association. Operating procedures of the Board of Directors of the company are regulated by the Articles of Association and the Provisions on the procedure for convening and holding the meetings of the Board of Directors approved by the annual General Meeting of Shareholders of JSC “INTER RAO UES” dated June 24, 2011 (minutes dated June 28, 2011 No. 8). The Board of Directors is a collegial body consisting of 11 members. Members of the Board of Directors are elected by the General Meeting of Shareholders for the period until the next annual General Meeting of Shareholders. Upon the

decision of the General Meeting of Shareholders, the empowerment of all members of the Board of Directors may be terminated prematurely. Persons elected to the Board of Directors may be re-elected for an indefinite number of times. Candidates for election to the Board of Directors may be proposed by shareholders who hold at least 2 % of the voting shares of the Company, as well as upon the initiative of the Board of Directors.

For more details about the matters considered during the meetings of the Board of Directors of the Company in 2011, as well as the decisions rendered, please visit the Company website: www.interrao.ru (<http://www.interrao.ru/investors/uprav/org/sovet/Minutes/2011/>)

5.3.2.1. Information about Members of the Board of Directors (Information is current as of December 31, 2011):



Oleg Budargin

Year of Birth: 1960

Education: In 1982 he graduated from the Norilsk Industry Institute with a degree in Industrial and Civil Engineering and with the qualification of construction engineer, Candidate of Economic Sciences.

Positions held over the last 5 years:

Period		Name of Organization	Position
from	until		
08.2011	present	JSC "INTER RAO UES"	Member of the Board of Directors
06.2011	present	JSC Russian Regional Development Bank	Member of the Supervisory Board
06.2010	present	JSC FGC UES	Member of the Board of Directors
10.2009	present	JSC FGC UES	Chairman of the Board
07.2009	10.2009	JSC FGC UES	Acting Chairman of the Board
2007	07.2009	Siberian Federal Okrug	Assistant to the Plenipotentiary Representative of the President of the Russian Federation in the Siberian

			Federal Okrug
2003	2007	Taimyr (Dolgan-Nenets) Autonomous Okrug	Governor

Does not own shares of JSC “INTER RAO UES”.



Vladimir Dmitriev

Year of Birth: 1953

Education: In 1975 he graduated from the Moscow Institute of Finance with a degree in International Economic Relations. Doctor of Economic Sciences, Corresponding Member of the Russian Academy of Natural Sciences.

Positions held over the last 5 years:

Period		Name of Organization	Position
from	until		
03.11.2011	present	JSC Foundation for the Development of the Far East and the Baikal Region	Chairman of the Board of Directors (Member of the Board of Directors before 28.11.2011)
13.10.2011	present	JSC “Russian Agency for Insurance of Export Loans and Investments”	Member of the Board of Directors
19.08.2011	present	Autonomous Nonprofit Organization “Agency of Strategic Initiatives for Advancing New Projects”	Member of the Supervisory Board
26.04.2011	present	Nonprofit Foundation “Forum Analytical Center”	Member of the Board of Trustees
16.03.2011	present	Autonomous Nonprofit Organization “Russia 2018 Organizing Committee”	Member of the Supervisory Board
30.11.2010	present	JSC “Corporation for the Development of the North Caucasus”	Chairman of the Board of Directors (Member of the Board of Directors before 07.12.2010)
25.06.2010	present	JSC KAMAZ	Member of the Board of Directors
25.06.2010	present	JSC “INTER RAO UES”	Member of the Board of Directors
24.12.2009	present	VEB Capital	Chairman of the Supervisory Board
19.12.2009	present	Public Organization “Russian Volleyball	Member of the Supervisory

		Federation”	Board
16.03.2009	present	Aktsyonerny Kommerchesky Investitsyonny Bank	Chairman of the Supervisory Board
09.02.2009	present	Globexbank	Chairman of the Board of Directors
11.10.2008	present	JSC “Aeroflot – Russian Airlines”	Member of the Board of Directors

18.08.2008	present	Russian Housing Development Foundation	Member of the Board of Trustees
29.07.2008	present	Limited Liability Company "Minsk-City"	Member of the Supervisory Board
09.07.2008	present	JSC "United Shipbuilding Corporation"	Member of the Board of Directors
30.06.2008	present	JSC "United Aircraft Building Corporation"	Chairman of the Board of Directors (Member of the Board of Directors before 13.07.2011)
19.02.2008	present	National Public Organization "Union of Russian Machinists"	Member of the Central Board, Member of the Central Board Office
07.09.2007	present	JSC "RUSNANO" (before 11.03.2011 - SC "Russian Nanotechnologies Corporation")	Member of the Board of Directors
18.06.2007	present	SC "Bank for Development and Foreign Economic Affairs (Vneshecombank)"	Chairman of Vnesheconombank
08.06.2007	17.06.2007	SC "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"	Acting Chairman of Vneshecombank
07.06.2007	present	Nonprofit Organization "Sverdlovsk Oblast Gubernatorial Foundation for Supporting Investment"	Member of the Foundation Board
18.04.2006	present	Russian Union of Industrialists and Entrepreneurs	Member of the Management Board, Member of the Management Board Office (since 15.04.2010)
26.08.2005	present	Autonomous Nonprofit Organization Russian-Arab Business Council	Member of the Coordinating Board
27.12.2004	present	Nonprofit Organization Vnesheconombank Non-state Pension Fund "Vnesheconomfond"	Member of the Fund Board
16.07.2004	present	Nonprofit Organization (Association) Italian-Russian Chamber of Commerce	Member of the Administrative Board
28.05.2004	07.06.2007	Vnesheconombank of the USSR	Chairman of Vnesheconombank

Does not own shares of JSC "INTER RAO UES".



Evgeny Dod

Year of Birth: 1973

Education: in 1995 he graduated from the Moscow Aviation Institute (State University of Aerospace Technologies) with a degree in Economics and Management of Machine Engineering Enterprises, Candidate of Economic Sciences.

Positions held during the last 5 years:

Period		Name of Organization	Position
from	until		
07.2011	present	Autonomous Nonprofit Organization “International Center for Sustainable Energy Development” under the auspices of UNESCO	Member of the Board of Managers
06.2011	present	JSC SO UES	Member of the Board of Directors
06.2011	present	JSC “Administrator of the Trading System for the Wholesale Electricity Market”	Member of the Board of Directors
06.2010	06.2011	JSC “Center for Financial Settlements”	Member of the Board of Directors
06.2010	present	JSC “RusHydro Group”	Member of the Board of Directors
06.2010	present	JSC Russian Regional Development Bank	Member of the Supervisory Board
06.2010	present	Nonprofit Partnership “Russian Hydropower”	Member of the Supervisory Board
2010	2011	Russian Union of Industrialists and Entrepreneurs	Member of the Management Board
11.2009	present	JSC “RusHydro Group”	Chairman of the Board
06.2009	06.2010	JSC “Interregional Distribution Grid Companies Group”	Member of the Board of Directors
06.2009	06.2010	JSC FGC UES	Member of the Board of Directors
06.2009	2010	JSC Sangtudinskaya GES-1	Chairman of the Board of Directors
06.2009	2010	JSC “First Power Generating Company on the Wholesale Energy Market”	Member of the Board of Directors
06.2009	present	Irkutsk Joint Stock Company for Power and Electrification	Member of the Board of Directors

06.2009	03.2010	JSC “Kambaratisk Hydro Electric Power Station 1”	Member of the Board of Directors
06.2009	present	Irkutsk Joint Stock Company for Power and Electrification	Member of the Board of Directors
2008	2009	Russian Union of Industrialists and Entrepreneurs	Member of the Board of Directors
2008	11.2009	JSC “INTER RAO UES”	Chairman of the Board
06.2008	present	JSC “INTER RAO UES”	Member of the Board of Directors
2007	2009	JSC “Eastern Energy Company”	Member of the Board of Directors
2007	2009	JSC “Kuchurgan Power Station”	Chairman of the Board of Directors
2007	2010	JSC “Industrial Energy Company”	Member of the Board of Directors
2007	2009	LLC “INTER RAO UES FINANCE”	Chairman of the Board of Directors
2000	2008	JSC “INTER RAO UES”	CEO

Does not own shares of JSC “INTER RAO UES”.



Boris Kovalchuk

Year of Birth: 1977

Education: In 1999 he graduated from St. Petersburg State University with a degree in Jurisprudence.

Positions held during the last 5 years:

Period		Name of Organization	Position
from	until		
06.2011	present	JSC Russian Regional Development Bank	Member of the Board of Directors
06.2011	present	JSC “Center for Financial Settlements”	Member of the Board of Directors
05.2011	present	JSC “Third Power Generating Company on the Wholesale Energy Market”	Member of the Board of Directors
2010	present	JSC “Kambaratisk Hydro Electric Power Station 1”	Chairman of the Board of Directors
2010	present	Russian Union of Industrialists and Entrepreneurs	Member of the Board of Directors
2010	present	Russian Union of Industrialists and Entrepreneurs	Member of the Board of Directors
12.2010	present	JSC “Saint-Petersburg Sale Company”	Member of the Board of Directors
12.2010	present	JSC “SARATOVENERGO”	Member of the Board of Directors
12.2010	present	JSC “Mosenergosbyt”	Chairman of the Board of Directors
12.2010	06.2011	JSC “Tambov Energy Retailing Company”	Chairman of the Board of Directors
11.2010	06.2011	JSC “Altayenergosbyt”	Chairman of the Board of Directors
11.2010	present	JSC “United Energy Retailing Company”	Chairman of the Board of Directors
06.2010	present	JSC “RusHydro Group”	Member of the Board of Directors
06.2010	06.2011	JSC “Administrator of the Trading System for the Wholesale Electricity Market”	Member of the Board of Directors
06.2010	present	Irkutsk Joint Stock Company for Power and Electrification	Member of the Board of Directors

06.2010	present	“InterRAO-WorleyParsons” LLC	Member of the Board of Directors
06.2010	present	JSC “INTER RAO UES”	Chairman of the Board
02.2010	present	JSC “First Power Generating Company on the Wholesale Energy Market”	Chairman of the Board of Directors
11.2009	06.2010	JSC “INTER RAO UES”	Acting Chairman of the Board
06.2009	present	JSC “INTER RAO UES”	Member of the Board of Directors
06.2009	06.2010	JSC “First Power Generating Company on the Wholesale Energy Market”	Member of the Board of Directors
04.2009	11.2009	State Atomic Energy Corporation ROSATOM	Assistant CEO for Development
2006	2009	Administration of the Government of the Russian Federation	Head of the National Priority Projects Department
2006	2006	Government of the Russian Federation	Assistant to the First Deputy Prime Minister

Does not own shares of JSC “INTER RAO UES”.



Vyacheslav Kravchenko

Year of Birth: 1967

Moscow State University of Lomonosov, law

Positions held during the last 5 years:

Period		Name of Organization	Position
from	until		
06.2011	present	JSC “Administrator of the Trading System for the Wholesale Electricity Market”	Member of the Board of Directors
22.06.2011	present	JSC “Interregional Distribution Grid Companies Group”	Member of the Board of Directors
30.06.2011	present	JSC “Altayenergosbyt”	Member of the Board of Directors
27.06.2011	present	Joint Stock Company for Power and Electrification “SARATOVENERGO”	Member of the Board of Directors
28.06.2011	present	JSC “Tambov Energy Retailing Company”	Member of the Board of Directors
24.06.2011	present	JSC “Saint-Petersburg Sale Company”	Member of the Board of Directors
27.06.2011	present	JSC “Monsenergosbyt”	Member of the Board of Directors
06.2011	present	JSC “Center for Financial Settlements”	Member of the Board of Directors
30.06.2011	12.01.2012	JSC “United Energy Retailing Company”	Member of the Board of Directors
30.06.2011	present	Nonprofit partnership “Market Council on the Organization of an Effective System of Wholesale and Retail Electric Energy and Capacity Sales”	State Representative on the Supervisory Board
08.2010	12.01.2012	JSC “United Energy Retailing Company”	CEO (Part Time)
07.2009	05.2010	JSC “Territorial Generation Company No. 11”	Member of the Board of Directors
09.2008	31.12.2011	“RN Energo” LTD	CEO
2008	present	JSC “INTER RAO UES”	Member of the Board of Directors
07.2008	12.2008	JSC “RAO UES Vostok”	Member of the Board of Directors
06.2008	06.2009	JSC “Yuzhnaya Setevaya Kompania”	Member of the Board of Directors
06.2007	06.2009	JSC “Tyumenenergo”	Member of the Board of Directors
2006	2008	JSC “Institut Energosetproekt”	Member of the Board of Directors

Does not own shares of JSC “INTER RAO UES”.



Grigory Kurtser
(Chairman of the Board of Directors)

Year of Birth: 1980

Education: In 2003 he graduated from the Financial University under the Government of the Russian Federation with a degree in Finance and Credit.

Positions over the last 5 years:

Period		Name of Organization	Position
from	until		
06.2010	present	NPF “Neftegarant”	Member of the Board of Directors
2010	present	“RUSENERGO FUND LIMITED” Company	Member of the Board of Directors
02.2010	present	JSC Russian Regional Development Bank	President
01.2010	01.2010	JSC Russian Regional Development Bank	Director
2010	present	JSC “RusHydro Group”	Member of the Board of Directors
2010	present	JSC “Far-Eastern Bank”	Chairman of the Board of Directors
2009	present	JSC Russian Regional Development Bank	Member of the Supervisory Board
10.2008	12.2009	JSC “VTB”	Deputy Head of the Treasurer’s Office - Head of the Resource Management Service of the Treasurer’s Office of the Finance Department
11.2008	present	JSC “INTER RAO UES”	Member of the Board of Directors
01.2007	10.2008	JSC “VTB”	Manager of the Resource Management Service of the Treasurer’s Office of the Finance Department
02.2005	12.2006	JSC “VTB”	Leading Dealer at the Operations Division with ruble Debt Instruments of the Private Operations Management on the

			Financial Markets of the Investment Unit
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Does not own shares of JSC “INTER RAO UES”.



Aleksandr Lokshin

Year of Birth: 1957

Education: In 1980 he graduated from the Kalinin Leningrad Polytechnic Institute with a degree in Thermophysics.

Positions held during the last 5 years:

Period		Name of Organization	Position
from	until		
01.2010	present	JSC “TVEL”	Member of the Board of Directors
06.2010	present	JSC “Russian State Concern for the Production of Electrical and Thermal Power at Nuclear Power Plants”	Member of the Board of Directors
2010	present	JSC “INTER RAO UES”	Member of the Board of Directors
2009	present	JSC “Atomstroyexport”	Member of the Board of Directors
2009	present	JSC “EGMK-Proekt”	Member of the Board of Directors
2009	present	JSC “Atomredmetzoloto”	Member of the Board of Directors
2009	present	“New Compositional Materials” LTD	Member of the Board of Directors
2009	present	JSC “Moscow Joint-Stock Insurance Company”	Member of the Board of Directors
10.2008	06.2009	JSC “INTER RAO UES”	Member of the Board of Directors
07.2008	present	State Atomic Energy Corporation ROSATOM	Deputy Director General for the Nuclear Energy Complex.
07.2008	present	State Atomic Energy Corporation ROSATOM	Member of the Management Board

07.2007	06.2008	JSC Russian State Concern for the Production of Electrical and Thermal Power at Nuclear Power Plants "Rosenergoatom"	Acting CEO
04.2006	07.2007	JSC Russian State Concern for the Production of Electrical and Thermal Power at Nuclear Power Plants "Rosenergoatom"	

Does not own shares of JSC "INTER RAO UES".



Kirill Seleznyov

Year of Birth: 1974

Education: In 1997 he graduated from the Ustinov Baltic State Technical University with a degree in Pulsed Devices and Automatic Rotor Lines, and in 2002 he also graduated from the Saint Petersburg State University with a degree in Finance and Credit.

Positions held over the last 5 years:

Period		Name of Organization	Position
from	until		
2011	present	JSC "Joint-Stock Bank "RUSSIA"	Member of the Board of Directors
06.2010	present	JSC "Gazprombank"	Member of the Board of Directors
2008	present	JSC "INTER RAO UES"	Member of the Board of Directors
2008	present	JSC "Territorial Generation Company No. 1"	Chairman of the Board of Directors
2007	present	JSC "Gazprom Neftekhim Salavat"	Chairman of the Board of Directors
2007	present	Joint Stock Company for Power and Electrification "Mosenergo"	Chairman of the Board of Directors
2007	present	JSC "Gazpromneft"	Member of the Board of Directors
2007	present	JSC "NOVATEK"	Member of the Board of Directors
2007	2007	JSC "SKA St. Petersburg"	Member of the Board of Directors
2006	2009	JSC "SIBUR-Fertilizers"	Chairman of the Board of Directors, Member

			of the Board of Directors
2006	present	JSC “Football Club Zenit”	Member of the Board of Directors
2006	present	Nonprofit Partnership “Russian Gas Society”	Member of the Supervisory Board
2006	present	JSC “Kaunas Heat and Power Plant”	Member of the Management Board, Chairman of the Management Board
2006	present	“Gazprom Mezhtregiongaz” LTD	CEO (Part Time)
2005	present	JSC “Nortgaz”	Member of the Board of Directors
2004	present	JSC “Tomskgazprom”	Member of the Board of Directors
2004	2008	RAO UES of Russia	Member of the Board of Directors
03.2003	present	JSC “Gazprom”	Member of the Management Board, Head of the Marketing Department and Department for Processing Gas and Liquid Hydrocarbons
2003	present	A/S Latvijas Gāze	Member of the Board of Directors, Chairman of the Board of Directors
2003	2010	JSC “Gazenergoprombank”	Chairman of the Board of Directors
2003	2007	“Sevmorneftegaz” LTD	Chairman of the Board of Directors
2003	present	JSC “Vostokgazprom”	Member of the Board of Directors

Does not own shares of JSC “INTER RAO UES”.



Vladimir Strzhalkovsky

Year of Birth: 1954

Education: He graduated from the V. I. Lenin Leningrad Electro-Technical Institute with a degree in Applied Mathematics, Candidate of Economic Sciences.

Positions held over the last 5 years:

Period		Name of Organization	Position
from	until		
06.2011	present	JSC “INTER RAO UES”	Member of the Board of Directors
12.2008	present	MMC Norilsky Nickel	Member of the Board of Directors
08.2008	present	MMC Norilsky Nickel	CEO, Chairman of the Management Board
07.2008	01.2009	State Corporation for the Construction of the Olympic Venues and the Development of Sochi as an Alpine Resort	Member of the Supervisory Board
11.2004	08.2008	Federal Agency for Tourism	CEO
2001	2008	Intergovernmental Commission for Trade and Economic Collaboration with Indonesia, Greece, Spain, Bulgaria, Netherlands and Cyprus	Head of the Commission, Deputy Head of the Commission for Russia

Does not own shares of JSC “INTER RAO UES”.



Dmitry Shugaev

Year of Birth: 1965

Education: In 1987, he graduated from the Moscow State Institute of International Relations with a degree in International Journalism.

Positions held over the last 5 years:

Period		Name of Organization	Position
from	until		
06.2011	present	JSC “Rosneft Oil Company”	Member of the Board of Directors
06.2011	present	JSC “INTER RAO UES”	Member of the Board of Directors
06. 2011	present	JSC “RAO Eastern Energy Systems”	Member of the Board of Directors
06. 2011	present	JSC “NPO Saturn”	Member of the Board of Directors
02.2010	present	“RT- Ekspo” LTD	Member of the Board of Directors
12.2009	present	“MIP” LTD	Member of the Board of Directors
04.2008	present	JSC “TVK Rossiya”	Member of the Board of Directors
06.2008	present	Nonprofit partnership “National Center for Aircraft Construction”	Member of the Supervisory Board
06.2008	present	JSC “Aviasalon”	Member of the Board of Directors
01.2008	present	State Corporation “Rostekhnologii”	Head of CEO Administration, Deputy CEO
02.2001	01.2008	Federal State Unitary Enterprise “Rosoboronexport”	Advisor to Deputy CEO, Assistant to First Deputy CEO, Head of CEO Administration

Does not own shares of JSC “INTER RAO UES”.



Denis Fedorov

Year of Birth: 1978

Education: In 2001, he graduated from the Bauman State Technical University with a degree in Economic Management; and in 2003, he completed a graduate program at the Moscow Power Engineering Institute in Economics and Industrial Thermodynamics. Candidate of Economic Sciences.

Positions held over the last 5 years:

Period		Name of Organization	Position
from	until		
30.09.2011	present	Joint Stock Company for Power and Electrification "Mosenergo"	Member of the Board of Directors
30.06.2011	present	JSC "Mezhregionenergostroy"	Chairman of the Board of Directors
30.06.2011	present	JSC "Mezhregionenergostroy"	Chairman of the Board of Directors
30.06.2011	present	JSC "Tyumen Energy Retailing Company"	Chairman of the Board of Directors
30.06.2011	present	JSC "Thermal Energy Company"	Member of the Board of Directors
27.06.2011	present	JSC "Territorial Generation Company No. 1"	Member of the Board of Directors
24.06.2011	present	JSC "INTER RAO UES"	Member of the Board of Directors
22.06.2011	present	JSC "Interregional Distribution Grid Companies Group"	Member of the Board of Directors
22.06.2011	present	JSC FGC UES	Chairman of the Board of Directors
21.06.2011	present	JSC "Second Power Generating Company on the Wholesale Energy Market"	Member of the Board of Directors
09.06.2011	present	JSC "Tsentrenergoholding"	Member of the Board of Directors
23.05.2011	present	Nonprofit Partnership "Council of Energy Producers"	Member of the Supervisory Board
4/29/2011	present	JSC "Kaunas Heat and Power Plant"	Member of the Management Board
29.04.2011	present	JSC "Kaunas Heat and Power Plant"	Member of the Management Board
27.12.2010	present	"Hope" Foundation for the Development of Education, Science and Technology	Member of the Management Board
24.04.2009	present	JSC "Fortis Energy"	Member of the Management Board
2009	present	JSC "Tsentrenergoholding"	CEO
2009	present	"Gazprom Energoholding" LTD	CEO
2007	present	JSC "Gazprom"	Management Head

Does not own shares of JSC "INTER RAO UES".

5.3.2.2. Changes to the composition of the Board of Directors

In 2011, the Board of Directors consisted of the following members:

Composition of the Board of Directors during the period January 1, 2011 to June 24, 2011

1.	Igor Sechin	Chairman of the Board of Directors Deputy Prime Minister of the Russian Federation
2.	Nikolay Anoshko	Advisor to the Chairman of the Management Board of JSC "Gazprombank"
3.	Evgeny Dod	Chairman of the Management Board of JSC "RusHydro Group"
4.	Vladimir Dmitriev	Chairman of SC "Bank for Development and Foreign Economic Affairs (Vneshecombank)"
5.	Boris Kovalchuk	Chairman of the Management Board of JSC "INTER RAO UES"
6.	Vyacheslav Kravchenko	CEO of JSC "United Energy Retailing Company"
7.	Grigory Kurtser	President of JSC "Russian Regional Development Bank"
8.	Aleksandr Lokshin	Deputy CEO of the State Atomic Energy Corporation ROSATOM
9.	Yury Petrov	Head of the Federal Agency for State Property Management (Rosimushchestvo)
10.	Kirill Seleznyov	Member of the Management Board, Head of the Marketing and Gas and Liquid Hydrocarbons Processing Department at JSC "Gazprom", CEO of "Mezhregiongaz" LTD
11.	Sergey Shmatko	Minister of Energy of the Russian Federation

Composition of the Board of Directors during the period June 24, 2011 to August 31, 2011

1.	Grigory Kurtser (Chairman of the Board of Directors)	President of JSC "Russian Regional Development Bank"
2.	Oleg Budargin	Chairman of the Management Board of JSC "FGC UES"
3.	Vladimir Dmitriev	Chairman of SC "Bank for Development and Foreign Economic Affairs (Vneshecombank)"
4.	Evgeny Dod	Chairman of the Management Board of JSC "RusHydro Group"
5.	Boris Kovalchuk	Chairman of the Management Board of JSC "INTER RAO UES"
6.	Vyacheslav Kravchenko	CEO of JSC "United Energy Retailing Company"
7.	Aleksandr Lokshin	First Deputy CEO and Managing Director of the State Atomic Energy Corporation ROSATOM
8.	Kirill Seleznyov	Member of the Management Board, Head of the Marketing and Gas and Liquid Hydrocarbons Processing Department at JSC "Gazprom", CEO of "Mezhregiongaz" LTD

9.	Vladimir Strzhalkovsky	CEO, Chairman of the Management Board of JSC “MMC Norilsky Nickel”
10.	Denis Fedorov	Head of Electric Power Sector Development and Marketing Administration at JSC “Gazprom”, CEO of JSC “Tsentrenergoholding”, CEO “Gazprom Energy Holding” LTD
11.	Dmitry Shugaev	Deputy CEO of the State Corporation to Promote the Development, Manufacturing and Export of Hi-Tech Industrial Products “Rostekhnologii”

From the preceding list, the following were not elected to the Board of Directors: Nikolay Anoshko, Igor Sechin, Sergey Shmatko

Composition of the Board of Directors during the period **August 31, 2011 to December 31, 2011**

1.	Grigory Kurtser (Chairman of the Board of Directors)	President of JSC “Russian Regional Development Bank”
2.	Vladimir Dmitriev	Chairman of SC “Bank for Development and Foreign Economic Affairs (Vneshecombank)”
3.	Evgeny Dod	Chairman of the Management Board of JSC “RusHydro Group”
4.	Boris Kovalchuk	Chairman of the Management Board of JSC “INTER RAO UES”
5.	Vyacheslav Kravchenko	CEO of JSC “United Energy Retailing Company”
6.	Aleksandr Lokshin	First Deputy CEO and Managing Director of the State Atomic Energy Corporation ROSATOM
7.	Yury Petrov	Head of the Federal Agency for State Property Management (Rosimushchestvo)
8.	Kirill Seleznyov	Member of the Management Board, Head of the Marketing and Gas and Liquid Hydrocarbons Processing Department at JSC “Gazprom”, CEO of “Mezhregiongaz” LTD
9.	Vladimir Strzhalkovsky	CEO, Chairman of the Management Board of JSC “MMC Norilsky Nickel”
10.	Denis Fedorov	Head of Electric Power Sector Development and Marketing Administration at JSC “Gazprom”, CEO of JSC “Tsentrenergoholding”, CEO “Gazprom Energy Holding” LTD
11.	Dmitry Shugaev	Deputy CEO of the State Corporation to Promote the Development, Manufacture and Export of Hi-Tech Industrial Products “Rostekhnologii”

From the preceding list, Yury Petrov was not elected to the Board of Directors.

The following are recognized as independent directors in accordance with the Code of Corporate Conduct that is recommended for use by the Federal Financial Markets Service of Russia:

- **Oleg Budargin**

- Vladimir Dmitriev
- Aleksandr Lokshin
- Kirill Seleznyov
- Vladimir Strzhalkovsky
- Denis Fedorov
- Dmitry Shugaev

5.3.2.3. Information about the 2011 meetings

In 2011, there were 21 meetings of the Board of Directors, of which one was in praesentia 1 and 20 in absentia. In 2011, the Board of Directors of JSC “INTER RAO UES” resolved essential matters related to the current activity and strategic development of the Company. The Board considered 168 issues. Decisions were made on all the issues. On December 13, 2011 the Board of Directors held an in praesentia meeting, during which it considered the business plan of the Company for 2012, the report on the execution of the business plan and the key performance indicators (KPIs) for the first 9 months of 2011.

The Minutes of the meetings of the Board of Directors are available on the Company website: www.interrao.ru.

5.3.2.4. Participation of the Members of the Board of Directors in the meetings of 2011

No	Full name	Number of meetings in which the member of the Board of Directors took part/number of meetings, in which the member of the Board of Directors could have participated
1.	Anoshko Nikolay Alexandrovich	9/9
2.	Budargin Oleg Mikhailovich (from 31.08.2011)	9/10
3.	Dmitriev Vladimir Alexandrovich	20/21
4.	Dod Evgeny Vyacheslavovich	20/21
5.	Kovalchuk Boris Yurievich	21/21
6.	Kravchenko Vyacheslav Mikhailovich	21/21
7.	Kurtser Grigory Markovich	21/21
8.	Lokshin Aleksandr Markovich	21/21
9.	Petrov Yury Alexandrovich	10/11
10.	Seleznyov Kirill Gennadievich	19/21
11.	Sechin Igor Ivanovich	9/9
12.	Strzhalkovsky Vladimir Igorevich (from 24.06.2011)	10/12
13.	Fedorov Denis Vladimirovich (from 24.06.2011)	12/12
14.	Shmatko Sergey Ivanovich	9/9
15.	Shugaev Dmitry Evgenyevich (from 24.06.2011)	12/12

The decisions made by the Board of Directors of JSC “INTER RAO UES” on the issues considered in 2011 are placed on the Company website: www.interrao.ru.

5.3.2.5. Remuneration of the Members of the Board of Directors

The amount and procedure of remuneration and compensation of the members of the Board of Directors of the Company are determined in accordance with the Provisions on the payment of remuneration and compensation to the members of the Board of Directors of the JSC “INTER RAO UES” found on the Company website: www.interrao.ru.

In 2011, for their participation in the work of the Board of Directors in 2010 the members of the Board of Directors of JSC “INTER RAO UES” were paid a remuneration in the total amount of 10,902,500 **RUB**.

Information about the payment of remuneration to members of the Board of Directors in 2011:

Full name of the member of the Board of Directors	Amount, RUB
Anoshko Nikolay Alexandrovich	1,610,000.00
Dmitriev Vladimir Alexandrovich	1,312,500.00
Dod Evgeny Vyacheslavovich	1,400,000.00
Kravchenko Vyacheslav Mikhailovich	1,680,000.00
Kurtser Grigory Markovich	1,680,000.00
Lokshin Aleksandr Markovich	1,680,000.00
Seleznyov Kirill Gennadievich	1,540,000.00

5.2.3.6. Committees of the Board of Directors

The Board of Directors of JSC “INTER RAO UES” has three committees:

- **Human Resources and Remuneration Committee**
- **Audit Committee**
- **Strategy and Investments Committee**

Human Resources and Remuneration Committee

The main goal of the **Human Resources and Remuneration Committee** is the involvement of highly qualified experts in the management of the Company and the creation of the required incentives for their successful work. Under the decision of the Board of Directors dated August 3, 2011, the Company approved a new edition of the Human Resources and Remuneration Committee under which the exclusive functions of the Committee include the identification of criteria for the selection of candidates to be elected as members of the Board of Directors, as members of the Management Board and as the sole executive body of the Company, as well as a preliminary evaluation of the said candidates (Minutes dated August 5th, 2011 No 46).

The composition of the Committee is defined by decision of the Board of Directors of the Company and numbers at least 3 and not more than 7 people. The Committee is elected by the Board of Directors of the Company from candidates nominated by the members of the Board of Directors of the Company.

In 2011, the Human Resources and Remuneration Committee of the Board of Directors changed its composition three times:

Composition of the Human Resources and Remuneration Committee of the Board of Directors of the Company for the period from January 1, 2011 to August 3, 2011.

Composition of the Human Resources and Remuneration Committee of the Board of Directors of the Company per the decision of the Board of Directors dated 19.08.2010:

1.	Shmatko Sergey Ivanovich <i>(Chairman of the Committee)</i>	Member of the Board of Directors, Minister of Energy of the Russian Federation
2.	Nikitin Gleb Sergeevich	Deputy Director of the Federal Agency for State Property Management
3.	Kravchenko Vyacheslav Mikhailovich	Member of the Board of Directors, Director General of the Open Joint Stock Company "United Energy Retailing Company"
4.	Kurtser Grigory Markovich	Member of the Board of Directors, President of the Open Joint Stock Company "Russian Regional Development Bank"
5.	Lokshin Aleksandr Markovich	Member of the Board of Directors, Deputy Director General and Director of the Nuclear Power Complex Directorate of the State Atomic Energy Corporation ROSATOM
6.	Boris Aleksandr Gennadievich	Member of the Management Board of JSC "INTER RAO UES"

Composition of the Human Resources and Remuneration Committee of the Board of Directors of the Company for the period from August 3, 2011 to September 27, 2011.

Composition of the Human Resources and Remuneration Committee of the Board of Directors of the Company per the decision of the Board of Directors dated 03.08.2011:

1.	Dmitriev Vladimir Alexandrovich <i>(Chairman of the Committee)</i>	Member of the Board of Directors, Chairman of the State Corporation "Bank for Development and Foreign Economic Affairs"
2.	Strzhalkovsky Vladimir Igorevich	Member of the Board of Directors, Director General, Chairman of the Board of the Open Joint Stock

		Company “Mining and Metallurgical Company Norilsk Nickel”
3.	Shugaev Dmitry Evgenyevich	Member of the Board of Directors, Deputy Director General of State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product “Rostekhnologii”

Composition of the Human Resources and Remuneration Committee of the Board of Directors of the Company for the period from September 27, 2011 to December 31, 2011.

Composition of the Human Resources and Remuneration Committee of the Board of Directors of the Company per the decision of the Board of Directors dated 27.09.2011:

1.	Shugaev Dmitry Evgenyevich <i>(Chairman of the Committee)</i>	Member of the Board of Directors, Deputy Director General of State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostekhnologii"
2.	Budargin Oleg Mikhailovich	Member of the Management Board, Chairman of the Board of the Open Joint Stock Company "Federal Grid Company of the Unified Energy System"
3.	Lokshin Aleksandr Markovich	Member of the Board of Directors, Deputy Director General and Director of the Nuclear Power Complex Directorate of the State Atomic Energy Corporation ROSATOM
4.	Fedorov Denis Vladimirovich	Member of the Board of Directors, Head of the Department on the Development of the Electric Energy Sector and Marketing in the Electric Power Industry of the Open Joint Stock Company "Gazprom", Director General of the Open Joint Stock Company "Tsentrenergoholding", Director General of "Gazprom Energoholding" LTD

In 2011, for the first time the composition of the Committee included only independent non-executive members of the Board of Directors, which complies with the requirements of the stock exchanges for issuers whose shares are included in Quotation List A.

Audit Committee

The objective of the Committee is the development and presentation of recommendations (statements) to the Board of Directors of the Company in the field of audit and internal control. The Audit Committee ensures actual participation of the Board of Directors in the control of the financial and business activities of the Company. One of the most important functions of the Committee is the development of recommendations for the selection of an independent audit company, as well as interaction with the Revision Commission of the Company and the Audit Company (auditor) of the Company.

The Committee operates on the basis of the Provisions approved by decision of the Board of Directors dated 21.09.2009 (Minutes dated 21.09.2009 No. 18).

The composition of the Committee is defined by a decision of the Board of Directors of the Company and numbers at least 3 and not more than 7 people.

In 2011, the composition of the Audit Committee of the Board of Directors changed three times:

Composition of the Audit Committee of the Board of Directors of the Company for the period from January 1, 2011 to August 3, 2011.

Composition of the Audit Committee of the Board of Directors of the Company per decision of the Board of Directors dated 30.09.2010:

1.	Anoshko Nikolay Alexandrovich (Chairman of the Committee)	Consultant of the Chairman of the Management Board of Open Joint Stock Company "Gazprombank"
2.	Kurtser Grigory Markovich	Member of the Board of Directors, President of the Open Joint Stock Company "Russian Regional Development Bank"
3.	Seleznyov Kirill Gennadievich	Member of the Board of Directors, Member of the Management Board, Member of the Management Committee, Head of the Gas and Liquid Hydrocarbons Marketing and Processing Department of JSC "GAZPROM", Director General of JSC "Mezhregiongaz"

Composition of the Audit Committee of the Board of Directors of the Company for the period from August 3, 2011 to September 27, 2011.

Composition of the Audit Committee of the Board of Directors of the Company per decision of the Board of Directors dated 03.08.2011:

1.	Lokshin Aleksandr Markovich (Chairman of the Committee)	Member of the Board of Directors, Deputy Director General and Director of the Nuclear Power Complex Directorate of the State Atomic Energy Corporation ROSATOM
2.	Seleznyov Kirill Gennadievich	Member of the Board of Directors, Member of the Management Board, Member of the Management Committee, Head of the Gas and Liquid Hydrocarbons Marketing and Processing Department of JSC "GAZPROM", Director General of JSC "Mezhregiongaz"
3.	Fedorov Denis Vladimirovich	Member of the Board of Directors, Head of the Department on the Development of the Electric Energy Sector and Marketing in the Electric Power Industry of the Open Joint Stock Company "Gazprom", Director General of the Open Joint Stock Company "Tsentrenergoholding", Director General of "Gazprom Energoholding" LTD

Composition of the Audit Committee of the Board of Directors of the Company for the period from September 27, 2011 to December 31, 2011.

Composition of the Audit Committee of the Board of Directors of the Company per decision of the Board of Directors dated 27.09.2011:

1.	Lokshin Aleksandr Markovich (Chairman of the Committee)	Member of the Board of Directors, Deputy Director General and Director of the Nuclear Power Complex Directorate of the State Atomic Energy Corporation ROSATOM
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2.	Budargin Oleg Mikhailovich	Member of the Management Board, Chairman of the Board of the Open Joint Stock Company “Federal Grid Company of the Unified Energy System”
3.	Fedorov Denis Vladimirovich	Member of the Board of Directors, Head of the Department on the Development of the Electric Energy Sector and Marketing in the Electric Power Industry of the Open Joint Stock Company “Gazprom”, Director General of the Open Joint Stock Company “Tsentrenergoholding”, Director General of “Gazprom Energoholding” LTD

The Committee includes only independent non-executive members of the Board of Directors, which complies with the requirements of the stock exchanges for the issuers whose shares are included in Quotation List A.

Strategy and Investment Committee

The functions of the Strategy and Investment Committee include the development and presentation of recommendations to the Board of Directors of the Company in the following areas of operation: identification of priority areas, strategic objectives and core principles of strategic development of the Company; enhancing the investment attractiveness of the Company; improvement of the investment activity and sound investment decisions.

The Committee operates on the basis of the Provisions approved by the decision of the Board of Directors dated 21.09.2009 (Minutes dated 21.09.2009 No 18).

In 2011, the composition of the Strategy and Investment Committee of the Board of Directors changed three times:

Composition of the Strategy and Investment Committee of the Board of Directors of the Company for the period from January 1, 2011 to August 3, 2011.

Composition of the Strategy and Investment Committee of the Board of Directors of the Company per decision of the Board of Directors dated 24.12.2010:

1.	Shmatko Sergey Ivanovich <i>(Chairman of the Committee)</i>	Member of the Board of Directors, Minister of Energy of the Russian Federation
2.	Ballo Anatoly Borisovich	Member of the Management Board, Deputy Chairman of the State Corporation “Bank for Development and Foreign Economic Affairs”
3.	Kravchenko Vyacheslav Mikhailovich	Director General of the Open Joint Stock Company “United Energy Retailing Company”
4.	Lokshin Aleksandr Markovich	Member of the Board of Directors, Deputy Director General and Director of the Nuclear Power Complex Directorate of the State Atomic Energy Corporation ROSATOM
5.	Mirsiyapov Ilmar Ilbatyrovich	Director of the Strategy and Investment Division of the Open Joint Stock Company “INTER RAO UES”
6.	Nikitin Gleb Sergeevich	Deputy Director of the Federal Agency for State Property Management
7.	Scribot Wolfgang	Management Director of the Director of Corporate Lending AB “Gazprombank”
8.	Shishkin Andrey Nikolaevich	Deputy Minister of Power Production of the Russian Federation

Composition of the Strategy and Investment Committee of the Board of Directors of the Company for the period from August 3, 2011 to September 27, 2011.

Composition of the Strategy and Investment Committee of the Board of Directors of the Company per decision of the Board of Directors dated 03.08.2011:

1.	Nikonov Vasily Vladislavovich (Chairman of the Committee)	Director of the Division on the Development of Electric Power Industry of the Ministry of Energy of the Russian Federation
2.	Ballo Anatoly Borisovich	Member of the Management Board, Deputy Chairman of the State Corporation “Bank for Development and Foreign Economic Affairs”
3.	David Hexter	XENON international consultant
4.	Klishas Andrey Alexandrovich	President of the Open Joint Stock Company “Mining and Metallurgical Company Norilsk Nickel”
5.	Kravchenko Vyacheslav Mikhailovich	Director General of the Open Joint Stock Company “United Energy Retailing Company”
6.	Mirsiyapov Ilnar Ilbatyrovich	Member of the Management Board JSC “INTER RAO UES”
7.	Nikitin Gleb Sergeevich	Deputy Director of the Federal Agency for State Property Management
8.	Shugaev Dmitry Evgenyevich	Member of the Board of Directors, Deputy Director General of State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product “Rostekhnologii”

Composition of the Strategy and Investment Committee of the Board of Directors of the Company for the period from September 27, 2011 to December 31, 2011.

Composition of the Strategy and Investment Committee of the Board of Directors of the Company per decision of the Board of Directors dated 27.09.2011:

1.	Nikonov Vasily Vladislavovich (Chairman of the Committee)	Director of the Division on the Development of Electric Power Industry of the Ministry of Energy of the Russian Federation
2.	David Hexter	XENON international consultant
3.	Klishas Andrey Alexandrovich	President of the Open Joint Stock Company “Mining and Metallurgical Company Norilsk Nickel”
4.	Kravchenko Vyacheslav Mikhailovich	Director General of the Open Joint Stock Company “United Energy Retailing Company”
5.	Mirsiyapov Ilnar Ilbatyrovich	Member of the Management Board JSC “INTER RAO UES”
6.	Nikitin Gleb Sergeevich	Deputy Director of the Federal Agency for State Property Management

7.	Tikhonova Maria Gennadievna	Director of the Department of Economic Regulation and Property Relations in the Fuel and Energy Complex of the Ministry of Energy of the Russian Federation
8.	Shugaev Dmitry Evgenyevich	Member of the Board of Directors, Deputy Director General of State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product “Rostekhnologii”

In 2011, for the purpose of observing the rights of minority shareholders of the Company, David Hexter, lead consultant of the XENON Capital Partners, was elected to the Strategy and Investment Committee.

5.3.3. Management Board

5.3.3.1. Information about Management Board Members

The Management Board is a collegial executive body of the Company performing day-to-day leadership functions. The Management Board reports to the General Meeting of Shareholders and to the Board of Directors of the Company. The members of the Company’s Management Board are elected by the Board of Directors of the Company for five (5) years as advised by the Director of the Management Board of the Company. The Management Board is responsible for the execution of the Company’s objectives, strategy and policy. The Management Board activities are regulated by the Articles of Association and Provisions on the Management Board approved by the Management Board of the JSC “RAO UES of Russia” dated March 28, 2008 (Minutes No. 1845pr/3 of March 28, 2008). Management Board members are appointed by the Board of Directors which also determines the number of Management Board members.



Boris Kovalchuk
(Chairman)

Year of Birth: 1977

Date of appointment: June 26, 2010 (acting Chairman of the Management Board since November 26, 2009)

Education: St Petersburg State University, Law, graduated in 1999.

Positions held over the past 5 years:

Period		Name of the organization	Position
from	until		
06/2011	present	JSC "Russian Regional Development Bank"	Member of the Board
06/2011	present	JSC "Financial Settlement Center"	Member of the Board
05/2011	present	JSC "Third Generating Company on the Wholesale Electricity Market"	Member of the Board
2010	present	JSC "Kambaratinskaya GES-1"	Chairman of the Board
2010	present	All-Russian Employers' Association "Russian Union of Entrepreneurs and Industrialists"	Member of the Board
2010	present	All-Russian Non-Government Organization "Russian Union of Industrialists and Entrepreneurs"	Member of the Board
12/2010	present	JSC "Saint-Petersburg Sale Company"	Member of the Board
12/2010	present	JSC "SARATOVENERGO"	Member of the Board
12/2010	present	JSC "Mosenergosbyt"	Chairman of the Board
12/2010	06/2011	JSC "Tambov Energy Retailing Company"	Chairman of the Board
11/2010	06/2011	JSC "Altayenergosbyt"	Chairman of the Board
11/2010	present	JSC "United Energy Retailing Company"	Chairman of the Board
06/2010	present	JSC Federal Hydroelectric Generating Company "RusHydro"	Member of the Board
06/2010	06/2011	JSC Administrator of the Wholesale Electricity Market Trading System	Member of the Board
06/2010	present	Irkutsk Open Joint-Stock Company of Power and Electrification (JSC "Irkutskenergo")	Member of the Board
06/2010	present	"InterRAO-WorleyParsons" Limited Liability Company	Member of the Board
06/2010	present	JSC "INTER RAO UES"	Chairman of the Board
02/2010	present	JSC "First Generating Company on the Wholesale Electricity Market"	Chairman of the Board
11/2009	06/2010	JSC "INTER RAO UES"	Acting Chairman of the Board
06/2009	present	JSC "INTER RAO UES"	Member of the Board
06/2009	06/2010	JSC "First Generating Company on the Wholesale Electricity Market"	Member of the Board
04/2009	11/2009	State Atomic Energy Corporation ROSATOM	Deputy Chief Development Officer

2006	2009	Apparatus of the Government of the Russian Federation	Director of the Priority National Project Department
2006	2006	Government of the Russian Federation	Assistant of the First Deputy of the Government Chairman

Does not own shares of JSC “INTER RAO UES”.



Vyacheslav Artamonov

Year of Birth: 1957

Education: Moscow Power Engineering Institute (Technical University). Candidate of Science (Engineering)

Date of appointment: May 23, 2008

Positions held over the past 5 years:

Period		Name of the organization	Position
from	until		
03.2011	10.2011	INTER RAO - Management of Electric Power Plants, LLC	Member of the Board
05.2011	present	JSC “Third Generating Company on the Wholesale Electricity Market”	Member of the Board
11.2010	present	JSC “United Energy Retailing Company”	Member of the Board
06.2010	present	JSC “Enel OGK-5”	Member of the Board
06.2009	present	JSC “Mosenergobirzha”	Member of the Board
11.2009	06.2011	JSC “First Generating Company on the Wholesale Electricity Market”	Member of the Board
06.2008	06.2009	JSC “Test Plant of Ivanovo GRES”	Member of the Board
09.2008	05.2009	TGR Energji	Member of the Board
05.2008	12.2008	UAB Energijos Realizacijos Centras	Member of the Board
2008	present	JSC “INTER RAO UES”	Deputy Board Chairman
08.2007	06.2009	JSC “Promishlennaya energetika”	Member of the Board
06.2007	05.2008	JSC “North-West Thermal Power Plant”	Member of the Board

04.2007	12.2007	RAO Nordic Oy	Member of the Board
2000	2008	JSC "INTER RAO UES"	Trading Department Manager, Deputy General Director of Trading in the Trading Department

Participation interest in the Company: **0.0206 %**



Alexander Boris

Year of Birth: 1959

Education: Leningrad Refrigerating Technologies Institute, North-West Academy of Public Service (St Petersburg).

Date of appointment: April 26, 2010

Positions held over the past 5 years:

Period		Name of the organization	Position
from	until		
2009	present time	JSC "INTER RAO UES"	Member of the Board
06.2011	present time	JSC "Saint-Petersburg Sale Company"	Member of the Board
05.2011	present time	JSC "Third Power Generating Company on the Wholesale Electricity Market"	Member of the Board
01.2011	10.2011	INTER RAO - Management of Electric Power Plants, LLC	Member of the Board
06.2010	06.2011	JSC "Technological Transport Directorate"	Chairman of the Board
06.2010	06.2011	JSC "Lukomorye Sanatorium-Preventorium"	Chairman of the Board
06.2010	present time	JSC ELECTROLUCH	Chairman of the Board
2009	2010	State Atomic Energy Corporation ROSATOM	Director of the Development Center

2006	2009	Government of the Russian Federation	Deputy Director of the Priority National Project Department
2004	2006	Federal Tax Service	Deputy Chief of the Procurement and Social Support Department, Chief of the Capital Construction Directorate

Does not own shares of JSC “INTER RAO UES”.



Andrey Golovlyov
Year of Birth: 1962

Education: Novosibirsk State Technical University, Academy of National Economy under the Government of the Russian Federation.

Date of appointment: August 20, 2010

Positions held over the past 5 years:

Period		Name of the organization	Position
from	until		
2010	05.2012	JSC “INTER RAO UES”	Member of the Board, Head of the Center of Finance and Economy
06.2011	present	Hrazdan Power Company, Public joint-stock company	Member of the Board
06.2011	present	JSC “Armenian Power Plant”	Member of the Board
06.2011	present	JSC Volga Territorial Generating Company	Member of the Board
05.2011	present	JSC “Third Generating Company on the Wholesale Electricity Market”	Member of the Board
2011	10.2011	INTER RAO - Management of Electric Power Plants, LLC	Member of the Board
2011	present	INTER RAO Finance B.V.	Director

03.2011	present	INTER RAO Credit B.V.	Member of the Supervisory Committee
09.2010	present	“Power Efficiency Center INTER RAO UES” LLC	Member of the Board
2009	2010	LLC Well Drilling Corporation	General Director
2006	2008	JSC Priargunsk Mining and Chemical Production Association	Director of Economics and Finance
2005	2006	LLC Interbank Trading House	Adviser Director General

Does not own shares of JSC “INTER RAO UES”.



Ilmar Mirsiyapov

Year of Birth: 1982

Education: Moscow State Institute of International Relations (University) of the Russian Ministry of International Affairs, Almeteyevsk State Oil Institute

Date of appointment: August 20, 2010

Positions held over the past 5 years:

Period		Name of the organization	Position
from	until		
06.2011	present	JSC Sangtudinskaya GES-1	Member of the Board
06.2011	present	JSC Volga Territorial Generating Company	Member of the Board
06.2011	present	JSC Territorial Generating Company No. 6	Member of the Board
06.2011	present	JSC “Sixth Generating Company on the Wholesale Electricity Market”	Member of the Board
05.2011	present	JSC “Third Generating Company on the Wholesale Electricity Market”	Member of the Board
06.2011	present	JSC “Omskenergosbyt”	Member of the Board
09.2011	present	JSC “Mosenergo”	Member of the Board

06.2011	present	Bashkir Open Joint-Stock Company of Power and Electrification "Bashkirenergo"	Member of the Board
06.2011	present	JSC "United Energy Retailing Company"	Member of the Board
09.2010	07.12.2011	TGR Energi	Member of the Board
06.2010	present	RAO Nordic Oy	Member of the Board
03.2010	10.2011	UAB "INTER RAO Lietuva"	Member of the Board
06.2010	06.2011	JSC "Armenian Power Plant"	Member of the Board
05.2010	06.2011	JSC Territorial Generating Company No. 11	Member of the Board
04.2010	present	"INTER RAO Invest" LLC	Chairman of the Board
03.2010	11.2011	JSC "INTER RAO Capital"	Chairman of the Board
06.2010	present	JSC "Eastern Energy Company"	Member of the Board
08.2010	present	JSC "INTER RAO UES"	Member of the Board – Chief of the Strategy and Investments Department
2009	08.2010	JSC "INTER RAO UES"	Chief of the Strategy and Investments Department, Adviser Board Chairmen
2008	2009	State Atomic Energy Corporation ROSATOM	Deputy Director of the Corporate Management and Development Department, Deputy Director of the Corporate Management Department, Responsible for the Department's director functions, Deputy Director of the Legal and Corporate Activities Department
2007	2008	JSC "Nuclear Energy and Industrial Complex"	Director of the Administrative Department
2006	2007	Federal Atomic Energy Agency (Rosatom)	Deputy Chief of the Executive Secretariat, Deputy Chief of the Executive Secretariat and Administrative Support
2005	2006	JSC Stroineft Project Management Center	Business Information Manager

Does not own shares of JSC "INTER RAO UES".



Pavel Okley

Year of Birth: 1970

Education: Omsk Transport Engineering Institute, Academy of National Economy under the Government of the Russian Federation.

Date of appointment: October 30, 2010

Positions held over the past 5 years:

Period		Name of the organization	Position
from	until		
12.2011	present	JSC Telasi	Member of the Supervisory Committee
03.2011	05.2011	INTER RAO - Management of Electric Power Plants, LLC	General Director
01.2011	10.2011	INTER RAO - Management of Electric Power Plants, LLC	Member of the Board
06.2011	10.2011	JSC "Territorial Generating Company No. 11"	Member of the Board
10.2011	present	JSC "Territorial Generating Company No. 11"	Chairman of the Board
05.2011	present	JSC "Third Generating Company on the Wholesale Electricity Market"	Member of the Board
04.2011	present	LLC "UK Quartz"	Chairman of the Board

06.2011	present	JSC “Volga Territorial Generating Company”	Member of the Board
06.2011	present	JSC “Territorial Generating Company No. 6”	Member of the Board
06.2011	present	Bashkir Open Joint-Stock Company of Power and Electrification “Bashkirenergo”	Member of the Board
09.2011	present	JSC Kubanskaya Power Generating Company	Member of the Board
11.2010	04.2011	JSC “First Generating Company on the Wholesale Electricity Market”	Executive Director
12.2010	present	JSC “First Generating Company on the Wholesale Electricity Market”	Member of the Board
10.2010	present	JSC “INTER RAO UES”	Member of the Board – Chief of the Operations Department
07.2008	08.2010	JSC Interregional Distribution Network Companies’ Holding	Deputy General Director – Technical Director
05.2008	06.2008	JSC of Power and Electrification UES of Russia	Deputy Managing Director of the IDNC Holding business unit (part-time)
12.2005	07.2008	JSC Federal Network Company of the Unified Energy System	Deputy Chief of the Interregional Distribution Complexes’ Management Center, Deputy Chief of the Technical Development Center, Chief of the Interregional Distribution Complexes’ Management Center

Does not own shares of JSC “INTER RAO UES”.



Dmitry Palunin

Year of Birth: 1969

Education: Moscow State Aviation Institute (Technical University).

Date of appointment: February 17, 2010

Positions held over the past 5 years:

Period		Name of the organization	Position
from	until		
12.2011	present	JSC Telasi	Member of the Supervisory Committee
03.2011	present	INTER RAO Finance B.V.	Member of the Supervisory Committee
03.2011	present	INTER RAO Credit B.V.	Director
09.2010	present	TGR Energii	Member of the Board
09.2010	present	JSC Sangtudinskaya GES-1	Member of the Board
06.2010	06.2011	JSC "Lukomorye Sanatorium-Preventorium"	Member of the Board
06.2010	present	JSC "Eastern Energy Company"	Member of the Board
06.2010	06.2011	JSC "Armenian Power Plant"	Member of the Board
05.2010	06.2011	JSC "Territorial Generating Company No. 11"	Member of the Board
04.2010	present	LLC "INTER RAO SERVICE"	Member of the Board
04.2010	present	"INTER RAO Invest" LLC	Member of the Board
03.2010	present	LLP Kazenergoresurs	Member of the Supervisory Committee

03.2010	present	UAB “INTER RAO Lietuva”	Member of the Board
03.2010	11.2011	JSC “INTER RAO Capital”	Member of the Board
2010	present	JSC “INTER RAO UES”	Member of the Board – Finance Director
12.2010	06.2011	JSC “Saint-Petersburg Sale Company”	Member of the Board
11.2009	present	JSC “First Generating Company on the Wholesale Electricity Market”	Member of the Board
09.2009	present	JSC ELECTROLUCH	Member of the Board
06.2009	06.2011	JSC Stend	Member of the Board
04.2009	present	LLP “INTER RAO Central Asia”	Member of the Supervisory Committee
02.2009	present	RAO Nordic Oy	Member of the Board
01.2009	present	“Electric Networks of Armenia”, CJSC	Member of the Board
12.2009	06.2010	CJSC “Moldavskaya GRES”	Member of the Board
11.2009	03.2010	LLC “INTER RAO SERVICE”	Chairman of the Board
2008	2010	JSC “INTER RAO UES”	Deputy Finance Director of Corporate Finance – Chief of the Treasury Department
08.2007	present	LLC “INTER RAO UES FINANCE”	Deputy Board Chairman, Board Member
08.2007	04.2009	LLC “INTER RAO UES FINANCE”	General Director
2002	2008	JSC “INTER RAO UES”	Deputy Finance Director of Corporate Finance – Chief of the Treasury Department

Participation interest in the Company: **0.002%**



Alexander Pakhomov

Year of Birth: 1973

Education: Military University of the Ministry of Defence of the Russian Federation, graduated in 1995;
Academy of Public Administration under the President of the Russian Federation, graduated in 1999.

Date of appointment: August 03, 2011

Positions held over the past 5 years:

Period		Name of the organization	Position
from	until		
06.2011	10.2011	INTER RAO - Electric Power Plants, OJSC	Member of the Board
06.2011	present	Hrazdan Power Company, Public joint-stock company	Member of the Board
12.2010	present	RUS GAS Turbines Holdings B.V.	Director
04.2008	present	INTER RAO Holding B.V.	Director
01.2008	present	INTER RAO Management B.V.	Director
01.2008	present	Gardabani Holdings B.V.	Director
01.2008	present	Silk Road Holdings B.V.	Director
12.2007	present	Saint Guidon Invest N.V.	Director

Participation interest in the Company: **0.0027%**



Sergey Rumiantsev

Year of Birth: 1956

Education: Moscow Institute of Management, qualification: Engineer-Economist

Date of appointment: July 29, 2008

Positions held over the past 5 years:

Period		Name of the organization	Position
from	until		
06.2011	present	LLC "Quartz - Novie Tekhnologii"	Member of the Board
06.2010	06.2011	Closed Joint-Stock Company Industrial Energy Company	Member of the Board
06.2010	06.2011	Hrazdan Power Company, Public joint-stock company	Member of the Board
05.2010	06.2011	JSC "Territorial Generating Company No. 11"	Member of the Board
06.2010	06.2011	JSC "First Generating Company of the Wholesale Electricity Market"	Member of the Board
06.2010	09.2010	JSC Sangtudinskaya GES-1	Member of the Board
03.2010	06.2010	"Electric Networks of Armenia", CJSC	Member of the Board
08.2009	06.2011	JSC "First Generating Company of the Wholesale Electricity Market"	Member of the Board
06.2009	06.2011	JSC "Armenian Power Plant"	Member of the Board
06.2008	02.2010	JSC "INTER RAO UES"	Member of the Board, Chief of the Investment Programs Department
02.2010	present	JSC "INTER RAO UES"	Member of the Board, Chief of the Economics and Finance Department of JSC "INTER RAO UES", Director for Economics of JSC "INTER RAO UES"
2005	2008	Joint-Stock Company for Power and Electrification "Mosenergo"	Deputy General Director for Economics, Deputy General Director for Sales, Member of the Board

Participation interest in the Company: **0.0027%**



Yury Sharov

Year of Birth: 1959

Education: Moscow Power Engineering Institute (Technical University), qualification: Cybernetics of Electrical Systems; Plekhanov Russian Economic University, Candidate of Science (Engineering).

Date of appointment: May 23, 2008

Positions held over the past 5 years:

Period		Name of the organization	Position
from	until		
08.2010	present	JSC "INTER RAO UES"	Deputy Board Chairman – Chief of the Capital Construction and Engineering Department
05.2011	present	LLC "Quartz - Novie Tekhnologii"	Chairman of the Board
02.2011	present	JSC "Eastern Energy Company"	Chairman of the Board
06.2011	12.2011	Hrazdan Power Company, Public joint-stock company	Member of the Board
06.2011	present	JSC "Promishlennaya energetika"	Member of the Board
01.2011	10.2011	INTER RAO - Management of Electric Power Plants, LLC	Member of the Board
05.2011	present	JSC "Third Generating Company on the Wholesale Electricity Market"	Member of the Board
06.2011	present	OAo PHC CSKA	Member of the Board
07.2010	present	LLC "UK Quartz"	Member of the Board
06.2010	present	Non-commercial Partnership VTI	Member of the Supervisory Committee
06.2010	05.2011	LLC "Quartz - Novie Tekhnologii"	Member of the Board
05.2011	present	LLC "Quartz - Novie Tekhnologii"	Chairman of the Board
06.2010	present	"InterRAO-WorleyParsons" LLC	Member of the Board

03.2010	present	LLC INTERENERGOEFFEKT	Chairman of the Board
09.2010	present	JSC "INTER RAO UES"	Member of the Board
12.2009	present	JSC Stantsiya Ekibastuzskaya GRES-2	Member of the Board
11.2009	present	JSC "First Generating Company of the Wholesale Electricity Market"	Management Board Member, Board of Directors Member
10.2009	present	National Association of Engineering Companies	President
06.2009	present	JSC "Kambaratinskaya GES-1"	Member of the Board
06.2009	present	JSC Krzhizhanovsky Power Engineering Institute	Member of the Board
11.2009	04.2010	JSC "RusHydro"	Member of the Board
2008	02.2011	JSC "Eastern Energy Company"	General Director, Member of the Board of Directors
2008	08.2010	JSC "INTER RAO UES"	Member of the Board, Chief of the Capital Construction and Engineering Department, Chief of the Central Asia-Far East Geographic Division
07.2008	08.2010	JSC Dalenergosetproekt	Member of the Board
06.2008	06.2010	JSC "Electrical Energy Research and Development Center"	Chairman of the Board of Directors, Member of the Board of Directors
2006	2008	Open Joint-Stock Company of Power and Electrification UES of Russia	Associate Managing Director and Director of Project Office for Design of feasibility study to increase electricity exports to China (PGEEC)
2006	2007	JSC Telasi	Member of the Board
2005	2007	JSC Volga Territorial Generating Company	Member of the Board
2005	2007	"Electric Networks of Armenia", CJSC	Member of the Board
2005	04.2007	JSC INTER RAO UES Ukraine	Member of the Supervisory Committee
2005	12.2007	TGR Energji	Member of the Board

Does not own shares of JSC "INTER RAO UES".

5.3.3.2. Changes in the Management Board Structure

In 2011, the following changes were made in the structure of the Management Board:

From January 1, 2011 to August 03, 2011 the members of the Management Board were:

Boris Kovalchuk – Chairman of the Management Board;
Vyacheslav Artamonov – Deputy Chairman of the Management Board;
Yury Sharov – Deputy Chairman of the Management Board;
Alexander Boris – member of the Management Board;
Andrey Golovlyov – member of the Management Board;
Dangiras Mikalajunas – member of the Management Board;
Ilnar Mirsiyapov – member of the Management Board;
Pavel Okley – member of the Management Board;
Oleg Oksuzian – member of the Management Board;
Dmitry Palunin – member of the Management Board;
Sergey Rumiantsev – member of the Management Board.

By virtue of a resolution of the Board of Directors of JSC “INTER RAO UES” dated August 3, 2011 (Minutes dated August 5, 2011 No. 46), the Company’s Management Board was determined to number 12 (twelve) persons. Alexander Pakhomov (Head of the Legal Unit of the JSC “INTER RAO UES”) was elected as a member of the Management Board.

By virtue of a resolution of the Board of Directors of the JSC “INTER RAO UES” dated September 28, 2011 (Minutes dated September 30, 2011 No. 49) the mandate of the following members of the Management Board was terminated:

1. Dangiras Mikalajunas;
2. Oleg Oksuzian.

The number of members of the Management Board was revised to the level of 10 (ten) persons.

As of December 31, 2011 the Management Board of JSC “INTER RAO UES” included the following persons:

1. Boris Kovalchuk – Chairman of the Management Board;
2. Vyacheslav Artamonov – Deputy Chairman of the Management Board, Head of Trading Unit of JSC “INTER RAO UES”;
3. Yury Sharov – Deputy Chairman of the Management Board, Head of Capital Construction and Engineering Unit of JSC “INTER RAO UES”;
4. Alexander Boris – a member of the Management Board of JSC “INTER RAO UES”;
5. Andrey Golovlyov – a member of the Management Board, Head of Financial and Economic Center of JSC “INTER RAO UES”;
6. Ilnar Mirsiyapov – a member of the Management Board, Head of Strategy and Investment Unit of JSC “INTER RAO UES”;
7. Pavel Okley – a member of the Management Board, Head of Operational Unit of JSC “INTER RAO UES”;
8. Dmitry Palunin – a member of the Management Board, Financial Director of JSC “INTER RAO UES”;
9. Alexander Pakhomov – a member of the Management Board, Head of Legal Unit;

10. Sergey Rumiantsev – a member of the Management Board, Economic Director of JSC “INTER RAO UES”.

5.3.3.3. Information on Meetings in 2011

In 2011, 95 meetings of the Management Board were conducted, including 31 in-praesentia and 64 in-absentia.

5.3.3.4. Attendance of Meetings in 2011 by the Members of Management Board

No.	Full name of member of Management Board	Participation in meetings (total)	Participation in meetings held in person	Participation in meetings held by absentee voting
1.	Boris Kovalchuk	90	28	62
2.	Vyacheslav Artamonov	88	28	60
3.	Yury Sharov	75	19	56
4.	Alexander Boris	81	24	57
5.	Andrey Golovlyov	91	29	62
6.	Dangiras Mikalajunas (until September 28, 2011)	53	13	40
7.	Ilnar Mirsiyapov	86	27	59
8.	Pavel Okley	80	23	57
9.	Oleg Oksuzian (until September 28, 2011)	61	18	43
10	Dmitry Palunin	88	26	62
11	Alexander Pakhomov (from August 03, 2011)	28	10	18
12	Sergey Rumiantsev	82	27	55

5.3.3.5. Remuneration to the Members of Management Board

The incentive system established for the members of the Management Board of JSC “INTER RAO UES” aims at ensuring their financial interest in reaching the Company’s strategic objectives and ensuring efficient operational management of the Company.

The procedure for granting material incentives to the Management Board members is defined in the Regulations on Material Incentives for the Chairman of the Management Board, Deputy Chairman of the Management Board and members of the Company’s Management Board approved by a resolution of the Board of Directors of JSC “INTER RAO UES” dated December 24, 2010 (Minutes dated December 27, 2010 No. 35) subject to amendments dated June 21, 2011.

The components of the Material Incentive System for the members of the Management Board of the JSC “INTER RAO UES”:

- Manager position salary;
- Bonus for the Company’s reaching the quarterly/annual KPIs.

The list of quarterly and annual KPIs and their target values for the Company's Management Board are approved by the Board of Directors based on the Company's approved business plan. Bonuses are granted to members of the Company's Management Board upon actual reaching the pre-set key performance indicators (KPI) for the current quarter/year based on a resolution of the Company's Board of Directors.

In 2011, the members of the Management Board (including Chairman of the Management Board) were paid remuneration (including compensation) in the amount of 353,200,877.54 RUB (before tax).

In 2011, remuneration was paid to the Management Board members (including Chairman of the Management Board) according to the Labour Contracts signed with the Management Board members and based on the following resolutions of the Company's Board of Directors:

Dated March 10, 2011 (Minutes dated March 14, 2012 No. 40);

Dated 29.04.11 (Minutes dated 03.05.11 No. 41);

Dated May 31, 2011 (Minutes dated June 03, 2011 No. 43);

Dated June 21, 2011 (Minutes dated 24.06.11 No. 45);

Dated August 03, 2011 (Minutes dated 05.08.11 No. 46);

Dated August 29, 2011 (Minutes dated 01.09.11 No. 47);

Dated October 18, 2011 (Minutes dated 21.10.11 No. 50);

Dated November 08, 2011 (Minutes dated 11.11.11 No. 51);

Dated December 13, 2011 (Minutes dated 16.12.11 No. 56);

Dated December 27, 2011 (Minutes dated December 28, 2011 No. 57).

5.3.4. Sole Executive Body

5.3.4.1. Information on the Sole Executive Body

Boris Kovalchuk is Chairman of the Management Board of JSC "INTER RAO UES".

The Chairman of the Management Board is the Company's sole executive body and is entitled to act on the Company's behalf without proxy. The Chairman of the Management Board heads the Company's Management Board. The Chairman of the Management Board reports to the General Meeting of Shareholders and to the Company's Board of Directors. The Chairman of the Management Board shall be appointed and released from his duties ahead of time by virtue of a resolution of the General Meeting of Shareholders. The Chairman of the Management Board is elected for a 5-year term by the Company's General Meeting of Shareholders in a majority vote of shareholders owning the Company's voting shares and participating in the meeting.

The Chairman of the Management Board shall bear responsibility for implementing the Company's objectives, strategy and policy.

Boris Kovalchuk was appointed to the position of Chairman of Management Board of JSC "INTER RAO UES" at the annual General Meeting of Shareholders of the JSC "INTER RAO UES" on June 25, 2010.

5.3.5. Revision Commission

The Company's Revision Commission is appointed by the General Meeting of Shareholders to monitor the Company's financial and business operations. The Revision Commission is a collegiate body made up of five persons. The operating procedures for the Revision Commission are regulated by the Articles of Incorporation and the Regulations on the Revision Commission as approved by the Management Board of JSC RAO "UES of Russia" dated March 28, 2008 (Minutes dated March 28, 2008 No. 1845pr/3).

In 2011, the Company credited remuneration to those members of the Revision Commission who audited the financial and business operations in year 2010 for their service on the Revision Commission to a total of 491 287.5 RUB.

Information on Paid Remuneration to the Members of Management Board in 2011:

The procedures for paying remuneration to members of the Revision Commission are determined in the Regulations on Paying Remuneration and Compensations to members of the Revision Commission of JSC "INTER RAO UES" as approved by the Management Board of JSC RAO "UES of Russia" dated March 28, 2008 (Minutes dated March 28, 2008 No. 1845pr/3).

Information on Paid Remuneration to the Members of Management Board in 2011

Full name of member of Revision Commission	Amount, RUB
Natalia Ananieva	-
Aleksey Zakharov	109,175.00
Elena Ivanova	109,175.00
Elena Ryzhkova	109,175.00
Ivan Chigirin	163,762.50

The following members were appointed to the Company's Revision Commission at the annual General Meeting of Shareholders of JSC "INTER RAO UES" as follows:

1. **Alexander Abramkov** – Director for Audit and Internal Control – Head of Internal Audit, Controlling, and Risk Management Unit of JSC "INTER RAO UES";
2. **Natalia Ananieva** – Head of Foreign Asset Audit Directorate, Internal Audit Department, Internal Audit, Controlling, and Risk Management Unit of JSC "INTER RAO UES";
3. **Elena Ivanova** – Deputy Head of Department – Head of Generating Asset Directorate, Deputy Head of Department – Head of Financial Audit Directorate, Chief Expert of Financial Control and Audit Directorate of JSC "INTER RAO UES";
4. **Svetlana Meshcherina** – Deputy Chief Accountant of State Atomic Energy Corporation ROSATOM;
5. **Elena Ryzhkova** – Head of Internal Audit Department, Head of Trade Efficiency Audit Directorate, Chief Expert of Financial Control and Audit Directorate, Manager of Internal Audit Department of JSC "INTER RAO UES".

According to a resolution of the Extraordinary General Meeting of Shareholders of JSC "INTER RAO UES" dated February 15, 2012, the following members were appointed to the Revision Commission to audit the Company's financial and business operations for 2011:

1. **Nikolay Varlamov** – Deputy Chairman of Management Board of Open Joint-Stock Company “Federal Grid Company of Unified Energy System”;
2. **Elena Kabizskina** – Deputy Head of Control and Revision Department of Open Joint-Stock Company “Federal Grid Company of Unified Energy System”;
3. **Svetlana Meshcherina** – Deputy Chief Accountant of the State Atomic Energy Corporation ROSATOM;
4. **Svetlana Shpakova** – Head of Economic Planning Department for subsidiaries and affiliates of JSC “INTER RAO UES”;
5. **Yury Shcherbakov** – Head of Treasury Department of JSC “INTER RAO UES”.

The above-mentioned resolution of the Shareholder Meeting was passed to improve transparency of the Company's operations and resolve conflicts of interest (4 of 5 members of the past Revision Commission were Company employees, whereas the current commission has only 2 persons representing the Company).

Nikolay Varlamov

Year of Birth: 1974

Education: Highest vocational education, Financial Academy (graduation year 2000), Economics; the M.V. Lomonosov Moscow State University (graduation year 1996), oriental studies

Positions held over the past 5 years:

Period		Name of company	Position
from	to		
October 2011	Present	JSC “FGC UES”	Deputy Chairman of Management Board
2008	October 2011	Federal Service for Financial Monitoring	Official Secretary - Deputy Head
2007	2008	Government of the Russian Federation	Assistant Chairman of Government of the Russian Federation
2002	2007	Federal Service for Financial Monitoring	Head of Administration

Elena Kabizskina

Year of Birth: 1964

Education: Highest vocational education, Far-Eastern Technical Institute for Fishing Industry (Vladivostok)

Positions held over the past 5 years:

Period		Name of company	Position
from	to		
02.2010	Present	JSC FGC UES	Deputy Head of Control and Inspection Department
11.2009	02.2010		Chief Expert of Control and Inspection Department
10.2007	11.2009		Leading Expert of Financial Control and Internal Audit Directorate
12.2005	10.2007		Chief Expert of Financial Control and Internal Audit Directorate

Svetlana Meshcherina

Year of Birth: 1969

Education: Highest vocational education, Moscow Institute for Economics and Statistics

Positions held over the past 5 years:

Period		Name of Company	Position
from	to		
11.2010	Present	CJSC “PricewaterhouseCoopers Audit”	Chief Manager, Audit Director
03.2006	11.2010	State Atomic Energy Corporation ROSATOM	Deputy Chief Accountant

Svetlana Shpakova

Year of Birth: 1975

Education: Highest vocational education, Krasnoyarsk State Technical University; MBA diploma

Positions held over the past 5 years:

Period		Name of Company	Position
from	to		
2011	Present	JSC “INTER RAO UES”	Head of Department for Economic Planning for subsidiaries and affiliates
2009	2011		Head of Budget Planning Department
2008	2009		Deputy Financial Director for Budget Management – Head of Department

2008	2008	JSC “INTER RAO UES”	Deputy Financial Director for Finances
2005	2008	OJSC “OGK-2”	Head of Financial Department

Yury Shcherbakov

Year of Birth: 1977

Education: Highest vocational education, Financial Academy under the Government of the Russian Federation

Positions held over the past 5 years:

Period		Name of Company	Position
from	to		
03.2007	present	JSC “INTER RAO UES”	Head of Department
04.2002	03.2007	CJSC AKB “Rus-Bank”	Head of Division

5.3.6. Auditor and Internal Control System

5.3.6.1. Company’s Auditor

Full business name: Limited Liability Company “Ernst and Young”

Short business name: LLC “Ernst and Young”

Location: 77, building 1, Sadovnicheskaya Naberezhnaya, Moscow, 115035 Russia

INN: 7709383532

OGRN: 1027739707203

Telephone: (495) 755-9700

Fax: (495) 755-9701

E-mail: Sophia.Azizian@ru.ey.com

5.3.6.2. Internal Control System (ICS)

The Company’s internal controls aim at ensuring a high level of trust of shareholders and investors in the Company’s management bodies and protecting shareholder capital investments and assets.

The Company’s goals in terms of internal control:

1. To integrate the internal control procedures into the Company’s financial and business operations to ensure reasonable confidence of shareholders, investors, and management in terms of:
 - a. Efficient and successful management of operations according to the development strategy being implemented;
 - b. Safety of assets;
 - c. Compliance with the requirements of all current legislative and normative acts, local normative acts and standards when running financial and business operations;
 - d. Credibility of reporting and reliability of the system used to prepare reports.

2. To improve efficiency of the Company's operations by reducing the impact of risks on reaching operational and strategic targets, and to integrate efficient control procedures.
3. To facilitate timely adaptation of the Company to changes in the external and internal environment.

The Company's internal control is exercised at 3 levels:

1. The level of the Company's Board of Directors;
2. The level of the Management Board, management of the Company's structural units and branches;
3. The level of employees of the Company's structural units.

The functions of controlling efficiency of ICS operations and financial and business operations are exercised by the internal control bodies:

1. The Audit Committee with the Company's Board of Directors;
2. The Company's Revision Commission;
3. The Company's Internal Audit, Controlling, and Risk Management Unit.

The main instances of internal control:

1. **The General Meeting of Shareholders** is the main user of the information on the Company's ICS condition and of the results of interdependent assessment of its efficiency.
2. **The Company's Board of Directors** determines the general strategy, principles and approaches for ICS operations, examines the results of ICS efficiency assessment and recommendations as to its improvement.
3. **The Audit Committee** is the consultative and advisory body which ensures that the Company's Board of Directors efficiently exercises its functions related to general management of the Company's operations. The Committee's resolutions are nonbinding for the Company's Board of Directors.
4. **The Revision Commission** is the Company's permanent internal control body which exercises regular control over the Company's financial and business operations, management bodies and structural divisions of the Company's executive bodies as to their compliance with the laws of the Russian Federation, the Company's Articles of Association, and the Company's internal documents.
5. **The Management Board (Chairman of the Management Board)** of the Company shall bear responsibility for implementing the principles and approaches to the ICS operations as approved by the Board of Directors, and efficient operations of internal control procedures.
6. **Internal Audit, Controlling, and Risk Management Unit** is a specialized body of the Company's internal control which operates according to the Regulations on the Internal Audit, Controlling, and Risk Management Unit as approved by a resolution of the Board of Directors (subject to amendments of Minutes of the meeting dated August 3, 2011 No. 46).

According to the aforementioned Regulations, the Company has a special ICS unit which is to:

1. Organize and coordinate the processes of unifying the Company's control procedures;
2. Provide methodological support for their integration;
3. Provide an independent assessment of compliance with control procedures by business process participants;
4. Give a general assessment of efficiency of the Company's internal control system and develop recommendations as to its improvement.

In its operations, the ICS is guided by the following documents:

1. “Regulations on the Internal Audit, Controlling, and Risk Management Unit” as approved by a resolution of the Board of Directors (subject to amendments made by the Minutes of the meeting dated August 03, 2011 No. 46);
2. “Regulations on Internal Audit” as approved by a resolution of the Board of Directors (the Minutes of the meeting dated May 03, 2011 No. 41);
3. The Company’s internal normative documents.

The documents relating to ICS operations were developed subject to the following:

1. Recommendations of the Corporate Conduct Code as approved by the decree RF FFMS dated April 04, 2002 No. 421/r;
2. Articles of Incorporation of JSC “INTER RAO UES”;
3. The Company’s Corporate Management Code;
4. Internal controls – Integrated framework, 1992, 1994 as prepared by the Committee of Sponsoring Organizations of the Treadway Commission, USA;
5. International Standards for the Professional Practice of Internal Auditing, (ISPPIA), IIA.

5.4. Information Disclosure

In matters of information disclosure, JSC “INTER RAO UES” is guided by the requirements of the Federal Law “On Joint-Stock Companies” and “On the Security Market”, Regulations on disclosing information by issuers of equity securities as approved by the Order of the Federal Financial Market Service, other normative and legal acts of the Russian Federation, and requirements of the Financial Services Authority of Great Britain.

In September 2011, the Board of Directors of JSC “INTER RAO UES” approved a new edition of the Regulations on Information Policy which, first of all, aims at observing the rights of all interested persons to the information required to run their professional operations and pass investment- and management-related resolutions.

5.5. Organizational Management Structure and Organizational Development Policy

The organizational development policy provides for the transformation of the INTER RAO UES Group into a holding structure with a special center, business divisions, and special managing and servicing companies of the Group.

In 2011, the Group continued to integrate the assets purchased under the consolidation project and transfer them to the target corporate structure of the INTER RAO UES Group which provides that:

The electricity generating assets (branches, JSC “OGK-1”, JSC “WGC-3”) should be integrated under the management of INTER RAO - Management of Electric Power Plants, LLC (a total of 16 power plants).

Should any other heat-generating assets, except for JSC “TGK-11,” join the Group from other heat-generating assets, the group will consider the expediency of creating a special heat generation managing company.

The major part of energy-retailing assets (JSC “Mosenergosbyt”, JSC “Saint-Petersburg Sale Company”, OJSC “Altayenergosbyt”, JSC “SARATOVENERGO”, OJSC “Tambov Energy Retailing Company”) is already integrated under the management of OJSC “United Energy Retailing Company”.

- The project was initiated to create an “Engineering” Business Division which should be based on LLC “INTER RAO – Engineering” and which implements, among other things, the projects for building energy facilities for JSC “INTER RAO UES”.

- The special servicing companies (such as LLC “INTER RAO UES FINANCE,” LLC “INTER RAO – Export”, etc.) were created and further developed to exercise centralized procurement, equipment supply, and other functions in the best interests of the Group companies.

Any changes in the organizational structure of the bodies of JSC “INTER RAO UES” were related to exporting functions and transfer of personnel to business divisions and special companies of the Group, including the Business Division “Electrogeneration”.

In the short run, the organizational transformation of the Group aims at improving efficiency and optimizing business processes and managerial costs.

In 2012, the Group will continue to form special servicing companies and further develop the structure of business divisions.

6. DISTRIBUTION OF NET PROFIT AND DIVIDEND POLICY

ENSURING STABLE DIVIDEND PAYOUTS WILL BE ONE OF OUR MANAGEMENT PRIORITIES DISTRIBUTION OF NET PROFIT AND DIVIDEND POLICY

According to its Articles of Incorporation, the Company is entitled to pass resolutions on (declare) dividend payments for issued shares following the results of the first quarter, half-year and first nine months of the financial year, and/or following the results of the financial year. The resolution on paying (declaring) dividends following the results of the first quarter, half-year, first nine months of the financial year, and/or following the results of the financial year, may be adopted during the three months following the end of the respective period.

The resolution on paying (declaring) dividends, including the resolutions on the amount of dividends and their payment form for the shares of each category (type) is passed by the Company’s General Meeting of Shareholders. The General Meeting of Shareholders is entitled to pass a resolution on non-payment of dividends on ordinary shares. The term of paying dividends is determined by the Company’s General Meeting of Shareholders but no later than 60 days after the resolution on their payment is adopted.

The source of dividend payments is the Company’s profit after tax (the Company’s net profit). The dividends on preferred shares of certain types can also be paid with the help of the Company’s special funds which have been formed earlier for this purpose.

The Regulations on Dividend Policy of JSC “INTER RAO UES” were approved on April 29, 2011 at the meeting of the Board of Directors of JSC “INTER RAO UES” (the Minutes dated May 03, 2001 No. 41). The Regulations provide that at least five per cent of the net profit of JSC “INTER RAO UES” be allocated to pay dividends (subject to the amount of the financial investment reassessment).

In 2002, 2003, 2004, 2005, 2007, 2008, 2009 the Company passed no resolutions on calculating and paying dividends.

Following the results of the Company's operations over 2006, on June 08, 2007 the General Meeting of Shareholders passed a resolution to pay dividends following the results of 2006 in the amount of 2,341,750.24 RUB, which is 0.000056758 RUB per ordinary share. The Company has fully paid these dividends.

By a resolution of the Annual General Meeting of Shareholders dated June 24, 2011 (the Minutes dated June 28, 2011 No. 8) 150,015,000 RUB were allocated to pay dividends to the Company's shareholders subject to 0.00001544 RUB per the Company's ordinary share. As of August 23, 2011, the dividends were fully paid to all the persons registered in the issuer's shareholder register except for the persons who did not inform the holder of the issuer's shareholder register on the changes they made to their information in a timely fashion, as well as the persons in relation to whom the issuer's shareholder register contains incorrect details required to pay dividends. As of December 31, 2011 148,913,380.35 RUB were paid out.

Since the results of 2011 in the accounting records of JSC "INTER RAO UES" according to RAS show a loss in the amount of 153.6bn RUB, the Board of Directors will recommend to the General Meeting of Shareholders not to pay dividends for 2011.

The main factor which resulted in the net loss is the growth of other costs of the Company due to the asset reassessment conducted at the end of the reporting period. During the additional share issuance in 2011, several energy assets and minority shares in energy companies were purchased. Due to a considerable reduction in quotations of energy company shares in 2011, the assets suffered devaluation in the amount of 120bn RUB. In addition, the company created a reserve under accounts receivable and devalued its financial investments into authorized (share) capital of affiliated companies to the total of 31.8bn RUB.

Yet, the Company's management believe that in future the top priority management objective will be to secure stable payments of dividends.

7. Development strategy

INSTALLED CAPACITY BY 2020 40 GW

NUMBER OF REGIONS OF PRESENCE 5

EFFECTIVENESS OF FOREIGN TRADE IN 2011 +21%

CONTRACT FOR EQUIPMENT SUPPLIES to Ecuador and Venezuela, > 450m US dollars

The Company's Development Strategy

7.1. Mission

The mission of JSC "INTER RAO UES" is to facilitate stable development of the economy and improve quality of life in all the regions where the Company is present by securing reliable energy supply, satisfying the growing demand for electricity, and incorporating technologies and solutions which are innovative in terms of energy efficiency and savings.

7.2. Vision (to 2020)

The main lines of the strategy of JSC "INTER RAO UES" for the period up to 2015 (and beyond, with a view to 2020) were approved by a resolution of the Company's Board of Directors dated December 24, 2010 (the Minutes dated December 27, 2010 No. 35).

By 2020 JSC "INTER RAO UES" will become one of the key players on the world energy market, which means the following:

- JSC “INTER RAO UES” is a global company and one of the largest electricity companies of the world in terms of installed power capacity⁹ and scope of business, and it is an equal partner among the largest energy companies of the world;
- JSC “INTER RAO UES” manages a diversified asset portfolio and implements the objectives set by shareholders and energy policy of Russia:
 - The company is represented in various value chain segments in the energy industry – from generating and supply of fuel to distributing and selling to end consumers so as to secure multiple and synergy effects;
 - The Company has a well-balanced portfolio of effective generating assets and enjoys a responsible position in terms of environmental protection;
 - The Company’s business is distributed in equal shares between Russian and foreign markets;
 - The Company plays an important role in integrating national energy systems into supranational associations and strengthening ties between energy markets, and is one of the largest global energy traders in terms of trading volume;
 - The projects and solutions which the Company implements in terms of manufacturing energy equipment and engineering, and in terms of energy saving and efficiency, make an essential contribution to solving the task of modernizing the electric power industry and innovative development of Russia.
- The Company ensures stable growth of shareholder value over the long term.
-

7.3. Strategic Goals

The strategic goals which embody the Company’s vision of the future are:

1. To expand its share of target foreign markets and promote in foreign markets the Russian practices and solutions of the electric power industry.
2. To create the conditions for energy security and ensure the strategic interests of the Russian Federation.
3. To achieve leading positions in the Russian energy industry.
4. To ensure leading positions among Russian energy companies in terms of efficiency of energy asset management and to aim at integrating innovations and improving energy efficiency.
5. To grow shareholder value.

⁹ A minimum of 40 GW

7.4. Basic Vectors of Development

The established goals will be reached by implementing strategic initiatives in the following basic directions:

Reliability, Safety, and Operational Efficiency of Current Assets

The top-priority measures to secure reliability and safety of production facility operations will be to develop and implement the Company's Unified Technical Policy and Long-Term Programs for Technical Re-Equipment and Reconstruction. The company will take measures to improve the energy efficiency of generating electric and thermal energy and achieve leading positions in terms of operating efficiency among Russian companies.

Further Growth in the Heat Generation Segment of RF

Another important objective is to implement the investment projects for building generating facilities as provided by power supply contracts. The Company is also planning further acquisitions of share holdings of companies operating in the electric power and adjacent industries.

Expansion of Foreign Asset Structure and Base

The Company's foreign policy aims at expanding its share at foreign markets and ensuring economic efficiency of foreign asset management while increasing their profitability.

Development of Foreign Trade and Strengthening of Ties between Energy Markets

The key objectives in this direction are to grow the volume of foreign transactions related to the electric energy generated on the territory of the Russian Federation and to expand in economically efficient trade areas. The company is also planning to expand its product line in the future.

Diversification of the Company's Fuel Balance

The expansion of the Company's share in the renewable and atomic energy segments on Russian and foreign markets to ensure growth of the share of non-fuel generation in the Company's total generation volume, is a strategic task which requires, among other things, respective transformations in the normative and legal, corporate, and process-related environments. Cooperation with large Russian state companies operating in renewable and atomic energy industries is an important aspect of operations in this direction.

Development of Retailing

The Company should become the leader on the Russian retail market by, among other things, shaping integrated multi-product clusters in the regions where it operates, using the "single-window" principle for consumers. The market for services in energy efficiency and savings should become one of the top-priority retail market segments for the Company.

Development of Fuel Business

Fuel generation dominance in the Company's heat balance will remain on the horizon to 2020. In addition, the expansion of the fuel production and supply segment and development of its own fuel base are highly promising for the Company and should ensure a synergy effect with other value chain links.

Development of Engineering, Transfer of Technologies and Manufacture of New Types of Energy Equipment

Another priority is to form full-cycle engineering complex which can render services which range from designing to operating various types of energy facilities and which should be highly competitive on world markets. The corporate task for the engineering complex will be to optimize the terms and cost of greenfield projects it implements. The company will facilitate development of the Russian power machine building industry and creation of standard process solutions in the thermal energy industry, including for the purpose of transferring these technologies abroad.

Development of Operations in Fields of Energy Savings, Energy Efficiency and Integration of Innovations

The Company is aiming at becoming a corporate platform for implementing the state policy in terms of energy efficiency and development of innovations, as well as occupying leading positions on the market of energy efficiency services in Russia.

7.5. Basic Results of 2011

The measures on consolidating electric energy companies fully or partially owned by the RF within the scope of the additional issuance of shares by JSC "INTER RAO UES" have been taken fully and in accordance with the established terms. The report on the results of issuing additional shares of JSC "INTER RAO UES" in the amount of 6822,972,629,771 pcs. and total sum of 365.029bn RUB (subject to the price of placement – 0.0535 ruble per share) placed during consolidation was registered by the FFMS of Russia on June 9, 2011. The approved list of share holdings of electric energy companies (including those provided by the decree of President No. 1190 dated September 30, 2010) was received from JSC "INTER RAO UES". The performance indicators and foreign trade volumes of the Group in terms of exporting/importing electric power exceeded the respective indicators of the previous year by 21.3%.

Contracts on supplying equipment to Venezuela and Ecuador took effect and amounted to over 450m US dollars. JSC "INTER RAO UES" and the Minister for Coordination of Strategic Sectors of the Republic of Ecuador signed an agreement on plans to implement the project to build a series of hydroelectric power plants.

The reliability and safety criteria established for production facilities of the Group for 2011 were fully met. Within the context of reaching the target corporate structure in 2011, the management was centralized, and divisions and servicing companies were created along the key lines of operations: generation, retailing, procurement, engineering, and export in terms of supplying equipment.

Business unit and regional strategies were developed and approved by the key lines of operations of INTER RAO UES Group.

The basic program documents were prepared and approved for the medium-term perspective (the investment program; innovative development program; programs for TRR and repairs; the program for improving energy efficiency and savings; the research program, etc).

The Technical Policy of INTER RAO UES Group was developed and approved.

Several transactions were consummated to acquire generating and engineering assets on the territory of the Russian Federation and abroad: JSC Khramhesi I, JSC Khramhesi II, the Vydmantai wind park, UAB, LLC “INTER RAO Engineering”.

JSC “INTER RAO UES” and the State Atomic Energy Corporation “Rosatom” began joint measures on energy saving and improving energy efficiency due to acquiring the last share in “Power Efficiency Center INTER RAO UES” LLC. This entity is implementing state-of-the-art programs on energy saving and improving energy efficiency on the territory of Russia and is participating in developing new and innovative technologies in terms of energy efficiency, training energy auditors and energy service experts of companies, and raising their qualifications.

8. Generation – 49% Networks - 21% Engineering - 4% Central Administration - 1% Other Activities - 1% Sales – 24%

Staff Structure by Business Segments

SOCIAL RESPONSIBILITY

Staffing Level 95% Staff Turnover < 9.6% Employees younger than 40 years 53% with the industry average of 30%

Higher Education 19.1 % of employees

Number of charitable projects – 50 Reduction of specific emissions – 2.4%

Funds for charity – 300m RUB Investments for environment protection – 268.9m RUB

Corporate Social Responsibility

8.1. Human Resources and Social Policy

8.1.1. Human Resources Policy

The strategy for managing the staff in 2011 focused on implementing top-priority objectives for consolidating and reorganizing the assets of INTER RAO UES Group. The reporting period was characterized by fast growth of the number of assets, development and growth of the organization structure, and expanding the geography of the regions in which the Group operates. The Group’s representatives take an active part in the operations of the Board for Human Resources Potential of Fuel and Energy Companies with Ministry of Energy Industry of Russia, as well as in activities of the Working Group associated with staff and personnel training in the power sector of the CIS Executive Committee of the CIS Electric Power Council.

The following are additional conditions for the transition period to the Holding-Type Group:
- To merge various types of corporate cultures while joining companies during consolidation;

- The response of the labour association to structural and organizational changes, increasing the risks of social and labour conflicts;

As a result of the above-mentioned changes, business functionality has Increased greatly, and as a consequence the requirements for optimization of processes associated with provision of Group organizations with effective employees, staff evaluation and development, training, advanced training, as well as rotation and career planning with respect to key professionals of the Group.

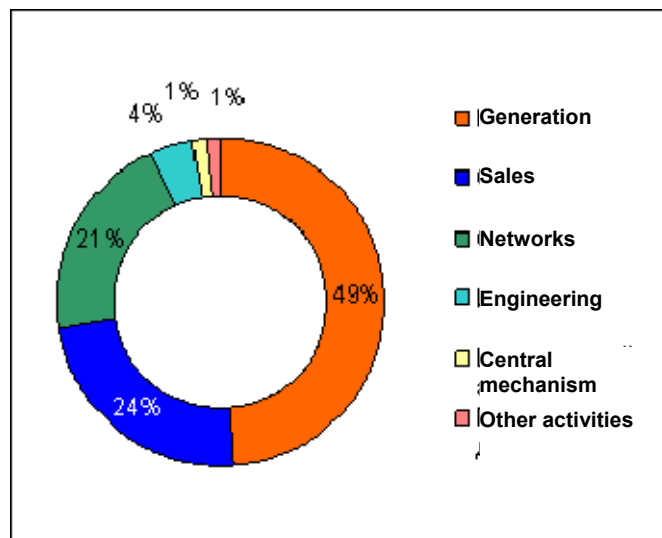
In this regard, the following key directions were identified as part of the Personnel Policy:

- formation of a unified management system with due account of the best practices of merged assets and formation of a unified corporate environment for implementation of strategic tasks;
- ensuring HR development and formation of the knowledge management system;
- maintaining a balanced age, staff and qualification combination of the Company.

The actual number of personnel of the INTER RAO UES Group as determined by the key areas of the Company's operations, as well as by consolidation and reorganization of the Group's assets, was greater than 47,000 at the end of 2011.

Figure 10. Structure of personnel of INTER RAO UES Group by business segments (as of December 31, 2011, %)

Figure 10. Structure of personnel of INTER RAO UES Group by business segments (as of December 31, 2011, %)

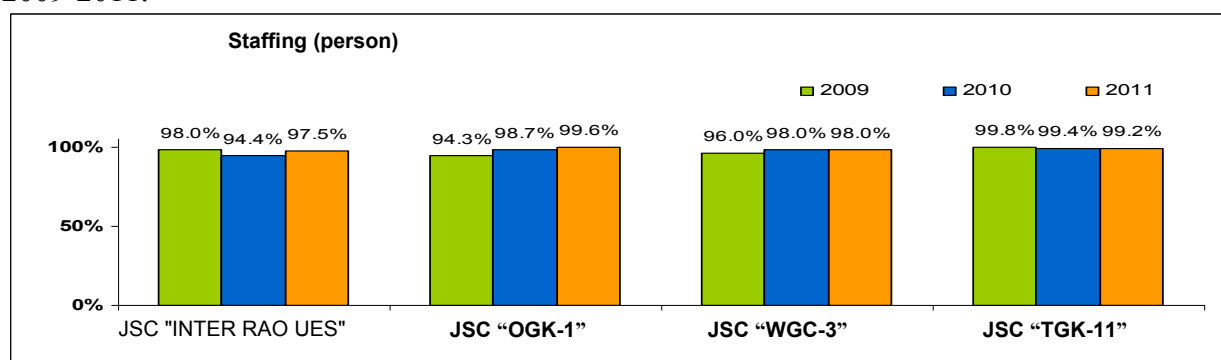


Metrics on of how Group's Companies are provided with Human Resources

The quantitative indicators of staffing of Group companies are at quite a high level. Over 95 % of positions in the staff list are filled. Moreover, the Group companies are characterized by low staff turnover compared to other sectorial labour markets (4.6% in generating companies and 9.6% in retailing companies on average for 2011).

Figure 11. An example of the trend line in staffing indicators for the Group's generating companies over the period 2009-2011.

An example of the trend line in staffing indicators for the Group's generating companies over the period 2009-2011.



* The information on "INTER RAO UES" is given by generating branches

Motivating Personnel

JSC “INTER RAO UES” strives to create a stable team of professionals by providing its employees with competitive labour conditions and applying material and non-material incentives.

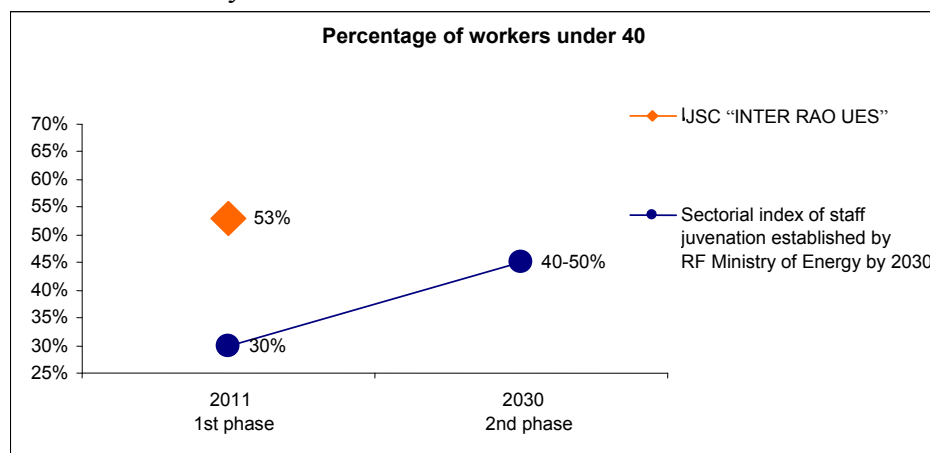
In 2011, the personnel motivation system continued to develop and improve based on key performance indicators (KPIs) and control indicators (CIs) which show whether the long-term strategic goals of the Group are being reached and whether the efficiency of running business and design operations of the Group’s companies was being increased.

Besides material motivation, moral incentives are used in relations with the personnel. In 2011, in the traditional greeting on the Day of Power Engineering Specialists the 1,300 best employees of the INTER RAO UES Group were awarded for high professional skills and honest and fruitful labour.

Balance of Age-Related Structure of Personnel of the INTER RAO UES Group’s Companies

The share of Group personnel younger than 40 averages out at 53%, which is considerably higher than the established target values in the industry (the sectorial personnel rejuvenation indicator as established by the Ministry of Energy of Russia within the program of implementing the Industry Strategy until year 2020 is 40-50% by 2030).

Table 12: A comparative analysis of INTER RAO UES Group’s age indicator versus the industry-wide indicator



But subject to negative trends in the sectorial labour market in terms of the reduced number of young experts, including engineering occupations, and the “aging” of the personnel in the industry, the issues of the youth policy and maintaining knowledge are strategic key objectives for INTER RAO UES Group to keep a well-balanced age structure and ensure an increase in labour productivity during 2015-2020. The human resources policy of INTER RAO UES Group aims at implementing the measures to employ young experts and to prepare the employment pool for positions which are occupied by older-group experts. For example, in 2011 over 350 students at institutions of higher learning underwent probation or practical training at the Group’s generating companies, and over 70 students are studying under target programs for training young experts and further employing them at Group companies. Such training takes place based on sectorial educational establishments, including GOU VPO “Ivanovo State Energy University” (Ivanovo), GOU VPO “Moscow Energy Institute (Technical University)” (Moscow), the St. Petersburg State Polytechnic University, the Urals State Technical University and Kazan State Energy University.

Qualitative Staff Competence Indicators of INTER RAO UES Group:

In general, the share of employees with the highest professional education, second highest professional education, MBA, candidates and doctors of science within the general number of the Group’s personnel is high if compared with other industry sectors and is growing following the results of comparison of 2010 and 2011 by manager and expert categories. Furthermore, 1/5 of the labour pool has the highest professional education which is also supported by the trend in growth of labour complex.

Development of Human Resources Potential

JSC “INTER RAO UES” is implementing a permanent system of training and qualifications improvement for its personnel which provides employees with the necessary conditions to ensure systematic improvement of the level of professional knowledge and skills. The staff is trained according in the requirements of regulatory legislative and sectorial standards which are a prerequisite for employees to cope with their job responsibilities.

In 2011, the Group implemented corporate programs for personnel development in the most relevant and strategically important directions, including strategic management, strategy for implementing the energy saving program and improving energy efficiency; integrating the corporate risk management system; the cost management program; energy facility construction; relevant issues on reliability, safety, and efficiency of energy system operations; legislative changes (including implementation of the law against insider dealing and manipulation); and support for social and labour relations within the scope of reorganization.

On the basis of the above-mentioned information, we can conclude that the stable development of the Group’s Policy on Human Resources makes it possible to overcome the sector’s negative trends in the labour and fuel-and energy company markets in terms of aging personnel and reduced inflow of young experts. The qualitative and quantitative indicators which characterize the Group’s human resources are considerably higher than the target values established for the energy industry. These indicators should be maintained and improved by increasing efficiency of using human resources in terms of improving labour productivity and stimulating innovation-related initiatives by the personnel, which is one of the strategic objectives of the Group’s next development period.

8.1.2. Social Policy

The main objective of the implementation of INTER RAO UES Group's Social Policy is to create and introduce a holistic innovation system of socially responsible business and to ensure its long-term stable development in order to achieve maximum efficiency of the Group's functioning in accordance with the strategy.

In 2011, the following high-priority areas were defined as part of the implementation of the Social Policy:

1. Implementing the corporate social responsibility concept for business in the Russian Federation and in the regions where the Group is present;
2. Integrating the corporate social responsibility concept in the corporate governance system of the Company;
3. Ensure industrial and environmental security, labour and health safety for Group employees;
4. Ensure the Company's interaction with internal and external stakeholders is on the basis of balanced and mutually beneficial relations between all the interested parties;

Since 2009, JSC "INTER RAO UES" and several other enterprises of the Group have implemented common approaches to social responsibility through 12 target social programs covering the interests of all personnel categories and containing motivation factors having an impact on the performance of both every single employee and on the organization as a whole.

Target social programs ensure a high level of social safety for employees and are aimed at ensuring the security of employees' life and labour, their health care and growing welfare, as well as at developing their professional career, supporting young families, taking care of children and pensioners. In 2011, in order to sum up the outcome of implementing the social programs the 1st Accounting Conference dedicated to the implementation of INTER RAO UES Group Personnel and Social Policy was held. During the conference, the chiefs of personnel management services, chairmen of trade union committees and representatives of youth core groups of the generating enterprises of INTER RAO UES Group made public speeches defending the Implementation Reports of the 2010 Social Programs. High-priority activity areas were defined for 2012, and a project for creating Youth Core Group of t INTER RAO UES Group was prepared.

The high-priority programs for financing and implementation are "Security of the Life and Labor of INTER RAO UES Group Employees", "Health and Activity of INTER RAO UES Group Employees", also aimed at reducing the injury and disease incidence level at the enterprises, at increasing the labour productivity. Thus, in 2011, while developing "INTER RAO UES Group Employee Health and Activity" social program, qualified medical assistance continued to be provided as part of optional medical insurance programs. Preventive activities aimed at reducing the risks of seasonal disease and at minimizing the risks of harmful labour conditions, as well as at promoting a healthy lifestyle culture were continued to be held, too. Some collective sports and fitness events were held during the year, such as various sports competitions and tournaments, Spartakiada games of INTER RAO UES Group's organization branches, sports festivals. Employees were helped to attend regular sports training sessions in the sports organizations of the region; they were given trip vouchers for medical rehabilitation and preventive treatment.

As part of the “Professional Career of Employees of INTER RAO UES Group” social program, an “on-board” adaptation of newly hired specialists is being performed, as well as employees’ skills upgrade training, short-term capability development programs, long-term programs, including first or additional professional education, participation in conferences/fieldwork, foreign language studies, etc. During the implementation of the “Best Employee of INTER RAO UES Group” social program, in order to increase the professional skill layer of the operational personnel of power stations and to implement modern technical tools for personnel training, the 3rd Annual Corporate Competition of complex operation personnel teams in modular thermal power plants of INTER RAO UES Group was held. In 2011 the competition assumed international status: apart from the teams that represented the Russian power stations of the Group, for the first time the competition featured teams from the CJSC “Moldavskaya GRES” (Pridnestrovian Moldavian Republic) and Mtkvari Energy LLC (Georgia). The total number of Corporate Professional Skills Competition participants reached 92 people (11 teams). The methodology of the Corporate Competition of complex teams of the operational personnel in modular thermal power plants was developed considering the differences in the equipment and the stations’ functioning technologies using steam-gas and steam-turbine units. An analysis of the competition results makes possible annual evaluation of the level of preparation for key positions on the part of operational personnel of INTER RAO UES Group generating enterprises and adjustments to the production personnel training system, including in terms of simulation training.

In 2011, JSC “INTER RAO UES” made its début in the sectorial contest “Organization of High Social Efficiency in the Electric Power Industry 2011”. One of the objectives of the Contest is to identify, evaluate and spread best practices in the sphere of social and labour relations, as well as the related economic relations with the power companies’ employees. Summarizing the contest results, JSC “INTER RAO UES” occupied third position in the category “Best Generating Electric Power Organization with High Social Efficiency”.

In order to execute the request of the Russian President of June 6, 2010 No. Pr-1640 and the directive of the Federal Property Management Agency on the annual publication of non-financial annual reports, the Board of Directors of JSC “INTER RAO UES” decided to approve regular publication of non-financial reports on development stability and on environmental responsibility for the high-priority activity areas.

Therefore, the most important objective of the reporting year was the implementation of common approaches to the Social Policy of the Group considering the regional, cultural peculiarities and other differences between the stakeholders and enterprises of the Group.

In 2012, JSC “INTER RAO UES” is planning to publish its first non-financial report on the Group’s activity results for 2011 according to the GRI international standards.

8.2. Charity

Charity is an important part of the activity of JSC “INTER RAO UES” as a socially responsible company. The company actively supports initiatives and projects aimed at developing society in Russia and other countries in which JSC “INTER RAO UES” performs its activity.

The company provides regular support to public organizations, educational institutions, healthcare and cultural facilities, and also provides targeted charitable assistance. The initiatives of JSC “INTER RAO UES” include:

- Programs aimed at the support of socially unprotected strata of the population, orphaned children, low-income families;
- Projects for the support of educational institutions and healthcare facilities, participants in youth sport;
- Assistance to cultural figures, support of cultural events, financing for historical and cultural value units;
- Special programs for the support of industrial veterans, war veterans and disabled war veterans;
- Support of environment-oriented organizations, ecological reserves.

Just in 2011, the companies of INTER RAO UES Group implemented over 50 charitable projects in Russia and abroad. The total volume of funds provided exceeded approximately 300m RUB.

8.3. Environmental Policy

The state environmental policy and the integration of the electric power markets of Russia, CIS and European countries define the increasing importance of the environmental aspects of the Company’s activity for the achievement of its strategic targets.

The level of the production activity’s impact on the environment and of the risks related to environmental aspects has growing impact on the market capitalization level, the availability and cost of credit resources and it is an important characteristic of the degree of the business’s social responsibility and of its development stability.

The state system of economic encouragement for rational environmental management and protection makes environmental taxes and natural resource payments an increasingly real factor of the economic development of society. These changes require from society some anticipatory measures preventing the emergence of any environmental restrictions on production activity, early retirement of generating capacities and significant material losses.

In order to achieve joint stable development of society and of the regions in which the Company and its subsidiaries and affiliates perform their activity, to obtain economic benefits and advantages, to achieve capitalization growth, as well as acknowledging its share of social environmental responsibility, the Company assumes the following obligations:

- To perform its production activity according to the federal, regional and local regulatory requirements in the area of environmental protection, population health and safety;
- To consistently reduce its negative impact on the environment to the minimum level that is technically achievable and economically reasonable, and to follow the principle of high priority of pollution prevention; to seek to improve environmental quality in the regions of production activity;
- To apply the best available technologies during the construction of new production facilities and the technical upgrade of existing ones;
- To reduce economic costs related to the environmental aspects of production activity;
- To seek to achieve agreement between the management, the Company personnel, shareholders, the state and public organizations, the population in terms of the environmental security of the Company’s production activity, the level of its social responsibility and the efficiency of its environmental protection activity, along with the creation of a positive environmental image of the Company.

On the basis of achieving these objectives, the Company will seek to become the leader of the Russian thermal electric power industry in the area of stable development and environmental security.

To fulfil the aforementioned obligations, the Company is performing its environmental protection activity in the following areas:

- Increasing the energy efficiency of production, energy savings, increasing technical discipline;
- Developing and consistently raising the efficiency of the environmental management system, including by studying and implementing the best practices for organizing environmental protection activities;
- Developing a system of production environmental control, planning, control and accounting for the environmental indicators of the production activity, incentives to personnel for their improvement;
- Implementation of high-priority environmental protection measures preventing the creation of harmful substances, waste and negative impact; comprehensive, ecologically and economically efficient measures;
- Considering environmental aspects while planning new equipment construction, upgrading and rebuilding projects, the use of the best available technical solutions in the area of electric power and ecology;
- Comprehensive and rational use of natural and secondary resources, reduction of losses;
- Reduction in the volumes of water resource consumption by implementing waterless technology, water recycling and circulating water supply systems, first of all for key and auxiliary equipment cooling systems;
- Excluding from production, if possible, any ecologically dangerous and harmful substances and technological processes; control of the environmental characteristics of purchased power fuels, materials, equipment;
- Involving all the personnel of the Company in environment protection activity, training the personnel to ecologically safe working methods, increasing the level of environmental knowledge;
- Stimulate the ecologically responsible behaviour of the personnel of the Company, contractor organizations, and suppliers of fuel, equipment and materials;
- Analysis and evaluation of ecological risks, planning and fulfilling activities aimed at the prevention of accidents with negative environment consequences, preparation for activities under emergency conditions, reimbursement for the damage caused;
- Ensuring the openness and availability of the Company facilities, the results of its environmental protection activity and production environmental controls for any stakeholder; considering the opinions of stakeholders while planning and performing production activity;
- Following an active information policy in the environmental area, revealing the environmental indicators of the Company's activity for the stakeholders;
- Support of state and civil initiatives in the area of environmental protection and stable development.

The Company tries to achieve its environmental objectives in co-operation and in the conditions of dialog with all the social groups interested in increasing the level of the environmental security of the Company and of the entire electric power industry, with the improvement of the state of the environment and with stable development of society: partner enterprises, state and municipal authorities, educational institutions, public organizations and groups.

The key indicators of the level of negative impact on the environment of the production activity of the Russian enterprises of the Group are given in Table No. __.

The gross emissions of harmful substances into the atmosphere by the Russian power facilities of INTER RAO UES Group in 2011 increased by 3.5% compared to 2010, which was caused by a 6% growth in production volumes. At the same time, the specific emissions per unit of output energy decreased by 2.4% compared to 2010, which is related to a 1.7% growth in the share of gas in the fuel balance, the growing share of electric power generation for co-generation, as well as the implementation of several activities aimed at reducing the negative impact on the environment.

- The dust-collecting facilities of two boilers of “Yuzhnouralskaya GRES”, a branch of JSC “WGC-3”, were upgraded. As a result, ash emission was reduced by 3600 t/year and sulphur dioxide by 800 t/year;
- The dust-collecting facilities of two boilers of “Verkhnetagilskaya GRES”, a branch of JSC “OGK-1” were upgraded. As a result the ash emission was reduced by 700 t/year;
- A unit for selective non-catalytic reduction of nitrous oxides was installed at Boiler Unit No. 3 of the “Kashirskaya GRES”, a branch of JSC “OGK-1”. As a result of preliminary tests, the unit efficiency is about 50%, and the reduction of nitrous oxide emission is about 400 t/year.

In order to reduce the volumes of polluted waste waters in 2011, work was done to reconstruct the water disposal systems of “Verkhnetagilskaya GRES”, a branch of JSC “OGK-1”, as well as of “Cherepetskaya GRES” and “Kostromskaya GRES”, branches of JSC “WGK-3”. As part of these works, the waste treatment facilities are being reconstructed to ensure their compliance with modern environmental protection requirements, and there is work aimed at reducing the waste water formation and pollution levels.

In order to increase the environmental security of ash disposal areas, some reconstruction work was performed at “Kashirskaya GRES”, a branch of JSC “OGK-1”, at “Cherepetskaya GRES”, a branch of JSC “WGK-3”, and at “Omskaya CHPP-5” of JSC “TGK-11”.

At “Irkutskaya GRES” and “Verkhnetagilskaya GRES” branches of JSC “OGK-1”, “Cherepetskaya GRES” and “Yuzhnouralskaya GRES” branches of JSC “WGK-3” some work was done aimed at implementing fish protection structures.

Table 83: Indicators of the environmental impact level of Russian companies of INTER RAO UES Group

Table 84: Investments in key capital of Russian enterprises of INTER RAO UES Group aimed at environmental protection and rational use of natural resources

Indicators of the environmental impact level of Russian companies of INTER RAO UES Group

Indicators	Measurement unit	TOTAL for Russian companies of the Group		JSC “OGK-1”		JSC “WGC-3”		JSC “TGK-11”		JSC “INTER RAO UES”		CJSC “NVGRES”	
		2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Aggregate power output	B kWh	121.68	129.00	40.37	42.36	32.00	33.15	27.46	26.08	10.50	15.01	11.35	12.40
Gross emission of harmful substances into the atmospheric air, total	K tons	405.28	419.60	89.54	83.00	171.85	186.07	130.27	133.18	5.59	8.81	8.02	8.53
Specific emission into the atmosphere	kg/mWh	3.33	3.25	2.22	1.96	5.37	5.61	4.74	5.11	0.53	0.59	0.71	0.69
Greenhouse gas emissions	M t-eq. CO ₂	64.00	67.06	18.60	19.00	23.80	24.50	12.00	11.46	3.90	5.80	5.70	6.30
Volumes of polluted waste water diversion to natural water units	m m³	13.43	14.47	6.10	6.10	3.79	3.38	2.07	2.58	1.47	2.42	-	-
Specific volume of polluted waste water diversion to output energy	m3/mWh	0.11	0.11	0.15	0.14	0.12	0.10	0.08	0.10	0.14	0.16	-	-

Indicators of ash and slag waste treatment													
Formed	K tons	3 699.50	3 767.64	762.80	695.34	1 256.60	1 417.70	1 680.10	1 654.60	-	-	-	-
Beneficially used by thermal power plants and third- party organizations	K tons	177.80	138.67	94.00	93.67	40.70	14.20	43.10	30.80	-	-	-	-
Buried	K tons	3 521.70	3 628.97	668.80	601.67	1 215.90	1 403.50	1 637.00	1 623.80	-	-	-	-
Share of beneficially used ash and slag waste	%	4.81	3.68	12.32	13.47	3.24	1.00	2.57	1.86	-	-	-	-
Specific burial of ash and slag waste per output energy	kg/mWh	28.94	28.13	16.57	14.20	37.99	42.34	59.62	62.27	-	-	-	-

Investments in key capital of Russian enterprises of INTER RAO UES Group aimed at environmental protection and rational use of natural resources

Indicators	Measurem ent unit	TOTAL FOR JSC “INTER RAO UES”		JSC “OGK-1”		JSC “WGC-3”		JSC “TGK-11”		INTER RAO – Electric Power Plants, OJSC		CJSC “NVGRES”	
		2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Total investments	m RUB	1243.8	268.9	436.9	140.3	62.6	52.7	744.3	74.1	-	1.8	-	-
including in:													
protection and rational use of water resources	m RUB	321.4	50.1	22.1	35.8	17.1	14.3	282.2	-	-	-	-	-
circulating water supply systems	m RUB	149.3	24.3	147.4	24.3	-	-	1.9	-	-	-	-	-
atmospheric air protection, total	m RUB	353.6	143.3	119.4	57.3	45.1	23.7	189.1	62.3	-	-	-	-
protection and rational use of land	m RUB	414.6	24.3	143.1	-	0.4	12.5	271.1	11.8	-	-	-	-

protection and reproduction of fish resources	m RUB	4.9	26.9	4.9	22.9	-	2.2	-	-	-	1.8	-	-
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9. FACTORS AND RISKS Affecting the Company's Activities

Special RMCS control division is established RISK MANAGEMENT CORPORATE SYSTEM

Factors and Risks Affecting the Company's Activities

JSC "INTER RAO UES" is a major diversified holding company and that determines the increased demand of the operation for risk management systems.

In 2011, the Company continued its policy on the development of risk management procedures. The risk-oriented approach to business management adopted presupposes the incorporation of procedures of a risk management corporate system (RMCS) in the decision-making process for achieving strategic goals. The approaches to the risk management are set out in the local regulations of the company: the Company has a "Corporate Risk Management Policy" and "Regulations on Risk Management".

In the company's internal audit, controlling and risk management Unit, a specialized subdivision has been formed which is responsible for the operations management of CRMS and the fulfilment of the key goals of the Company in the field of risk management:

- Ensuring the achievement of the Company's strategies;
- Timely adaptation of the Company to changes in the internal and external environments;
- Ensuring effective operations of the Company, its stability and development prospects.

JSC "INTER RAO UES" risk management system is targeted at timely discovery of all potential sources and factors for risk. Based on its 2011 report, the company has singled out the following key risks affecting the activities of JSC "INTER RAO UES" and constituting the risky areas of the Company.

INDUSTRIAL RISKS

The principal activities of the Company in 2011 were the production and sale of electricity and power generated based on in-house generating equipment, export-import of electricity, as well as investing activities.

Industry regulation risks and industry restrictions on the Wholesale Electric Energy and Power Market are related to the fact that electric power industry in Russia undergoes constant changes and improvements, and is also subject to governmental regulations in terms of the tariffs of infrastructure organizations and system restrictions on power interchange. This type of risk is managed by means of a combination of strategies on transfer, reduction, and diversification of the risk, as well as prevention of the effects of industrial regulations. Risk reduction happens thanks to the detailed, item-by-item substantiation of the value of the tariff, as well as constant efforts towards the reduction of the cost price, including an increase of operational efficiency through the implementation of programs that reduce production cost and save fuel in power stations. The diversification strategy is realized through the expansion of the Company's geographical presence in a variety of price zones of the RF power system. The risk of changes in the volumes of electricity supply as a result of industrial regulations due to the activities of the System Operator (SO) and network restrictions, or because of accidents and technological malfunctions, is prevented thanks to a more accurate report on system and network restrictions in the process of planning electricity supply, assessment and report of power system balances of Russia and foreign countries, as well as

the analysis of statistics of accidents and technological malfunctions. Furthermore, additional articles with provisions related to the reduction of the financial liability of “INTER RAO” for failure to supply electricity as a result of the activities of SO, accidents, and technological violations, should be included in the agreements on external economic activities.

Risks related to changes in the codes of practice of the retail market. The risk arises due to the reform of the electricity industry. To mitigate this risk, the Group is in constant collaboration with public authorities in the process of making changes in the legislation governing the power industry: Group representatives are members of the Supervisory Council of Market Council Non-Commercial Partnership. They participate in inter-agency working groups and initiate proposals to change the regulatory frameworks and market models. For the purpose of approval of economically substantiated sales margins by the regulatory authorities, full economic substantiation of all planned expenditures is provided in a timely manner.

Given that INTER RAO UES Group has a balanced (diversified) business structure unique in Russia, which means power production based on its in-house generation assets in combination with its exporting and importing activities, part of the risks disappears. Thus, with an increase in prices on the domestic RF market, the decline in revenues from exports related to the rising prices of the purchased electricity is partially offset by the increase in revenues from the sales of imported electricity produced on in-house power generation equipment.

COUNTRY-SPECIFIC RISKS

To date, the economies of most countries, including Russia, are still being impacted by the global financial crisis, the consequences of which are reflected in reduced mutual trust in the fields of investment and lending, as well as in the slowdown in growth.

The post-crisis slowdown of economic growth in the RF has resulted in reduced projections for growth in electricity consumption and power in some industries, which in turn impacts the market prices for electricity and power in the free segment of the Wholesale Electric Energy and Power Market of Russia.

JSC “INTER RAO UES” as a dynamically growing diversified energy holding operating in the territory of Russia, the Baltic countries, Scandinavia, Central and Eastern Europe, Central Asia, and the Far East, takes into account the aforementioned risks, as well as risks related to the geographical features of countries and regions in which it is developing its activities, which include the following:

- Risks related to the political and economic situation in the country and the region in which the Company is registered as a taxpayer and / or carries out (plans to carry out) its main activities.
- Risks related to possible conflicts, states of emergency and strikes in the country and the region;
- Risks related to the geographical features of the country and the region, including increased risk of natural disasters, possible termination of transport due to remoteness and / or inaccessibility.

In order to minimize these risks, the Company includes the following measures in its activity: The company conducts an analysis of the market activities (including new ones), which includes the legislative framework for regulating markets and information for business contacts to assess the possibility to initiate the work, as well as consulting on the risks of entering a new market with competent organizations. A lot of attention is paid to the organization of the interaction with public authorities and major companies in the countries where the Company is carrying out activities or

plans to do so. In order to minimize the country-specific risks, the Company's strategy is formulated taking into account the diversification of activities and investments, so as to ensure a balanced set of strategic opportunities and obligations. A periodic inventory of the investment portfolio and contracts portfolio is provided. Based on the forecast of global economic, political, and technological factors and the trends of changes, scenarios of future operating conditions in the strategic areas of activity are developed.

RISKS OF TRADING ACTIVITIES

One of the essential technological conditions when carrying out foreign trade activities for JSC “INTER RAO UES” is the concurrent operation with the Unified Energy System of the Russian Federation and power systems of neighbouring countries. Currently, power systems of Belarus, Estonia, Latvia, Lithuania, Georgia, Azerbaijan, Kazakhstan, Moldova, Mongolia, Ukraine, Kyrgyzstan, Uzbekistan, and Tajikistan are operating in parallel with the UES of Russia. One of the essential risks for JSC “INTER RAO UES” in the implementation of parallel operation is the lack of a mechanism for the transmission of additional costs of the Company in the balancing market in regards to the parallel operation with the contractor. The actual deviations from the planned volume of electricity consumption in parallel operation of related power systems may exceed the band of fluctuation provided for such deviations of consumption related to the parallel operation.

A number of issues still remain unresolved in the foreign trade activities in the power industry which entail risks for the Company.

- Issues related to the commercialization of parallel operation of power systems (for example, matters related to the provision of power reserves and provision of emergency mutual aid are not fully worked out) are weakly reflected in the wholesale market model and do not take into account the actual costs of the wholesale market participant which carries out export and import operations and provides maintenance to the parallel operation of UES of Russia and foreign power systems by order of the holder of the parallel operation agreements (JSC FGC UES);
- The regulatory framework of WECM does not take into account the specifics of the parallel operation with foreign energy systems in terms of the payment for ancillary services (regulation, backup, transit, etc.); The operator of export and import of electricity is unable to significantly influence the pricing of the free sector of WECM, as he participates in the market with bids to buy;
- The incompleteness of the documents governing the parallel operation of power systems of Russia and neighbouring countries creates opportunities for violating the agreed modes of operation and as a consequence, the allowance of significant deviations of the actual power interchange from the planned one, all of which can lead to financial losses.

In order to solve these issues, JSC “INTER RAO UES” actively cooperates with the Market Council Non-Commercial Partnership, participates in inter-agency working groups, and initiates proposals to change the regulatory framework and the models of WECM, including in terms of the revisions to the Resolutions of the Government that take into account the specifics of the organizations conducting export and import operations.

In accordance with the Corporate Risk Management System (CRMS) in terms of carrying out trading activities, the Company is subject to the impact of the following risks:

Price risk refers to an unfavourable price change (volatility) in the energy markets. This risk is reduced with the conclusion of free direct bilateral contracts of purchase / sale of electricity at a fixed price, conclusion of free contracts of purchase / sale of electricity at a fixed price, as well as hedging by means of the futures on the index of the average price of electricity in the hub (energy futures). Apart from the standard methods, direct contracts of electricity sales at a fixed price with our foreign partners are also applied. Furthermore, price risk management involves the use of a risk diversification strategy – a large portfolio of contracts is formed which contains various contractors

of electricity supply by various price formulas depending on the volume and delivery schedules. The strategy for price risk prevention consists in an operational change in the delivery schedule, depending on the formulated prices in market at different times of the day, which helps to avoid selling during hours when the formulated market price is below the cost price of the electricity to be sold. The strategy to reduce loss incurred from risk is realized through the current limit system of losses from high risk and speculative trading operations in the market. Tracking limit data and the retention of the risk within the designated limits is conducted on a daily basis by the Company's sector of trading activity risk management.

Risks associated with changes in the conditions and rules of the market provide possible emergence of alliances of competing companies in the power industry market or electricity consumers, as well as possible changes to the rules of the power industry markets of Russia and neighbouring states. These risks are controlled through the diversification of markets of electricity sales, as well as the avoidance of entry in markets (or exit from the markets) where the conditions and rules are unpredictable or are expected to undergo changes as a result of which the operation in these markets will not be profitable. In addition, the Company has constant representation in governmental, commercial and non-commercial structures which affect the decision making of changing the rules of the Russian energy and capacity market.

In order to systematize the trading activities and risk management in the Company, internal local regulations are developed and approved, in particular, Policy of trading activity and Regulations on the system of risk management in trading activities have been approved. Regulations and methods for risk management are developed, including Regulations of the business process for the management of commercial risks in trading activities, Methods of hedging risks through the use of futures on the average index price of electricity in trading activities, "Methods of assessment and management of commercial risk in trading activities, and Methods of determining the value of risk capital on trading activities.

The implementation of the risk management in the trading activities of the Company involves a full range of risk management strategies depending on the magnitude and type of risk: absorption / risk assumption, avoidance / denial of risk, risk prevention, reduction of losses from risk, transfer / insurance of risk, diversification of risk, hedging of risk.

PRODUCTION RISKS

As per the assessment of the Company's exposure, the most vital risks for JSC "INTER RAO UES" are as follows:

Operational risks related to the failure / breakage, including the loss of security of energy supply, interruptions in electricity production, and reduced capacity in power stations.

The steps taken by the Group to reduce these risks take into account the tendency for obsolescence of fixed assets, and therefore, provide re-equipment and renovation of fixed assets, reconstruction of existing and construction of new generating facilities, as well as provision of property insurance for the purposes of loss compensation.

Decline in Production Volumes. This risk emerges from reduced demand for electricity both on a national scale as a result of macroeconomic phenomena and on an individual regional scale (energy systems) as a result of new effective capacities being introduced by competing energy enterprises. Taking into consideration the stable positive trend in demand for electricity in 2011 (1.1% as

compared to 2010 according to JSC “SO UES”), a decrease in production due to macro-economic reasons is estimated to be unlikely. The Company classifies the risk of decline in production as a result of the reduced competitiveness of the production as significant. A consequence of this risk is the decrease in the revenue from sales of electricity and capacity.

The basic steps in the process of risk management are aimed at reducing price costs, conclusion of long-term contracts for electricity supply and diversification of free contracts for electricity supply by industries and regions, as well as removing the old inefficient capacities from operation and replacing them with modern and high-tech facilities.

Slowdown in the growth rate of electricity tariffs. This risk is associated with the possible establishment of the tariff below the economically substantiated level, as well as with possibly slower growth rates of electricity tariffs as compared with those in fuel prices, which could lead to a decrease in sales in the regulated sector of the wholesale electricity market. This risk is generally not controlled by the Group and is more of a national nature, as per the 2011 the RF Governmental Regulations as of December 27, 2010. No. 1172 whereby limits on the maximum growth of tariffs for electric energy were introduced.

By increasing the share of the free segment of the wholesale electricity market, the impact of the given risk on the Group will decline.

Risks related to an increase in fuel prices. Fuel costs are fundamental in the price cost of electricity production. That is why the risks related to the rise in prices of utilities and their transportation can harm the financial and economic standing of the Group. Steps taken by the Group to mitigate the risk: diversification of fuel suppliers, participation in the organization and implementation of gas exchange trade, development of trading functions, conclusion of long-term contracts with suppliers at agreed prices, which are taken into consideration in the formation of tariffs.

The Company has adopted internal normative regulations on the management of technological risks, including Methods of assessment of technological risk and limit of market losses caused by technological failures.

RISKS OF SALES ACTIVITIES

According to the Company's assessment, the most significant risks for JSC “INTER RAO UES” are as follows:

Risks related to the growth of non-payment for consumed electricity in the retail electricity market. The risk emerges in connection with the liberalization of the electricity market and the transition to non-regulated tariffs, lack of a refund mechanism for the supplied electricity and capacity, as well as due to macroeconomic changes, both on individual regional scales, and on a national scale.

The basic steps to manage this risk are directed toward conducting advocacy with consumers on the specifics of the tariff regulation and substantiation of the objective necessity of calculations at unregulated prices in line with the current legislation in the electric energy sector, which appear to be consulting services regarding the choice of tariff rates from the tariff menu. The Company has the right to apply legal and economic enforcement measures on subscribers, including disconnection of non-payers.

Risks related to the growth of competition. This risk is related to the transfer of consumers with connected capacity above 750 kVA to other energy sales companies in the region, or the independent entry of consumers to the wholesale electricity market.

Steps taken by the Group to mitigate the risk. The Company takes measures to improve the service quality, develop competitive advantages related to the energy supply. It develops and deploys new types of services/products based on market analysis.

FINANCIAL RISKS

Assessment of financial risks, development of measures for the management of financial risks, monitoring and control are carried out on a regular basis by the Company's core business units. The qualifications of the staff members of the Company's core business units in the management of financial risk are certified by international professional certificates of CFA and FRM.

The Company has approved internal normative regulations related to the management of financial risks, including: Regulations for the system of financial risk management, Regulations on the business process of currency risk management, Methods of measuring and managing currency risk, Methods of measuring and managing interest rate risk, Methods of assessing credit risk and the determination of limits on transactions with contractor banks.

The Regulations for the system of financial risk management govern the procedure of assessing and managing market risks (including currency and interest rate risks), the risk of loss of paying capacity (including liquidity risk) and credit risk.

In 2011, new subsidiaries were introduced in INTER RAO UES Group; the activities of financial risk management carried out by the Company are conducted taking into account their influence on the subsidiaries as well.

Among the most important factors and risks affecting the Company's activities in corporate finances, are the following:

Risks associated with non-fulfilment by contractors of their obligations (credit risk)

In August 2011, Standard & Poor's rating agency downgraded the long-term credit rating of the USA from AAA to AA+. The sovereign credit ratings of nine Eurozone countries, including France, Italy, Spain and Portugal were downgraded in January 2012. The downgrade of ratings was due to the lack of coordinated effective measures toward overcoming the crisis. The downgrades of country ratings were followed by rating actions taken toward the largest banks in Europe and the United States, including state-owned and global banks.

The unfavourable economic conditions in international markets give rise to an increase of risks within the country – loan accessibility for Russian banks may become more restricted, which will negatively affect the real sector companies that have a high debt load. In such conditions, the Company pays special attention to the assessment of credit risk.

To prevent the risk of the contractors' failure to fulfil their obligations and to minimize the possibility of loss, the Company implements management of credit risk in cooperation with external parties (consumers and suppliers), with its subsidiaries (in case of implementation of intra-group financing), as well as with financial institutions, including banks and insurance companies.

The Company continues to consider the risk of non-payment in carrying out trading activities in the territory of the Russian Federation as significant. In order to minimize loss, the Company takes preventive measures: analysis of the contractors' paying capacity, creditworthiness and financial stability as a whole, as well as regular monitoring of receivables are conducted.

In addition, when signing contracts, the Company employs mechanisms that favour the mitigation of credit risks (down payments, use of letters of credit, bank guarantees and warranties). Similar activities are also carried out during procurement activities.

Special attention is paid to the credit risks of contractor banks. Based on the assessment of the creditworthiness of banks conducted by the Company's core business units according to adopted methodology, internal credit ratings are assigned to banks, limits are established on transactions with contractor banks, and subsequent regular monitoring for compliance with these limits is conducted. The policy related to the limitation of credit risk in cooperation with financial institutions by the main segment also applies to subsidiaries.

As a result of the activities undertaken in credit risk management, the Company's exposure to this risk is within controllable limits.

Risks associated with changes in exchange rates of foreign currencies (currency risk)

The Company's performance is subject to the influence of exchange rates due to change of the ruble equivalent of foreign currency export earnings. In addition, changes in exchange rates lead to a reassessment of currency liabilities of the Company's cash assets and other monetary assets and liabilities of the Company, which is reflected in a decrease or increase of profit. The principal source of currency risk in the Company's activities is the volatility of the exchange rate of the ruble, as well as changes in the US dollar rate against the euro.

In the context of the currency risk management, the Company regularly conducts analysis and forecasting of potential losses due to unfavourable trends in exchange rates based on approaches of Value-at-Risk, Earnings-at-Risk, scenario modelling and stress testing. The methods applied for risk assessment comply with universally accepted modern approaches.

As part of the activity planning procedures, the Company strives to ensure consistency between the value of foreign currency liabilities and the size of the foreign exchange earnings, which, naturally, mitigates the currency risks of the Company. Furthermore, in order to reduce its exposure to currency risk, the Company maintains sufficient liquid assets in foreign currencies for the purposes of optimization of the volume of forex transactions. It also provides hedging operations with derivatives.

Throughout 2011, a multi-directional movement of the ruble against the euro and US dollar was observed. The minimum value of the US dollar exchange rate set by the Central Bank in 2011 was reached in May and amounted to 27.2 RUB per US dollar, while the maximum – 32.6 RUB per US dollar was reached in October. Similar values for the euro amounted to 39.2 RUB to a euro in March and 43.6 RUB to the euro in September. Such increased volatility increases the uncertainty in regard to the future values of exchange rates.

In summary, the trend of exchange rates in 2011 through the increase in the ruble filing of the currency earnings affected the performance of the Company positively.

In 2012, a reduction in the volatility of the national currency is not anticipated, and the downward movement of the ruble against the euro and US dollar in the first half of the year is considered more likely.

According to the Company's assessment, the currency risk, considering the measures taken to reduce it, is at the moment unable to have a significant impact on the Company's ability to fulfil its obligations.

Risks related to changes in the interest rates (interest risks)

The highest interest risk experienced by the Company is observed in the result of the revision of lending rates on borrowed funds at the time of their refinancing. Also, the interests risk can affect borrowed funds of the Company that were attracted at floating interest rates.

In 2011, the cost of credit resources for Russian borrowers followed the trend prevailing in international financial markets.

Since the beginning of 2011, the Bank of Russia raised its refinancing rate twice, which was followed by a growth of the rates of Russian ruble-denominated interbank lending. The reduction of refinancing at the end of December 2011 from 8.25% to 8% did not have a significant impact on the dynamics of the Russian ruble rates in interbank lending in the fourth quarter of 2011: interbank rates continued to rise until the end of 2011. In particular, the Moscow Interbank Offer Rate grew from 3.93% to 6.9% as fast as in 3 months in 2011. Similar changes were observed in the European market as well. Thus, the London Interbank Offered Rate LIBOR at 6 months for loans in US dollars practically grew over the entire second half of 2011, reaching by the end of the year a maximum value for the year – 0.81%.

This favourable state of the market enabled the Company to refinance part of its financial obligations at lower interest rates established in the first quarter of 2011. However, the positive effect of reducing interest expenses on the loan agreements with a fixed rate was partly offset by increased interest expenses on loans with floating rate at the time of the increase in interbank rates in the second half of 2011.

According to Company estimates, interest rates, at the present moment, as well as for the whole year 2012, adequately reflect the situation on the world markets. In this connection, the Company does not anticipate a significant change of the level of interest risk.

In the context of interest risk management, the Company regularly conducts analyses and forecasting of potential losses due to unfavourable movements of exchange rates based on GAP analysis, scenario modelling and stress testing.

To limit its exposure to interest risks, the Company extends loan terms, reduces the frequency of revision of interest rates on borrowed funds, provides options for early repayment of debt financing in the contracts and uses derivatives to hedge interest risk.

Given the prevalence of long-term loans in the structure of the loan portfolio, as well as the small amount of floating rate loans uncovered by respective hedging contracts, at the moment the interest rate risk is unable to significantly affect the Company's ability to fulfil its obligations.

Risks related to changes in the inflation rates (inflation risk)

According to the Federal State Statistics Service, indicators of inflation in 2007 are as follows: 11.9% in 2008 – 13.3% in 2009 – 8.8% in 2010 – 8.8% in 2011 – 6.1%. According to the forecasts given by the Ministry of Economic Development of the RF, inflation in 2012 is expected to be 5-6%.

The decrease in inflation, as compared with previous years brings a positive impact on the issuer's activities since it helps reduce the cost of credit resources, and also reduces a number of other risks listed below.

The negative impact of inflation on the financial-economic activities of the Company may entail the following risks:

- Risk of loss associated with losses in the real value of receivables with substantial deferral or delay in payment;
- Risk of the increase of interest payable;
- Risk of increase of the cost price of goods, products, works and services due to increasing energy prices, transportation costs, wages, etc.
- Risk of increasing cost of the investment program.

A significant excess of the actual levels of inflation over the forecast and the formation of runaway inflation (25-30% per year), the risk of the emergence of which is supported by the uncertainty of prospects for the end of the global financial crisis, may negatively affect the profitability of the Company.

In the event of a significant excess of inflation over forecast levels, the Company will take measures to optimize costs, as well as increase the reaction rate of revenue against the growth of inflation rate.

LEGAL RISKS

The Company's activities are related to legal risks that may arise during the implementation of business activities in domestic and foreign markets, which is typical of most business entities operating in the territory of the Russian Federation and foreign countries. To minimize the legal risks, almost all operations of the Company undergo a mandatory preliminary due diligence process.

Among legal risks that can affect the Company's activities are the risks associated with changes in legislation on the power industry sector, currency regulations, tax laws, customs regulations and duties, changes in the requirements for licensing of basic activities of JSC "INTER RAO UES" or the licensing rights of using objects with limited availability in circulation (including natural resources), as well as changes in judicial practice.

In 2011, the Federal Law of 18.07.2011 No. 227-FZ made changes to the Tax Code effective from 01.01.2012 which regulates the new guidelines for determining the prices of goods (work, services) for tax purposes, as well as tax control issues in relation to performing transactions between related parties.

These provisions greatly increase the control of tax authorities over the activities of the Issuer in respect to pricing of transactions between related parties. New types of tax audits that are being introduced are conducted directly by the Federal Tax Service of Russia, namely, the audit of completeness of the calculation and payment of taxes associated with transactions between related

parties. These changes in the Tax Code of the RF may entail additional risks, practically, for any business entity in the Russian Federation. In turn, the application of sanctions against the Company or to entities holding positions in its governing structures could negatively affect the Company's activities.

In addition, a positive development for the Company's activities is the signing of a Protocol dated 16.12.2011 about Russia's accession to the WTO. After ratification, the Russian Federation is to become a full member of WTO. In relation to this, new rates of customs fees for customs operations will come into effect. They are set by the RF Government Regulations of 31.08.2011 No. 724 for certain categories of products, including electric energy, from the date of inclusion of the Russian Federation in the World Trade Organization.

METHODS THE COMPANY APPLIES OR PLANS TO APPLY IN THE FUTURE FOR REDUCING NEGATIVE EFFECTS OF RISKS

In accordance with the approved Regulations on Risk Management, the Company applies the following risk management techniques:

- Transfer (redistribution) of risk: Risk transfer to a contractor (insurance, hedging, outsourcing).
- Reduction (minimization) of the risk: Measures taken to reduce the likelihood of risk events and / or to reduce the possible damage (localization of risk, diversification of risk, prevention, etc.).
- Acceptance of risk: The Company assumes elimination of possible consequences of the emergence of risky situations and is ready to cover losses at its own expense.
- Refusal (decline) of the risk: Refusal to carry out activities accompanied by an unacceptable (above set point) level of risk.

In addition to the above-mentioned methods, the risk management of JSC "INTER RAO UES" applies a set of basic preventive measures for the prevention of risks:

- Analysis of market operations, including the legal framework regulating the markets in which JSC "INTER RAO UES" participates;
- Analysis of operations of new markets, including the legislative framework regulating markets and information for business contacts for the assessment of the start of JSC "INTER RAO UES" activities;
- Assessment of the financial status, credit history, business reputation and performance of prospective contractors and partners;
- Consulting on the risks of entering a new market with competent organizations;
- Organization of cooperation with public authorities, large companies in countries where the Company carries out or intends to carry out its activities;
- Established methods for risk assessment of investments abroad;
- Diversification of scopes of activities and investments;
- Periodic inventory of the investment portfolio and the portfolio of contracts for the purposes of ensuring the balancing of the strategic set of opportunities and obligations of JSC "INTER RAO UES";
- Development of scenarios of future codes of practice in the strategic areas of activity on the basis of global forecasts of economic, political and technological factors and the dynamics of their alterations.

A combination of methods and selection of specific instruments is determined based on the specifics of the risks by functional area of activity.

INSURANCE OF RISKS

An effective system of insurance protection is implemented at JSC “INTER RAO UES”, which aims to minimize the financial losses of the Company in the event of the occurrence of the insurance risks.

Comprehensive insurance protection of the Company’s property interests includes the following types of insurance:

- Property insurance against “all risks”, including terrorist acts and sabotage, as well as insurance of machinery and equipment from damage;
- Insurance of construction risks in the context of implementing investment projects;
- Voluntary insurance of transport vehicles and water transport from damage and theft, as well as compulsory civil liability motor-vehicle insurance;

Insurance of liabilities of directors, officers and companies was first performed in 2011. The contract provides insurance coverage for the following types of liability:

- Liability of members of the governing authorities of the Company and several companies of INTER RAO UES Group to compensate financial losses to third parties caused by unintentional wrong actions (or inaction) of the insured entities in the realization of their managerial activities;
- Liability of the Company and several companies of INTER RAO UES Group for the compensation of financial losses to third parties caused by unintentional wrong actions (or inaction) of the directors and officials in their performance of managerial activities;
- Liability (contingency) in relation to the claims on securities issued to the Company and several companies of RAO UES Group.
- Obligatory insurance of civil responsibility of the owner of a dangerous object for causing injury in an accident at a hazardous facility in accordance with the Federal Law No. 225-FZ dated July 27, 2010 *On obligatory insurance of civil liability of the owner of a dangerous object for injury in an accident at a hazardous facility.*

In addition, in the framework of the insurance protection, the Company tries to increase the levels of social protection and the motivation of employees of INTER RAO UES Group by concluding contracts of voluntary health insurance, personal accident and disease insurance.

In 2011, standardization and structuring of the insurance protection program was successfully implemented by the companies of INTER RAO UES Group. Most of the foreign assets are insured in agreement with the high standards and requirements of the Company.

Plans for 2012 include further improvement of the structure of insurance coverage of companies of INTER RAO UES Group and the assessment of the feasibility of introducing new types of insurance, in particular, insurance against interruptions in production activities.

PROCUREMENT ACTIVITIES

Procurement Centralization

Threshold for using procurement regulations - 0.5m RUB

Procurement procedures held - 14,027

Amount of procurement - 87,499,883 RUB

Task of UIPS (Unified Information Procurement System) implementation

10. Procurement Activities

10.1. Centralized Supply System

Based on the Company's Board of Directors resolution dd. 24.12.2010 (Minutes No. 35 dd. 27.12.2010) procurement activities of INTER RAO UES Group were identified as a prioritized activity of the Company, and 2011 marked the transition of the Group from a decentralized to a centralized supply system.

The main objective of such transition is to ensure the Company's activities are fully provided in a timely way with products, works and services while disbursement of the Company's funds is cost-effective.

The legal basis for the transition to a centralized procurement system was the new version of the Regulations on the procedure for regulated procurement of products and services to meet the needs of JSC "INTER RAO UES", which was approved at the aforementioned Meeting of the Company's Board of Directors. This provides for the implementation of procurement through Specialized Procurement Organization, a 100% subsidiary of JSC "INTER RAO UES" (hereinafter referred to as SPO).

By decisions of the Central Procurement Authorities/ Central Procurement Committees of the Group companies, SPO functions were assigned to LLC "INTER RAO UES FINANCE".

Throughout 2011, in order to fulfil functions of the Organizer of SPO purchases, agency contracts were signed for conducting procurement procedures with JSC "TGK-11", JSC "OGK-1", JSC "WGC-3", JSC "INTER RAO UES", INTER RAO – Management of Electric Power Plants, LLC, JSC "Unified Energy Retailing Company", etc.

10.2. Organization of Procurement Activities

Procurement by INTER RAO UES Group is regulated by the legislation of the RF, the regulations on the order of the regulated procurement of goods and services to meet the needs of each company of the Group (hereinafter – Regulations), as well as other regulatory, organizational, and administrative documents.

The threshold for application of regulated procurement is set at 0.5m RUB.

Once the procurement policies were adopted in INTER RAO UES Group companies, the Central Procurement Committee / Central Procurement Authority were formed and put into operation. The principal tasks of CPC/CPA are:

- The implementation of procurement policies in a competitive environment which guaranties competitiveness of suppliers of goods and services;
- Ensuring the development and approval in the established order by the regulatory basis of procurement;
- Ensuring a suitable level of competition in procurement, objectivity, impartiality, and transparency of procurement procedures, fair and equitable treatment of all suppliers.

Procurement planning is carried out in agreement with the Regulations of the companies and Regulations of the business process of forming an integrated program of annual purchases in the

Group, approved by the order dated April 1, 2011 No. IRAO/198 by means of a unified information system of procurement.

During the implementation of the procurement procedures, for the purposes of carrying out the functions of the examination, evaluation and ranking of the requirements of competitive bids by degree of preference and choice of the winner of regulated procurement procedures, the Organizer of the procurement creates joint procurement commissions.

10.3. Publicity of the Company's Procurement Activities

For the purposes of informing the public, as well as the participants of the procurement (Applicants) about planned, current and past procurements by the Company, as well as about the regulation of procurement in the Company, procurement information is published on the corporate website in the special section on procurement, which also includes publications about:

- The Comprehensive annual procurement program (hereinafter – CAPP);
- Copies of official publications about the holding of open procedures.

This information is also published in the appropriate subsection of the information-analytical and trade-operational system of energy procurement www.b2b-energo.ru and on the website www.interraofinans.ru.

10.4. Implementation of the Comprehensive Annual Procurement Program (CAPP), 2011

As per the final results of 2011, INTER RAO UES Group has practically carried out 14,027 procedures of purchases totalling 87,449,883,000 RUB without VAT.

10.5 Future goals

Pursuant to the requirements of the Federal Law No. 223-FZ dated July 18, 2011 *On procurement of goods and services by certain types of legal entities*, activities of local regulations of INTER RAO UES Group are held and will continue to be implemented in 2012. Provisions on the procedure of regulated procurement of goods and services to meet the needs of JSC “INTER RAO UES” and Regulations of the Group are made in accordance with the requirements of the present Act.

The process of improving the procurement activities also assumes development and implementation of Unified Information System of Procurement (UISP), continuation of the automation of implementation of competitive procedures, integration of UISP with an electronic trading platform, and construction of an analytical system of accountability in the procurement activities by INTER RAO UES Group.

Appendices

Appendix No. 1 Revision Commission Statement

For the Shareholder Meeting of JSC “INTER RAO UES”

STATEMENT OF THE REVISION COMMISSION OF JOINT STOCK COMPANY “INTER RAO UES”

April 10, 2012

Moscow

In accordance with the Articles of Incorporation of JSC “INTER RAO UES” (hereinafter referred to as “Company”), the Federal Law of Russia *On Joint-Stock Companies* No. 208-FZ dated December 26, 1995, and a decision of JSC “INTER RAO UES” (Minutes No. 1 dated March 1, 2012 and No. 2 March 15, 2012), the Revision Commission of the Company made an audit of the financial and economic activity of the Company for 2011 in the period from March 20, 2012 to April 10, 2012. The key targets of the audit included the following: a) to make sure that the key financial indicators of the Company’s activity recorded in the accounting reports are reliable; b) that in the course of its financial and economic activity the Company observed the financial accounting procedure and met the legal requirements of the Russian Federation.

The management of the Company is responsible for the preparation of reliable accounting reports and for compliance with the financial accounting procedure and other requirements of the legal acts of the Russian Federation under the laws of the Russian Federation.

The responsibility of the Revision Commission consisted in obtaining reasonable assurance that the key targets of the audit were achieved and that the conclusions were made on the basis of a maximally objective and sufficient analysis of all the information, data and documents provided for the control, by way of making a selective revision audit.

In the opinion of the Revision Commission, the data, information and documents obtained provide a sufficient base for preparing its conclusions and the final statement. The overall results of the audit and the recommendations to the Company management are set forth in the attached act.

As a result of the audit, the Revision Commission communicates the following:

- a) We did not notice any instances of failure to observe substantive external or internal requirements;
- b) We did not notice any defects in the recording of the financial indicators of the Company's activity that could lead to significant misstatement of the assets and liabilities as of December 31, 2011 and the financial results of the Company's activity for 2011.

The auditor of JSC "INTER RAO UES", Ernst and Young LLC elected by the annual general meeting of the Company's shareholders (Minutes No. 8 dd. June 28, 2011), made an audit of the Company's accounting reports for the period from January 1, 2011 to December 31, 2011, delivering Audit Report No. 6/n dd. March 20, 2012.

On the basis of the completed revision audit and considering the opinion of the Company auditor, the Revision Commission has a sufficient basis for confirming the reliability of the annual accounting reports of the Company for 2011 in all their significant aspects.

Members the Revision Commission of JSC "INTER RAO UES":

Deputy Chairman of the Management Board
of Joint-Stock Company "Federal Grid Company of
Unified Energy System",
Chairman of the Revision Commission of JSC
"INTER RAO UES"

Varlamov N.N.

Deputy Chief of the Audit and Revision Department
of Joint-Stock Company "Federal Grid Company of
Unified Energy System"

Kabizskina E.A.

Deputy Chief Accountant of State Atomic Energy
Corporation "Rosatom"

Meshcherina S.G.

Chief of Subsidiaries and Affiliates Economic
Planning Department of Joint-Stock Company
"INTER RAO UES"

Shpakova S.V.

Chief of Treasury Department of Joint-Stock
Company "INTER RAO UES"

Shcherbakov Yu.A.

The statement was read by:

Chairman of the Management Board of JSC
"INTER RAO UES"

B.Yu. Kovalchuk

Chief Accountant

A.O. Chesnokova

***For the Shareholder Meeting
of JSC “INTER RAO UES”***

**STATEMENT OF THE REVISION COMMISSION OF JOINT STOCK COMPANY
“INTER RAO UES”**

May 14, 2012

Moscow

In addition to conclusion of the Audit Commission as of 10.04.2012 and pursuant to its own decision (Minutes #4 as of 26.04.2012), the Audit Commission held verification of the data in the annual report of JSC “INTER RAO UES” for 2011.

The Audit Commission notes the following:

The annual report of the Company for 2011 includes not only the data on a legal entity JSC “INTER RAO UES”, but also the data on legal entities within INTER RAO UES Group.

The annual report of the Company for 2011 was formed by using the data from IFRS statements of INTER RAO UES Group for 2011.

To verify the data contained in the annual report of JSC “INTER RAO UES” for 2011, the Audit Commission used the materials of the audit of financial and business activities of the Company for 2011.

Based on the conducted audit, the Audit Commission has sufficient grounds to confirm reliability of information contained in the annual report of JSC “INTER RAO UES” for 2011 in terms of the data on the legal entity, i.e. JSC “INTER RAO UES”.

Members the Revision Commission of JSC “INTER RAO UES”:

Deputy Chairman of the Management Board
of Joint-Stock Company “Federal Grid Company of
Unified Energy System”,

Varlamov N.N.

Chairman of the Revision Commission of JSC
“INTER RAO UES”

Deputy Chief of the Audit and Revision Department
of Joint-Stock Company “Federal Grid Company of
Unified Energy System”

Kabizskina E.A.

Deputy Chief Accountant of State Atomic Energy
Corporation “Rosatom”

Meshcherina S.G.

Chief of Subsidiaries and Affiliates Economic
Planning Department of Joint-Stock Company
“INTER RAO UES”

Shpakova S.V.

Chief of Treasury Department of Joint-Stock
Company “INTER RAO UES”

Shcherbakov Yu.A.

The statement was read by:

Chairman of the Management Board of JSC
“INTER RAO UES”

B.Yu. Kovalchuk

A.O. Chesnokova

Chief Accountant

Appendix No. 2

IFRS reporting

Statement of Independent Auditor of the Company

Below is the text of the audit report of Ernst and Young LLC based on the results of the audit of the accounting reports of Joint Stock Company “INTER RAO UES” (hereinafter referred to as “Company”) for the period from January 1, 2011 to December 31, 2011. The aforementioned accounting reports are not included in this annual report of the Company, so all the references to the “attached accounting reports” and to the information in the explanatory note to the accounting reports made in the audit report refer to documents not presented in this annual report of the Company. This audit report is applicable just from January 1, 2011, including the explanatory note to the accounting reports that can be viewed on the corporate site of JSC “INTER RAO UES” www.interrao.ru in the “Financial Information” section <http://www.interrao.ru/investors/funds/>.

Translation from the English original

Independent auditors’ report

To the shareholders and the Board of Directors of
Joint Stock Company “INTER RAO UES” (JSC “INTER RAO UES”)

We have audited the accompanying consolidated financial statements of JSC “INTER RAO UES” and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst and Young LLC

Translation from the English original

Consolidated financial statements
for the year ended 31 December 2011

JSC "INTER RAO UES"
Consolidated statement of financial position
(in millions of RUB)

			For the year
		31 December	1 January
	Note	2011	2010
		(restated)	(restated)
Assets			
Non-current assets			
Property, plant and equipment	6	227,525	118,705
Investment property	7	1,211	1,094
Intangible assets	8	4,814	3,280
Investments in associates and jointly controlled entities	9	48,035	19,508
Deferred tax assets	10	1,104	1,418
Available-for-sale financial assets	11	40,651	202
Other non-current assets	12	4,751	6,766
Total non-current assets		328,091	150,973
Current assets			
Inventories	13	9,945	6,048
Accounts receivable and prepayments	14	44,488	42,173
Income tax prepaid		1,543	478
Cash and cash equivalents	15	43,518	31,270
Other current assets	17	42,669	18,148
		142,163	98,117
Assets classified as held-for-sale	16	61,662	—
Total current assets		203,825	98,117
Total assets		531,916	249,090
Equity and liabilities			
Equity			
Share capital	18	272,997	81,287
Treasury shares	18	(34,612)	(1,173)
Share premium	18	69,706	11,460
Hedge reserve	18	306	(1,230)
Fair value reserve	18	(329)	(10)
Foreign currency translation reserve		(313)	(1,671)
Retained earnings		39,725	27,874
Total equity attributable to shareholders of the Company		347,480	116,537
Non-controlling interest		43,177	22,602
Total equity		390,657	139,139

Translation from the English original

Consolidated financial statements
for the year ended 31 December 2011

JSC "INTER RAO UES"
Consolidated statement of financial position

(in millions of RUB)

			<i>For the year</i>
		31 December	1 January
<i>Note</i>	31 December	2010	2010
	2011	(restated)	(restated)
Non-current liabilities			
Loans and borrowings	20	44,514	33,378
Deferred tax liabilities	10	18,939	4,969
Other non-current liabilities	22	12,347	11,287
Total non-current liabilities		75,800	49,634
Current liabilities			
Loans and borrowings	20	3,458	12,691
Accounts payable and accrued liabilities	21	56,386	31,617
Other taxes payable	23	5,227	2,106
Income tax payable		388	339
Total current liabilities		65,459	46,753
Total liabilities		141,259	96,387
Total equity and liabilities		531,916	191,800

Chairman of the Management Board

Kovalchuk B.Yu.

Chief Accountant

Chesnokova A.O.

27 April 2012

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-36.

Translation from the English original

Consolidated financial statements
for the year ended 31 December 2011

JSC "INTER RAO UES"
Consolidated statement of comprehensive income

(in millions of RUB)

	<i>Note</i>	<i>For the year</i>	
		<i>2011</i>	<i>2010 (restated)</i>
Revenue	24	536,244	464,386
Other operating income	25	7,775	3,104
Operating expenses	26	(548,502)	(438,305)
Operating (loss)/profit		(4,483)	29,185
Excess of the acquired share in the fair value of the identifiable assets and liabilities over the cost of investment and gain from acquisition of available-for-sales financial assets and assets classified as held-for-sale, net	5, 16	44,652	43
Finance income	27	9,099	1,044
Finance expenses	27	(14,417)	(5,769)
Share of profit of associates and jointly controlled entities	9	16,973	1,177
Profit before income tax		51,824	25,680
Total income tax expense	28	(10,367)	(7,041)
Profit for the period		41,457	18,639
Other comprehensive income/(loss)			
Revaluation of the available-for-sale financial assets, net of tax	11, 18	(319)	23
Hedge reserve, net of tax	18	1,536	(1,235)
Exchange gain/(loss) on translation to presentation currency		1,420	(32)
Other comprehensive income/(loss), net of tax		2,637	(1,244)
Total comprehensive income for the period		44,094	17,395
Profit attributable to:			
Shareholders of the Company		36,144	14,561
Non-controlling interest		5,313	4,078
		41,457	18,639
Total comprehensive income attributable to:			
Shareholders of the Company		38,719	13,312
Non-controlling interest		5,375	4,083
		44,094	17,395
Basic earnings per ordinary share for profit attributable to the shareholders of the Company	19	RUB 0.00493	RUB 0.00420
Diluted earnings per ordinary share for profit attributable to the shareholders of the Company	19	RUB 0.00493	RUB 0.00419

Chairman of the Management Board

Kovalchuk B.Yu.

Chief Accountant

Chesnokova A.O.

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-36.

Translation from the English original

Consolidated financial statements
for the year ended 31 December 2011

JSC "INTER RAO UES"

Consolidated statement of cash flows

(in millions of RUB)

		<i>For the year</i>	
		<i>2011</i>	<i>2010 (restated)</i>
	<i>Note</i>		
Operating activities			
Profit before income tax		51,824	25,680
<i>Adjustments to reconcile profit before tax to net cash provided by operations:</i>			
Depreciation and amortisation of property, plant and equipment	26	12,503	7,045
Depreciation and amortisation of investment property	26	19	20
Amortisation of intangible assets	26	494	383
Provision for impairment of accounts receivable	26	3,624	2,103
	13, 21		
Other provisions charge (release)/charge	26	(199)	748
Impairment of available-for-sale financial assets	26	21,130	288
Impairment of assets classified as held-for-sale	26	1,980	—
Write off of bad debt which was not previously provided	26	236	330
Gain on termination of a pension plan in a subsidiary	25	—	(217)
Impairment of property, plant and equipment charge/(release)	26	3,758	(7,483)
Impairment of investment property (release)/charge	7	(93)	171
Impairment of intangible assets	26	31	—
Excess of the acquired share in the fair value of the identifiable assets and liabilities over the cost of investment and gain from acquisition of available-for-sales financial assets and assets classified as held-for-sale, net	5, 16	(44,652)	(43)
Share of profit of associates and jointly controlled entities	9	(16,973)	(1,177)
Loss on disposal of property plant and equipment		394	176
Income from derivatives trading operations on the electricity market	25	(2,859)	(761)
Expenses from derivatives trading operations on the electricity market	26	2,312	1,562
Foreign exchange loss/(gain)		349	(155)
Interest income	27	(7,871)	(524)
Other finance income	27	(196)	(520)
Interest expense	27	3,224	3,793
Other finance expense	27	367	124
Result from disposal of available-for-sale and held-for-sale financial assets	25	(1,553)	—
Government grants	24	(18)	(96)
Dividend income	27	(881)	—
Option plan	33	1,134	105

Put and call option agreements	27	10,826	1,429
Loss on disposal of group entities	5, 26	19	–
Other non-cash operations/items		5	13
Operating cash flows before working capital changes and income tax paid		38,934	32,994
(Increase)/decrease in inventories		(830)	242
Decrease/(increase) in accounts receivable and prepayments		5,660	(15,288)
(Increase)/decrease in value added tax recoverable		(1,016)	1,987
Decrease/(increase) in other current assets		524	(7,209)
Increase in accounts payable and accrued liabilities		10,186	13,260
Increase in taxes other than on income prepaid and payable, net		406	67
Income tax paid		(7,676)	(1,868)
Currency translation effect		(187)	(9)
Net cash flows received from operating activities		46,001	24,176

Translation from the English original

Consolidated financial statements
for the year ended 31 December 2011

JSC “INTER RAO UES”
Consolidated statement of cash flows (continued)

(in millions of RUB)

	Note	For the year	
		2011	2010 (restated)
Investing activities			
Proceeds from disposal of property, plant and equipment		39	28
Purchase of property, plant and equipment and intangible assets		(26,430)	(17,231)
Purchase of associates and jointly controlled entities		(4)	(1,722)
Purchase of controlling interest, net of cash acquired	5, 18	11,914	(809)
Purchase of non-controlling interest in subsidiary		(235)	1,289
Purchase of available-for-sale financial assets	9, 11	(600)	(335)
Establishment of subsidiary	5	13	–
Disposal of non-controlling interest in subsidiary		3	–
Increase of share capital in an associate		(1,131)	–
Proceeds from disposal of controlling interest	5	(23)	–
Proceeds from disposal of available-for-sale and held-for-sale financial assets	11, 16	3,560	–
Proceeds from repayment of loans issued		2,959	2,208
Loans issued		(2,983)	(2,248)
Bank deposits placed		(15,385)	(545)

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Bank deposits returned		2,718	334
Proceeds from disposal of other non-current assets		17	68
Dividends received	9	398	89
Net cash flows used for investing activities		(25,170)	(18,874)
Financing activities			
Proceeds from loans and borrowings		45,092	84,293
Repayment of borrowings		(49,801)	(91,197)
Repayment of finance lease		(583)	(620)
Interest paid		(2,718)	(3,874)
Dividends paid	18	(1,631)	(2,946)
Proceeds from additional issue of shares	18	50	24,880
Proceeds from treasury shares sale		726	866
Net cash flows (used for) / received from financing activities		(8,865)	11,402
Effect of exchange rate fluctuations on cash and cash equivalents		282	(143)
Net increase in cash and cash equivalents		12,248	16,561
Cash and cash equivalents at the beginning of the year		31,270	14,709
Cash and cash equivalents at the end of the period	15	43,518	31,270

Chairman of the Management Board

Kovalchuk B.Yu.

Chief Accountant

Chesnokova A.O.

27 April 2012

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-36.

Translation from the English original

Consolidated financial statements
for the year ended 31 December 2011

JSC "INTER RAO UES"

Consolidated statement of changes in equity

(in millions of RUB)

		Attributable to shareholders of the Company							Non-controlling	
				Foreign	Fair value	Hedge	Retained	Total	interest	Total equity
Note	Share capital	Treasury shares	Share premium	currency translation reserve	reserve	reserve	earnings			
Balance at 1 January 2010 (restated)	63,897	(2,755)	–	(1,642)	(25)	5	17,655	77,135	18,278	95,413
Total comprehensive income/(expense) for the year ended 31 December 2010										
	–	–	–	(29)	15	(1,235)	14,561	13,312	4,083	17,395
Dividends to shareholders	18	–	–	–	–	–	(2,138)	(2,138)	(1,693)	(3,831)
Acquisition of non-controlling interest in subsidiary	5	–	–	–	–	–	(625)	(625)	(990)	(1,615)
Additional issue of shares	18	17,390	–	7,490	–	–	–	24,880	–	24,880
Issue of shares by one of entities acquired under common control (JSC "OGK-1")		–	–	–	–	–	(880)	(880)	2,904	2,024
Acquisition of Group entities		–	–	–	–	–	(75)	(75)	6	(69)
Put and call option agreement	18	–	–	3,970	–	–	–	3,970	–	3,970
Sale of treasury shares	18	–	337	–	–	–	215	552	–	552
Shares option plan	18, 33	–	1,245	–	–	–	(825)	420	–	420
	17,390	1,582	11,460	–	–	–	(4,342)	26,090	241	26,331
Balance at 31 December 2010 (restated)	81,287	(1,173)	11,460	(1,671)	(10)	(1,230)	27,874	116,537	22,602	139,139
Balance at 1 January 2011 (restated)	81,287	(1,173)	11,460	(1,671)	(10)	(1,230)	27,874	116,537	22,602	139,139
Total comprehensive income/(expense) for the year ended 31 December 2011										
	–	–	–	1,358	(319)	1,536	36,144	38,719	5,375	44,094
Dividends to shareholders	18	–	–	–	–	–	(565)	(565)	(477)	(1,042)
Acquisition of non-controlling interest in subsidiary	5	–	–	–	–	–	(433)	(433)	(75)	(508)
Acquisition of Group entities	5	–	–	–	–	–	–	–	(38)	(38)
Additional issue of shares	18	191,710	(34,006)	58,246	–	–	(27,124)	188,826	15,759	204,585
Disposal of non-controlling interest in	5	–	–	–	–	–	221	221	31	252

subsidiary												
Put and call option agreements	18	–	–	–	–	–	–	2,352	2,352	–	2,352	
Shares option plan	33	–	46	–	–	–	–	1,097	1,143	–	1,143	
Sale of treasury shares	18	–	521	–	–	–	–	159	680	–	680	
		<u>191,710</u>	<u>(33,439)</u>	<u>58,246</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(24,293)</u>	<u>192,224</u>	<u>15,200</u>	<u>207,424</u>	
Balance at 31 December 2011		<u>272,997</u>	<u>(34,612)</u>	<u>69,706</u>	<u>(313)</u>	<u>(329)</u>	<u>306</u>	<u>39,725</u>	<u>347,480</u>	<u>43,177</u>	<u>390,657</u>	

Chairman of the Management Board

Kovalchuk B.Yu.

Chief Accountant

Chesnokova A.O.

27 April 2012

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-36.

RAS REPORTING

Statement of Independent Auditor of the Company

Below is the text of the audit statement of “Ernst and Young” LLC as a result of the audit of the accounting reports of Joint Stock Company “INTER RAO UES” (hereinafter “Company”) for the period from January 1, 2011 to December 31, 2011 inclusively. This accounting reports are not included into this annual report of the Company, so any references in the audit report to the “attached accounting reports” and to the information in the explanatory note to the accounting reports refer to documents not included into this annual report of the Company, this audit report being effective only from January 1, 2011, including the explanatory note to the accounting reports that can be consulted on the corporate site of JSC “INTER RAO UES” www.interrao.ru in the “Financial Information” section: <https://www.interrao.ru/investors/funds/>

Audit Report of an Independent Auditor

To the Shareholders of JSC “INTER RAO UES”

Audited Entity Information

Name: JSC “INTER RAO UES”

Data on the entry to the Unified State Register of Legal Entities (Certificate of the State Registration of a Legal Entity No. 1022302933630 issued by the Interdistrict Inspection of the Federal Tax Service No. 7 for the Krasnodar Territory (Regional Area 2320 in the Central District) on November 1, 2002).

Location: Krasnopresnenskaya Nab. 12 door 7 Moscow 123610.

Auditor Information

Name: “Ernst & Young” LLC

Main state registration number 1027739707203.

Location: Sadovnicheskaya Nab. 77 bld. 1 Moscow 115035.

“Ernst & Young” LLC is a member of the Non-Commercial Partnership “Audit Chamber of Russia” (NP APR). “Ernst & Young” LLC is entered into the Register of Auditors and Audit Organizations of NP APR under No. 3028 and into the control copy of the Register of Auditors and Audit Organizations under the main entry registration number 10201017420.

We audited the attached financial reports of JSC “INTER RAO UES” consisting of balance sheet as of December 31, 2011, profit and loss report, statement of changes in equity, cash flow report for 2011, as well as notes to balance sheet and profit and loss report.

Responsibility of the Audited Entity for its Accounting Reports

The management of JSC “INTER RAO UES” is responsible for the preparation and reliability of the above-mentioned accounting reporting according to the financial reporting rules of the Russian Federation and for the internal control system required for financial reporting free of any significant errors caused by any unfair actions or mistakes.

Responsibility of the Auditor

Our responsibility consists in expressing our opinion on the reliability of this reporting on the basis of our audit.

We performed the audit according to the federal standards of audit reporting and to the international audit standards. These standards require the observation of the applicable ethical standards, as well as audit

planning and execution so as to obtain reasonable assurance of the fact that the financial reporting does not contain any significant errors.

The audit includes audit procedures aimed at obtaining audit evidence confirming the numeric indicators in the financial accounting and the disclosure of information in it. The selection of audit procedures is the subject of our judgment that is based on the assessment of the risk of significant errors in the accounting reports made due to unfair actions or mistakes. During the assessment of this risk the auditor considers the internal control system ensuring the preparation and reliability of the accounting reports in order to select the relevant audit procedures but not to express its opinion on the efficiency of the internal control system. The audit also includes the assessment of the due nature of the applied accounting policy and of the reasonability of the assessment indicators obtained by the management, as well as the assessment of the provided accounting reports on the whole.

We suppose that the audit evidence obtained by us represent a sufficient and due base for expressing our opinion.

Opinion

In our opinion, the financial accounting gives a reliable picture of the financial state of JSC “INTER RAO UES” as of December 31, 2011 in all material respect, the results of its financial and administrative activity and the cash flow for 2011 according to the financial reporting rules set in the Russian Federation.

The attached financial reporting is not aimed at presenting the financial state and activity results according to the financial accounting principles or methods adopted in any countries or regions apart from the Russian Federation. Thus, the attached financial reports are not meant for those who are not familiar with the principles, procedures and methods of financial accounting adopted in the Russian Federation.

D.E. Lobachev
Partner, Chief Executive Officer of “Ernst & Young” LLC

March 20, 2012

Attachment 1
to the Order of the Ministry of Finance of the RF
of 07/02/2010 No. 66n

BALANCE SHEET for 2011

Organization	Joint-Stock Company “INTER RAO UES”	Form No. 1	Codes
Tax Payer Identification Number		OKUD	0710001
Activity Type		Date	12/31/2011
Form of Ownership	electricity resale and production	(mm/gg/yyyy)	33741102
Unit of measure: thousand RUB	Open Joint-Stock Company / private ownership	OKPO	2320109650
		INN	40.10.11-51.56.4
		OKVED	47 41
		OKOPF/OKFS	384
		OKEI	

Notes	Indicator name	Indicator code	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009
	ASSETS				

	I. NON-CURRENT ASSETS				
IV-1	Intangible assets	1,110	6,630	3,533	6,008
IV-2	Research and development results	1,120	1,908	5,555	1,111
	Intangible exploration assets	1,130	-	-	-
	Tangible exploration assets	1,140	-	-	-
IV-3	Permanent assets	1,150	28,551,362	61,771,367	55,225,697
IV-4	including construction in progress	1,151	9,425,348	22,340,149	16,376,173
IV-3	Income-bearing investments in tangible assets	1,160	42,053	17,846	-
IV-6	Financial investments	1,170	241,150,388	46,454,407	19,086,442
	Deferred tax assets	1,180	8,010,018	470,704	134,903
IV-5	Other non-current assets	1,190	5,000,301	5,279,270	2,546,304
IV-8.1	including long-term receivables	1,191	3,862,219	2,308,241	830,264
	TOTAL by Section I	1,100	282,762,660	114,002,682	77,000,465
	II. CURRENT ASSETS				
IV-7	Inventory	1,210	851,783	657,151	545,626
	Input value-added tax	1,220	868,103	1,078,983	653,990
IV-8	Receivables	1,230	61,497,955	11,328,889	15,959,097
IV-8.2	including buyers and customers	1,231	3,773,174	5,112,631	3,932,028
IV-8.4	Advances made	1,232	1,302,231	2,184,478	5,092,133
IV-8.3	Other debtors	1,233	56,422,550	4,031,780	6,934,936
IV-8.1	Financial investments (excluding cash equivalents)	1,240	6,028,375	4,020,736	3,662,667
IV-9	Cash and cash equivalents	1,250	4,868,696	4,062,822	5,509,142
IV-10	Other current assets	1,260	440,626	125,573	142,809
	TOTAL by Section II	1,200	74,555,538	21,274,154	26,473,331
	BALANCE	1,600	357,318,198	135,276,836	103,473,796

Form 0710001 p.2					
Explanations	Indicator Name	Indicator Code	As of 12/31/2011	As of 12/31/2010	As of 12/31/2009
	LIABILITIES				
	III. CAPITAL AND RESERVES				
IV-11	Authorized capital	1310	272,996,962	81,287,328	63,897,300
	Own shares purchased from shareholders	1320	-	-	-
	Noncurrent assets revaluation	1340	352,952	6,110,175	6,111,134
IV-11	Added capital (without revaluation)	1350	195,090,785	21,771,383	14,281,087
IV-11	Reserve capital	1360	296,339	161,118	161,118
	Undistributed profit (uncovered loss), including:	1370	(154,609,257)	(16,953,277)	(19,658,663)
	undistributed profit of previous years	1371	(11,481,290)	(16,953,277)	(19,658,663)
	undistributed profit of the current year	1372	143,127,967	-	-
	TOTAL for Section III	1300	314,127,781	92,376,727	64,791,976
	IV. LONG-TERM LIABILITIES				
IV-13	Borrowed funds	1410	17,965,196	19,731,635	21,884,688
	Deferred tax liabilities	1420	241,196	698,112	484,942
	Estimated liabilities	1430	-	-	-
IV-14.3	Other long-term liabilities	1450	19,269,014	-	9,402,278
	TOTAL for Section IV	1400	37,475,406	20,429,747	31,771,908
	V. SHORT-TERM LIABILITIES				
IV-13	Borrowed funds	1510	340,268	660,792	3,303,951
IV-14	Accounts payable	1520	4,481,858	6,811,969	3,605,961
IV-14.1	including: suppliers and contractors	1521	3,584,965	2,919,632	2,807,205
	payable to the organization personnel	1522	234	6,258	26,517
	payable to state non-budget funds	1523	-	-	622
	payable as taxes and duties	1524	50,722	406,080	53,303

	advance payments received	1525	496,864	615,434	229,737
IV-14.2	other accounts payable	1526	349,073	2,864,565	488,577
	Income of future periods	1530	-	-	-
IV-12	Estimated liabilities	1540	892,885	567,956	-
	Other short-term liabilities	1550	-	14,429,645	-
IV-14.3	including: target financing	1552	-	14,429,645	-
	TOTAL for Section V	1500	5,715,011	22,470,362	6,909,912
	BALANCE	1700	357,318,198	136,276,836	103,473,796

Manager: *B.Y. Kovalchuk* Chief Accountant *A.O. Chesnokova*
 (signature) (print name) (signature) (print name)
 March 20, 2012

Attachment
 to the Order of the Ministry of Finance of the RF
 of 07/02/2010 No. 66n

PROFIT AND LOSS REPORT

for the period from January 01 to December 31, 2011

Organization Tax Payer Identification Number Activity Type Form of Ownership Unit of measure: thousand RUB	<i>Joint-Stock Company "INTER RAO UES"</i> <i>electricity resale and production</i> <i>Open Joint-Stock Company / private ownership</i>	Form No. 1 OKUD Date (mm/gg/yyyy) OKPO INN OKVED OKOPF/OKFS OKEI	Codes 0710001 12/31/2011 33741102 2320109650 40.10.11-51.56.4 47 41 384
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Explanations	Indicator Name	Code	For January-December'2011	For January-December'2010
IV-15	(Net) revenues from the sale of goods, products, works, services (minus value-added tax, excise and other mandatory payments of the kind), including:	2110	73,387,956	61,393,312
	electricity export	2111	36,919,150	29,016,605
	electricity (capacity) sales in the internal market	2112	35,264,217	30,765,097
	other	2114	1,204,589	1,611,610
IV-16	Cost price of the sold goods, products, works, services	2120	(60,755,152)	(49,592,567)
	electricity (capacity) purchase in the internal market	2121	(40,351,447)	(34,622,258)
	electricity (capacity) production	2122	(16,291,204)	(11,789,018)
	electricity import	2123	(2,913,588)	(1,976,670)
	other	2125	(1,198,913)	(1,204,621)
	Gross profit	2100	12,632,804	11,800,745
IV-16	Commercial expenses	2210	(6,646,199)	(5,139,517)
IV-16	Management expenses	2220	(3,899,084)	(3,513,825)
	Profit (loss) from sales	2200	2,087,521	3,147,403

Explanations	Indicator Name	Code	For January-December'2011	For January-December'2010
	Income from participation in other organizations	2310	1,355,352	904,432
	Percent receivable	2320	1,262,734	1,716,199
	Percent payable	2330	(1,739,263)	(2,464,042)
IV-18	Other income	2340	65,327,947	60,097,025
IV-18	Other expenses	2350	(218,698,144)	(60,082,250)
	Profit (loss) before taxes	2300	(150,403,853)	3,318,767
IV-19	Current profit tax	2410	(626,525)	(696,880)
	incl. permanent tax liabilities (assets)	2421	23,557,657	53,047
	Modification of deferred tax liabilities	2430	(191,961)	174,835
	Modification of deferred tax assets	2450	7,612,670	335,801
	Other	2460	481,702	(78,426)
	Net profit (loss) of the reporting period	2400	(143,127,967)	2,704,427
	FOR REFERENCE			
	Result of the noncurrent assets revaluation not included into the net profit (loss) of the period	2510	-	-
	Result of other operations not included into the net profit (loss) of the period	2520	-	-
	Aggregate financial result of the period	2500	(143,127,967)	2,704,427
IV-20	Base profit (loss) per share (kop.)	2900	(2,0824)	0,1024
IV-20	Diluted profit (loss) per share (kop.)	2910	(2,0824)	0,1024

Manager: *B.Y. Kovalchuk* Chief Accountant *A.O. Chesnokova*
 (signature) (print name) (signature) (print name)
 March 20, 2012

Attachment
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STATEMENT OF CHANGES IN EQUITY for 2011

Organization	<i>Joint-Stock Company "INTER RAO UES"</i>	Form No. 1	Codes
Tax Payer Identification Number		OKUD	0710001
Activity Type		Date	12/31/2011
Form of Ownership	<i>electricity resale and production</i>	(mm/gg/yyyy)	33741102
Unit of measure: thousand RUB	<i>Open Joint-Stock Company / private ownership</i>	OKPO	2320109650
		INN	40.10.11-51.56.4
		OKVED	47 41
		OKOPF/OKFS	384
		OKEI	

1. Equity Movement

Indicator Name	Code	Authorized Capital	Own Shares Purchased	Added Capital	Reserve Capital	Unallocated profit	Total
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			from Shareholders			(uncovered loss)	
Equity amount as of December 31, 2009	3100	63,897,300	-	20,392,221	161,118	(19,658,663)	64,791,976
for 2010							
Equity increase – total:	3210	17,390,028		7,490,296		2,704,427	27,584,751
including net profit	3211	X	X	X	X	2,704,427	2,704,427
property revaluation	3212	X	X	-	X	-	-
income allocated directly to equity increase	3213	X	X	-	X	-	-
additional share issue	3214	17,390,028	-	7,490,296	X	X	24,880,324
nominal share value increase	3215	-	-	-	X	-	-
legal entity reorganization	3216	-	-	-	-	-	-
Capital reduction – total:	3220	-	-	-	-	-	-
including loss	3221	X	X	X	X	-	-
property revaluation	3222	X	X	-	X	-	-
expenses allocated directly to equity reduction	3223	X	X	-	X	-	-
nominal share value reduction	3224	-	-	-	X	-	-
reduction in the number of shares	3225		-	-	X	-	-
legal entity reorganization	3226	-	-	-	-	-	-
dividends	3227	X	X	X	-	-	-
Added capital modification	3230	X	X	(959)	-	959	X
Reserve capital modification	3240	X	X	X	-	-	X
Equity amount as of December 31, 2010	3200	81,287,328	-	27,881,558	161,118	(16,953,277)	92,376,727
for 2011	3310	191,709,634	.	173,319,402	.	.	365,029,036
Equity increase – total:							
including net profit	3311	X	X	X	X		-
property revaluation	3312	X	X	-	X	-	-
income allocated directly to equity increase	3313	X	X	-	X	-	-
additional share issue	3314	191,709,634	-	173,319,402	X	X	365,029,036
nominal share value increase		3315	-	-	-	X	-

legal entity reorganization	3316	-	-	-	-	-	-
Capital reduction – total:	3320	-	-	-	-	(143,277,982)	(143,277,982)
including loss	3321	X	X	X	X	(143,127,967)	(143,127,967)
property revaluation	3322	X	X	-	X	-	-
expenses allocated directly to equity reduction	3323	X	X	-	X	-	-
nominal share value reduction	3324	-	-	-	X	-	-

reduction in the number of shares	3325	-	-	-	X	-	-
legal entity reorganization	3326	-	-	-	-	-	-
dividends	3327	X	X	X	-	(150,015)	(150,015)
Added capital modification	3330	X	X	(5,757,223)	-	(5,757,223)	X
Reserve capital modification	3340	X	X	X	135,221	(135,221)	X
Equity amount as of December 31, 2010	3300	272,996,962	-	195,443,737	296,339	(154,609,257)	314,127,781

2. Adjustments related to changes in the accounting policy and to the correction of errors

Indicator Name	code	As of December 31, 2010	Capital changes in 2011		As of December 31, 2011
			due to net profit (loss)	due to other factors	
Capital – total before adjustments	3400	92,376,727	(143,277,982)	365,029,036	314,127,781
adjustment caused by: accounting policy modification	3410	-	-	-	-
correction of errors	3420	-	-	-	-
after corrections	3500	92,376,727	(143,277,982)	365,029,036	314,127,781
including: unallocated profit (uncovered loss): before adjustments	3401	-	-	-	-
adjustment caused by: accounting policy modification	3411	-	-	-	-
adjustment of errors	3421	-	-	-	-
after corrections	3501	-	-	-	-
other adjusted equity items: - before adjustments	3402	-	-	-	-
adjustment caused by: accounting policy modification	3412	-	-	-	-
adjustment of errors	3422	-	-	-	-
after corrections	3502	-	-	-	-

3. Net Assets

Net assets	3600	314,127,781	92,376,727	64,791,976	-
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Manager:

(signature)

B.Y. Kovalchuk

(print name)

Chief Accountant

(signature)

A.O. Chesnokova

(print name)

March 20, 2012

**CASH FLOW STATEMENT
for 2011**

Organization Tax Payer Identification Number Activity Type Form of Ownership Unit of measure: thousand RUB	<i>Joint-Stock Company "INTER RAO UES"</i> <i>electricity resale and production Open Joint-Stock Company / private ownership</i>	Form No. 1 OKUD Date (mm/gg/yyyy) OKPO INN OKVED OKOPF/OKFS OKEI	Codes 0710001 12/31/2011 33741102 2320109650 40.10.11-51.56.4 47 41 384
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Indicator Name	Code	2011	2010
Cash flows from current operations	4110	78,478,823	62,261,446
Income – total			
including:	4111	76,771,224	60,279,012
from products, goods, works and service			
from rental, license, royalty, commission and other payments of the kind	4112	113,278	33,946
from financial investment resale	4113	-	-
other income	4119	1,594,321	1,948,488
Payments – total	4120	(77,452,865)	(60,406,447)
including	4121	(65,408,314)	(52,108,416)
to suppliers (contractors) for raw stuff, materials, works and services			
labor compensation for employees	4122	(3,293,852)	(2,404,106)
debenture interest	4123	(1,644,097)	(2,283,261)
tax on the profit of organizations	4124	(1,631,237)	(136,822)
other payments	4129	(5,475,365)	(3,473,842)
Net cash flow from current operations	4100	1,025,958	1,854,999
Cash flow from investment operations	4210	13,575,504	14,342,843
Income – total			
including:	4211	3,782,329	3,096
from non-current assets sales (except financial investments)			
from other organizations' stock (equity interest) sale	4212	3,484,096	1,748,119
from repayment of granted loans, from debt securities sale (receivables to other persons)	4213	4,145,753	11,352,308
dividends, interest on debt financial investments and similar income from participation interest in other organizations	4214	2,163,326	1,239,320
other income	4219	-	-

Indicator Name	Code	Year 2011	Year 2010
Payments – total	4220	(12,926,384)	(42,409,007)
including	4221	(2,314,613)	(7,630,086)
in relation to the purchase, creation, upgrade, reconstruction and preparation to the use of noncurrent assets			
in relation to the purchase of the shares (participation shares) of other organizations	4222	(4,127,972)	(23,768,621)
in relation to the purchase of debt securities (rights to claim funds to other persons), granting loans to other persons	4223	(5,478,299)	(11,010,300)

debt liabilities interest included into the investment asset cost	4224		
other payments	4229	(1,005,500)	-
Balance of cash flows from investment operations	4200	649,120	(28,066,164)
Cash flows from financial operations			
Receipts – total	4310	16,082,285	42,759,954
including:	4311	16,031,902	17,879,630
receipt of credits and loans			
cash deposits of owners (participants)	4312	-	-
from the issue of shares, increased participation shares	4313	50,383	24,880,324
from the issue of bonds, bills of exchange and other debt securities etc.	4314		
other receipts	4319	-	-
Payments – total	4320	(17,018,809)	(17,664,974)
including:	4321		
to owners (participants) due to the purchase of their shares (participation shares) of the company or to their withdrawal from the group of participants			
for the payment of dividends and other payments related to the allocation of profit in favor of owners (participants)	4322	(150,015)	
due to the redemption (repayment) of bills of exchange and other debt securities, the return of credits and loans	4323	(16,868,794)	(17,664,974)
other payments	4329	-	-
Balance of cash flows from financial operations	4300	(936,524)	25,094,980
Balance of cash flow for the reporting period	4400	738,554	(1,116,185)
Balance of cash and cash equivalents for the beginning of the reporting period	4450	4,062,822	5,509,142
Balance of cash and cash equivalents for the end of the reporting period	4500	4,868,696	4,062,822
Value of the influence of foreign currency exchange rate modifications on value	4490	67,320	(330,135)

Manager:

(signature)

B.Y. Kovalchuk

(print name)

Chief Accountant

(signature)

A.O. Chesnokova

(print name)

March 20, 2012

GLOSSARY

AWP	Autumn and winter period
BM	Balancing market
CCGT	Combined cycle gas-turbine plant
CCO	Competitive capacity outtake
CSA	Capacity supply agreement
DAM	Day-ahead market
FGC UES	Federal Grid Company of Unified Energy System
FTS	Federal tariff service
GES	Hydro power plant
GRES	State district power station (in Russia: thermal power plants)
GS	Guaranteed Supply Company
GTP	Gas-turbine plant (gas-turbine power plant)
IDGC	Interregional distribution grid companies
IDO	Interregional dispatching offices
IFRS	International Financial Reporting Standards
IPS	Integrated power systems
KPI	Key performance indicators
NECC	Non-regulated electricity and capacity contract
NP	Non-commercial partnership
OGK	Generating wholesale market players
OS	Ordinary shares
RA	Regulated agreements
RAS	Russian accounting standards
RDO	Regional dispatching offices
RGC	Regional generating companies
S&A	Subsidiaries and affiliates
TEC	Combined heat and power plant
TES	Thermal power plant
TGC	Territorial generating companies
TS	Trade schedule
TSA	Administrator of the trade system of the wholesale electric power market
UES SO	System operator of the Unified Energy System
WEPM	Wholesale electric power market (capacities)

TERMS

Hcal	Gigacalorie	Thermal power measurement unit
Hcal/h	Gigacalorie/hour	Thermal capacity measurement unit
Hz	Hertz	Electrical frequency
kV	Kilovolt	Voltage measurement unit
KVA	Kilovolt-ampere	Gross capacity measurement unit
kWh	Kilowatt-hour	Generated electric power measurement unit
kW	Kilowatt	Electrical capacity measurement unit
MW	Megawatt	Electrical capacity measurement unit
gW	Gigawatt	Electrical capacity measurement unit
t/h	Ton per hour	Steaming capacity measurement unit

TFOE	Ton of fuel oil equivalent	Measurement unit
TNT	Ton of natural fuel	Measurement unit

Appendix No. 3

Information on JSC “INTER RAO UES” compliance with the Corporate Governance Code

The information on JSC “INTER RAO UES” compliance with the Corporate Governance Code can be viewed on the Company’s website at the address: www.interrao.ru

Appendix No. 4

REPORT OF THE BOARD OF DIRECTORS ON HIGH-PRIORITY BUSINESS AREAS IN 2011

Improvement of the procurement policy of the INTER RAO UES Group

On 12/24/2010 (Minutes of 12/27/2010 No. 35), the Board of Directors of JSC “INTER RAO UES” identified the improvement of the procurement policy of the INTER RAO UES Group as one of the high-priority business areas of the Company.

In order to take some concrete measures in this area on the basis of the LLC “INTER RAO UES FINANCE”, a subsidiary of the JSC “INTER RAO UES”, a specialized procurement organization (“SPO”) responsible for implementing the Group’s procurement policy was created.

As part of the project “Creation and development of a specialized procurement organization performing centralized procurement to meet the needs of the INTER RAO UES Group”, the following regulations for the “Purchasing activity” functional area were developed and approved by the Board of Directors of the Company on 12/24/2010 (Minutes of 12/27/2010 No. 35):

- Regulations on the Procedure for Conducting Regulated Procurement of Goods, Works and Services for the needs of INTER RAO UES;
- Regulations on the Central Procurement Committee of JSC “INTER RAO UES”;
- Regulations on the Procedure for the Accreditation of Suppliers, Goods, Works, Services for the needs of INTER RAO UES.

In order to increase the efficiency, automation and centralization of the procurement activity and to generate reports on the execution of the annual comprehensive purchasing programs (hereinafter referred to as “ACPP”) of the companies, JSC “INTER RAO UES” decided to develop and implement a unified procurement information system (hereinafter referred to as “UPIS”) in the Group on the ORACLE platform. During the automation of procurement activity, the following work was carried out:

- A unified procurement information system (hereinafter referred to as “UPIS”) as developed with the following functionality: creation of ACPP companies in terms of the supply nomenclature, ACPP adjustment saving a history of the modifications made, creation of lots/purchases and execution of procurement procedures, analytical reporting on the ACPP creation and execution;
- The key users of the Group’s companies were trained on UPIS operations (total number of employees: over 200).

Full-scale use of the UPIS will make it possible to significantly increase the operational efficiency of preparing and executing procurement procedures, to increase the transparency of procurement activity. It will facilitate the reduction of effort while collecting analytical reporting data on the procurement procedures under execution and will lead to increased responsibility of the companies for planning quality. The use of the UPIS by all the companies of the Group is one of the mandatory conditions for shifting over to the execution of procurement procedures using the Electronic Trading Site (hereinafter referred to as the “ETS”) and will make it possible to perform procurement procedures online, i.e. in the real time mode, on the basis of offers from suppliers having access to the information on the procurement procedures executed by the Group.

Program of Research and Development (R&D) Work in the Company for 2011

JSC “INTER RAO UES” has occupied leading positions in Russia in the area of electric power export and import since 2010, controlling a series of power generation and distribution assets in Russia and abroad. On December 24, 2010 (Minutes of 12/27/2010 No. 35) the Board of Directors of JSC “INTER RAO UES” approved the Development Strategy for the period up to 2015, with a view to 2020.

According to the approved Strategy, by 2020 JSC “INTER RAO UES” must become a global power player belonging to Top 10 largest global electric power players in terms of installed capacity volume and business size.

Among others, the key strategic targets of the Company are leadership in the area of energy efficiency and implementation of innovation, as well as the creation of conditions for ensuring the power supply security of the Russian Federation.

The achievement of the targets set will be facilitated by implementing strategic initiatives in several key areas including research and development and the innovation activity of the Company.

According to a decision of the Board of Directors of JSC “INTER RAO UES” of 05/31/2011 (Minutes of 06/03/2011 No. 43), it was determined that the Research and Development (hereinafter referred to as “R&D”) Program of the Company (hereinafter referred to as “R&D Program”) is a high-priority area for JSC “INTER RAO UES”.

The aforementioned R&D Program included the subjects of research studies aimed at increasing the power efficiency, reliability and security of JSC “INTER RAO UES” thermal power plants and of the TES of the companies belonging to the INTER RAO UES Group.

During its meeting of 12/27/2011, the Board of Directors of JSC “INTER RAO UES” (Minutes of 12/28/2011 No. 57) decided to modify the R&D Program of the Company and to restate it so as to include the following activities:

No.	Activity Name/Brief Description
1.	Develop an innovation development program for JSC “INTER RAO UES”
2.	Innovation projects financed by JSC “INTER RAO UES” through financial investments:
2.1.	Creation of a joint production of energy-saving bulbs:

	Set-up of energy-saving bulbs production on the basis of the JSC “Svetlana” (Leningrad Association of Electronic Tool Engineering “Svetlana”): creation of a trilateral joint production
2.2.	Creation of a joint production of gas turbine plants:
	Creation of a trilateral (JSC "INTER RAO UES", Russian Technologies State Corporation and General Electric Corporation) joint venture in the Netherlands with operating subsidiary in the Russian Federation (affiliated Russian joint venture).
2.3.	Voluntary asset contribution to the Research and Development Support Fund “Energy without Borders”

The modification of the R&D Program was caused by the 2011 modification of legislation stimulating companies to finance research and development work, in particular, by providing tax benefits, including for the transfer of funds dedicated to the creation of R&D support funds taking the form of non-commercial organizations.

In this connection, as well as to facilitate the consolidation of financial resources for the R&D programs of the INTER RAO UES Group, to simplify management and control over the aforementioned program flow, to ensure the proper execution of the planned research and development work under execution, by a ruling of the Management Board of JSC “INTER RAO UES” dated August 26, 2011, it was decided to implement a new mechanism of R&D financing by making contributions to a specialized R&D support fund. For these purposes, JSC “INTER RAO Capital”, a 100% subsidiary of JSC “INTER RAO UES”, created the Research and Development Support Fund “Energy without Borders” (hereinafter also referred to as the “R&D Fund”). The creation of the R&D Fund is aimed at facilitating the consolidation of financial resources for R&D financing under the conditions of the INTER RAO UES Group’s transfer to a holding-type management system, as well as:

- A material reduction in the number of approval and corporate procedures required to take decisions on R&D funding,
- The implementation of a unified system of expert evaluation of the novelty of research and patent studies,
- Using the results of the research and development activity to the maximum benefit of the Company and Group, and organizing the accounting and protection of patentable results of intellectual activity (R&D), as well as their efficient management,
- Evaluating the exclusive rights obtained from R&D work according to unified standards and analyzing the impact of the cost of such rights on the capitalization of the Company and Group companies.

Appendix No. 5

Information on Very Large Transactions and Transactions Executed by the Company in 2011 in which there were Interested Parties

The information on the very large transactions of 2011 and those in which there were interested parties can be viewed on the website of the Company at the address: www.interrao.ru

Appendix No. 6
Information on Company's Participation Interests in Other Organizations

Abbreviated firm name	JSC "INTER RAO UES" share in the Company's authorized capital, %		Book value of shares, participation, Company market share, '000 RUB		Amount of dividends, '000 RUB (unless otherwise stated)	Finance indicators for 2011		Activity category in articles of incorporation	Data on changes in 2011 of participation in the Company or about the concluded purchase and sales contracts for shares
	01.01.2011	01.01.2012	01.01.2011	01.01.2012		Proceeds, '000 RUB	Net profit, '000 RUB		
JSC "OGK-1"	29.03	75.02 (incl. trust stock)	21 278 000 000.32	32 346 557 931.31	0	68 705 491	2 901 501	Electric and thermal power generation	The share increase has occurred due to additional shares and during asset consolidation.
JSC "OGK-2"	0	5.7	0	2562701296.67	23610170.18	61387184	1138101	Electric and thermal power generation	11/10/2011 JSC "OGK-6" actions are converted into JSC "OGK-2" actions, in this connection there was a share increase in JSC "OGK-2". Share before converting — 3.04 %, a share after converting — 5.7 %.
JSC "WGC-3"	0	81,93 (incl. trust stock)	0	30 357 488	0	43 065 278	1 612 246	Electric and thermal power generation	Acquired during JSC "INTER RAO UES" assets

									consolidation. March, 2011
E.ON Russia JSC	0	3,25985	0	4 386 405 059,29	0	67 354 218	15 051 925	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011 Currently sold
OJSC “Enel OGK-5”	0	26.43	0	17 090 794 353.82	0	60 795 818	3 303 078	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011

INTER RAO – Electric Power Plants, OJSC	0	100	0	34631498940 7.94	0	1 751 189	19 451	Electric and thermal power generation	Created at 15.06.2011
CJSC “Moldavskaya GRES”	62.55%	80.9	2 646 004	4 964 102	0	1 932 572 ‘000 RUB of PMR	83 681 ‘000 RUB of PMR	Electric and thermal power generation	Transfer of shares as assignment as a result of Freecom Trading Limited liquidation (12/19/2011)
JSC Stantsiya Ekibastuzskaya GRES-2	50	50	603 311 050.42	603 311 050.42	313 326	6 888 974. 62	2 525 321. 47	Electric and thermal power generation	None
JSC Sangtudinskaya GES-1	2.18	14.87	83 039 460.61	399 514 463.41	0	1 300 300	180 875	Electric and thermal power generation	5/10/2011, 12.69 % are got at FSK
HrazTES, PJSC	0	100	0	624 579 155.65	0	1 375 187. 970	24 090.225	Electric and thermal power generation	Purchased during JSC “INTER RAO

									UES” assets consolidation. May, 2011
JSC “Kambaratinskaya GES-1”	50	50	28 864 207.20	28 864 207.20	0	-	575.69	Electric and thermal power generation	None
AKKUYU NGS ELEKTRİK ÜRETİM ANONİM ŞİRKETİ	33.33%	3.47	1 025 707	1 025 707	0	0	473.2m RUB	Electric energy trade	As a result of an additional payment of Concern Rosenergoatom OJSC, JSC “INTER RAO UES” in the Akkuyu AES JSC has decreased from 33.33% to 3.47 %

JSC “Kuzbassenergo”	0	1.96894	0	275 334 907.85	0	30 429 310	1 330 971	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “Irkutskenergo”	0	40.01	0	28 594 383.869	221 981.211	60 537 000	12 274 000	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “Novosibirskene	0	0.07935	0	4 050 996.60/	13 766.76/603 692.10	12 170 329	1 661 996	Electric and thermal power generation	Acquired during JSC “INTER RAO

rgo”				3 661 143.96					UES” assets consolidation. March, 2011
JSC “Bashkirenergo”	0	AOI 21.39 API 0.84056 (incl. trust stock: AOI — 1.74 API — 0)	0	AOI 8 501 796 9 72.33 API 220 432 278 .94	AOI 435 725 860.7 8 API 26 912 228.73	39 492 535	6 664 990	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “TGK-1“	0	1.97443	0	717 482 605.62	3 560 853.69	57 690 806	3 757 318	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “TGK-2”	0	1.19185	0	445 793 70.7 3	0	Information is not published	Information is not published	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “Mosenergo”	0	5.05	0	3 433 616 297.34	40147.5159	160 824 37 9	10 385 169	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “TGK-6”	0	26.08 (incl. trust stock)	0	3 254 520.6220		30 635 027	153 397	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011

JSC “Volzhskaya TGK”	0	32.44 (incl. trust stock)	0	18 968 509.4560		57 261 460	120 351	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
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JSC “Quadra – Power Generation”	0	0.00451 — common; 2.24806 — preferred.	0	646135.82 — common; 244301328.88 — preferred.	14395144.12 for preferred shares	38 437 354	928 205	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “TGK-11”	2.79	67.53	275 174.8743	115 973.4390		20 711 263	265 971	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “Eniseyskaya TGK” (TGK-13)	0	2.15526	0	211841519.52	0	20 527 321	1 451 652	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “TGK-14”	0	0.60271	0	13136147.84	0	9 261 984	23 899	Electric and thermal power generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “RusHydro”	0	1.81765	0	5 091 473 676.84	40 369 185.67	92 504 314	30 621 650	Electric energy generation	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “Saint-	API	API	API	API	API	56 415 771	1 616 015	Electric and thermal	Acquired during

Petersburg Sale Company”	37.0317 AOI 24.9899	9.66128403 2 AOI 78.6104100 2	332 670 343 .57 AOI 2 439 611 2 94.11	743 867 119 .30 AOI 9 094 989 6 00.82	4 520 794.98 AOI 36 784 090.56			power purchase and sale	JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “United Energy Retailing Company”	0	100	0	44 800 000.00	0	419676	3243	Exercise of authorities of executive powers in joint stock and other business companies in the order provided by the legislation and concluded contracts	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011

JSC “Altayenergosbyt”	0	100	0	330 000 000.00	0	10 523 696	133 002	Electric and thermal power purchase and sale	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “SARATOVENERGO”	0	56.23	0	279 403 602.09	0	14609739	6043	Electric and thermal power purchase and sale	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “Tambov Energy Retailing Company”	0	59.38	0	343 489 174.54	0	3670508	143648	Electric and thermal power purchase and sale	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011
JSC “Tomsk Energy Retailing Company”	0	AOI 24.56 API 6.71 (incl. trust	0	AOI 83 602 214. 46	0	3670508	143648	Electric and thermal power purchase and sale	Purchased during JSC “INTER RAO UES” assets

		stock: AOI — 7.23, API — 0)		API 21 358 381. 66					consolidation. May, 2011
INTER RAO – Orel energy distribution, LLC	0	100	0	10000	0	0	- 874.42	Electric and thermal power purchase and sale	Created in October, 2011
“RT-ET“ LLC	0	50	0	API 271 735.12	0	3624429.0 0	12 291.00	Electric and thermal power purchase and sale	Purchased in 2011

LLC “RN- Energo Ltd”	0	100	0	5 010	0	38174207	1021548	Electric and thermal power purchase and sale	Purchased in December, 2011
INTER RAO Central Asia, LLC	100	100	47 581.6	47 581.6	0	174 468.54	9 022.13	Electric and thermal power purchase and sale	None
JSC “Eastern energy company”	100	100	2 190 290 000.00	2 190 290 000.00	0	2040283	1268	Electric energy supply	None
JSC “Promishlennaya energetika”	50	50	0 (depreciated)	0 (depreciated)	0	171247.0	23618.0	Electric power delivery to military-industrial complex enterprises of the Russian Federation and other consumers	None
RAO NORDIC Oy	100	100	43 410	43 410	5 960 thousand EUR	370 454 thousand EUR	7 089 thousand EUR	Electric energy trade	None
TGR Enerji	70	70	0 (depreciated)	0 (depreciated)	0	401 295 TRL	—47 143 TRL	Electric energy trade	None
JSC “Stend”	82.8359	82.8359	103 706 567.60	103 706 567.60	0	108 334	53 522	Electric and thermal power generation	None

INTER RAO Holding B.V.	100	100	1 861 680 000	3 724 544 046.33	110 991 536.29	No indicators	No indicators	Holding (holding company)	None
JSC “INTER RAO Capital”	100	100	1 923 000 000.00	0 (depreciated)	45 384	143 311 536	- 27 850 294	Participation in investment power projects, management of assets	None
LLC “INTER RAO UES FINANCE”	100	100	19 342 200.00	122 038 050.00	0	1 102 474	-37 409	Organization and maintenance of the centralized logistics of the Group enterprises; activity of the agent in wholesale trade in fuel, ores, metals and chemical substances	None
JSC “ELECTROLOOTCH”	97.78	98.03	1 756 693	2 020 825	0	234 070	85 230	Own non-residential real estate letting	1) From 01.01.11 – 05.05.11 JSC “INTER RAO UES” share is 97.83% 2) From 06.05.11 – 12.12.11 JSC “INTER RAO UES” share is 87.43% 3) From 13.12.11 – 31.12.11 JSC “INTER RAO UES” share is 98.03%
INTER RAO	100	100	245 362	245 362	0	-	Negative	SPV	None

Middle East B.V.							profit		
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“INTERENERG OEFFECT” LLC	50	50	4 004	4 004	0	2 193.605	10.896	Works and services in the field of power efficiency and power savings	None
“InterRAO- WorleyParsons” LLC	51%	51	19 380	19 380	0	122 558	8 880	Activity in the field of architecture, industry and building detailed engineering.	None
INTER RAO – Management of Electric Power Plants, LLC	0	100	0	500 000	0	777 718	118 115	Paid services, including functions of an individual executive office of other legal bodies	Created on 09.02.2011
INTER RAO Finance B.V.	0	100	0	82 748	-0	0	-79 143 EUR	Financing of other companies’ organization	Created in March, 2011
RAO Intertech B.V.	100	100	852 734	71 169 254	0	No indicators	No indicators	Holding (holding company)	None
JSC “INTER RAO LED Systems”	0	35.17	0	600 000	0	-	15 805	Manufacture of semiconductor elements, devices, including photosensitive and optoelectronic devices, printed circuits (boards)	Procured on 30.06.2012

JSC “Energoconnect”	0	50	0	4 229	0	-	56m BYR	Electric power generation and sale	Created in July, 2011
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OJSC “Novosibirskenergo”	0	0.16	0	18737701.64	0	15469900	539069	Electric and thermal power generation	Portion from OJSC “Novosibirskenergo” in June, 2011
JSC “Electromagistal”	0	0.1955	0	12848890.08	0	Information is not published	Information is not published	Electric and thermal power transfer services	Portion from OJSC “Novosibirskenergo” in June, 2011
INTER RAO - Export, LLC	0	100	0	30 000	0	-	-	Machine and equipment wholesale trade	Created in November, 2011
LLC “INTER RAO Engineering”	0	100	0	774 500.00	0	0	(1687)	Structural works at building of thermal and other power stations	Created on 30.12.2011
JSC “Mosenergosbyt”	0	50.9189	0	6 675 730 471.41	0	215977048	4382628	Electric and thermal power purchase and sale	Acquired during JSC “INTER RAO UES” assets consolidation. March, 2011

Appendix No. 7
EFFECTIVE INTERNAL DOCUMENTS OF THE COMPANY

No. No.	Name of the local regulatory act	Main provisions	Management body approving the document
1.	Provisions on Preparation and the Procedure for Holding the Annual General Meeting of Shareholders of JSC “INTER RAO UES”	The document regulates the preparation and the procedures of Annual General Meetings of the Company’s Shareholders (hereinafter – “the Meetings”) and also includes provisions on: - The order of convening and preparing the Meetings; - Specifics on convening an extraordinary Meeting; - Information support for Meetings; - Holding the Meetings in the form of an assembly; - Holding the Meetings in the form of absentee voting; - Operating control of the Company’s Meetings; - Financial support for holding the Company’s Meetings.	General Meeting of Shareholders (Minutes No. 5 dated June 26, 2010)
2.	Provisions on Convening and Holding Meetings of the JSC “INTER RAO UES” Board of Directors	The document regulates preparation and the procedure of meetings of the Company’s Board of Directors and also includes provisions on: - Convening and holding the meetings of the Company’s Board of directors; - Organization of the Board’s functioning; - Rights, duties, responsibilities of the Company’s Board members; - Order of absentee voting; - Order of preparing minutes with respect to the Company’s Board meetings.	General Meeting of Shareholders (Minutes No. 8 dated June 2011, 2010)
3.	Regulations on the Audit Committee for the JSC “INTER RAO UES” Board of Directors	The regulations define the objectives, functions, and competences of Committees, the order of the Committees’ formation, the rights and duties of Committees’ members. They regulate the order of convening and holding the Committees’ meetings, as well	Board of Directors (Minutes No. 18 dated September 21, 2009)
4.	Provisions on the JSC “INTER RAO UES” Board of Directors Committee on Strategy and Investments (as amended)	as the issues related to interaction with the Company’s management bodies and other parties.	Board of Directors (Minutes No. 18 dated September 21, 2009) Amendments to the Provision were approved by a resolution of the Board of Directors dated December 24, 2010 (Minutes No. 35 dated 27.12.10)

5.	Regulations on the Audit Committee for the Board of Directors of JSC "INTER RAO UES"		Board of Directors (Minutes No. 46 dated 05.08.11)
6.	Provisions on the Management Board of JSC "INTER RAO UES"	The provisions regulate the procedures on forming the Management Board, on the rights, duties and responsibilities of the Management Board members. They prescribe convening and holding the Management Board meetings with the Members' presence, the decision making procedure by absentee voting, and establishes control of execution of the Management Board's decisions.	The Management Board of JSC "RAO UES of Russia" which acted in an extraordinary General Meeting of Shareholders. JSC "Sochinskaya TPS", March 28, 2008 (extract from the Minutes of the Management Board's meeting of March 28, 2008 No. 1845pr/3).
7.	Provisions on the Audit Committee of JSC "INTER RAO UES"	The document defines the tasks of the Audit Committee, its rights and duties. It covers organization of the Audit Committee's work, establishes the audit procedure and specifies the requirements for the Audit Committee's conclusions (act).	The Management Board of JSC "RAO UES of Russia" which acted in an extraordinary General Meeting of Shareholders. JSC "Sochinskaya TPS", March 28, 2008 (extract from the Minutes of the Management Board's meeting of March 28, 2008 No. 1845pr/3).
8.	Provisions on remuneration and compensation to Directors of JSC "INTER RAO UES"	The provisions establish the amount and the procedure of remuneration and compensation payments to the Company's Directors.	General Meeting of Shareholders (Minutes No. 3 dated 25.06.09)
9.	Provisions on remuneration and compensation to the members of the Audit Committee of JSC "INTER RAO UES"	The provisions establish the amount and the procedure of remuneration and compensation payments to the Audit Committee members.	The Management Board of JSC "RAO UES of Russia" which acted in an extraordinary General Meeting of Shareholders. JSC "Sochinskaya TPS", March 28, 2008 (extract from the Minutes of the Management Board's meeting of March

			28, 2008 No. 1845pr/3).
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10.	Corporate Management Code of JSC “INTER RAO UES”	<p>The Company’s document representing the body of principles and rules adopted by the Company and aimed at observance of rights and legal interests of all participants of corporate relations, improving and systematizing the corporate management of JSC “INTER RAO UES”, ensuring additional transparency of the Company’s management.</p> <p>The Code covers:</p> <ul style="list-style-type: none"> - The Company’s corporate governance practices; - Information about the Company’s shareholders; (shareholders’ rights and their protection, General Shareholders’ Meeting, dividend policy); - The policy on information disclosure; - Principles and practices of the relationship with subsidiary and affiliated business entities. 	Board of Directors (Minutes No. 1 dated 23.04.08)
11.	Corporate Ethics Code of JSC “INTER RAO UES” (as amended)	The document covers the standards of conduct accepted by the Company determining fundamental requirements with respect to ethical corporate behavior.	<p>Board of Directors (Minutes No. 50 dated October 21, 2011)</p> <p>Amendments to the Code were approved by a resolution of the Board of Directors on February 13, 2012 (Minutes No. 59 dated 16.02.12)</p>
12.	Provisions on the information policy of JSC “INTER RAO UES”	The provisions cover the main principles with respect to disclosure of information about the Company’s activities, order and time periods of disclosure and provision, as well as the list of items of information and documents to be disclosed to shareholders, creditors, potential investors, the mass media and public organizations, professional securities market makers, state agencies and other interested parties.	Board of Directors (Minutes No. 48 dated 30.09.11)

13.	Provisions on the dividend policy of JSC “INTER RAO UES”	The document covers the way of calculating dividends, the procedure of decision-making on declaration of dividends (payment), terms of dividends payment (declaration), and limitation of dividend payment (declaration).	Board of Directors (Minutes No. 41 dated 03.05.11)
14.	Provisions on insider information of JSC “INTER RAO UES”	The Provisions regulate the issues related to handling insider information and its protection. It establishes insiders’ responsibility.	Board of Directors (Minutes No. 47 dated 01.09.2011)
15.	The internal control policy of JSC “INTER RAO UES”	The policy defines objectives, basic principles and common approaches to organizing the Company’s internal control, as well as the roles and responsibility of the internal control bodies.	Board of Directors (Minutes No. 41 dated 03.05.11)
16.	Provisions on risk management of JSC “INTER RAO UES”	The document defines the main objectives, principles and approaches to the Company’s risk management, as well as the concept of integrated corporate risk management.	Board of Directors (Minutes No. 33 dated 01.11.10)
17.	Provisions on the internal audit, controlling, and risk management department of JSC “INTER RAO UES” (as amended)	The provisions define the objectives, tasks, and functions of the department, reporting lines, rights, duties and responsibilities of the department’s employees.	Board of Directors (Minutes No. 28 dated 22.06.10) Amendments to the Provision were approved by a resolution of the Board of Directors dated 03.08.11 (Minutes No. 46 dated 05.08.11)
18.	Provisions on handling marginal assets of JSC “INTER RAO UES”	The provisions define general principles and operational procedures of the Company with respect to handling the Company’s marginal assets. It determines the principles and organization of the sale of marginal assets and specifies other activities with respect to marginal assets.	Board of Directors (Minutes No. 41 dated 03.05.11)

Appendix No. 8**Information about actual performance with respect to the instructions of the President of the Russian Federation and of the Government of the Russian Federation.**

No.	Type of instruction	Date of Record	Instruction	Performance	Details of decisions made
1.	Instruction of the Russian Government	Dated July 23, 2009 No. VZ-P13-5294	On creation of specialized committees affiliated to the Board of Directors, establishment of the key performance indicator (KPI) system, development and approval of provisions for remuneration of the Company's managers.	Completed	By resolution of the Board of Directors of JSC "INTER RAO UES" dated April 23, 2008 (Minutes No. 1), 3 committees of the Board of Directors were created: 1. Audit Committee; 2. HR and Remuneration Committee; 3. Strategy and Investments Committee. KPIs for the current quarter and year are approved annually at the meetings of the Company's Board of Directors. Achieving the KPIs is part of the Company's management remuneration (incentive) procedure.
2.	Instruction of the Russian Government	Dated April 8, 2010	On remuneration of the Company's management body members and management personnel.	Completed	Remuneration to the Board of Directors is paid annually in accordance with the Provisions on payment of remuneration and compensation to the Board of Directors, as approved by the General Meeting of the Company's Shareholders on June 25, 2009 (Minutes No. 3). Remuneration (material incentives) is paid to the Management Board Chairman, Deputy Chairmen and Members of the Management Board based on the Provisions on material incentives for the Management Board Chairman, Deputy Chairman and Members of the Management Board approved on December 24, 2010 (Minutes No. 35 dated December 27, 2010), as amended on June 21, 2011.

					Remuneration to the Company's management personnel is paid in accordance with internal (local) acts of the Company in accordance with the principles of remuneration payments to the Company's Board members.
3.	Instruction of the First Deputy Chairman of the Russian Government	Dated 18.09.09 No. ISh-P13-5361	On implementation of investment programs	Completed	The investment program of JSC "INTER RAO UES" for 2011 was approved as part of the Company's Business Plan during the meeting of the Board of Directors on December 24, 2010 (Minutes No. 35 dated December 27, 2010). By resolution of the Board of Directors (Minutes No. 53 dated November 29, 2011), the corrected investment program was approved (based on the results for the first 9 months of 2011). In accordance with a resolution of the Russian Government dated December 1, 2009 No. 77, the Company's investment program was submitted for approval of the Russian Ministry of Energy, which supervises the program's performance.
4.	Instruction of the Russian Government Chairman	Paragraph 8 of the Minutes of the meeting held on October 20, 2010 No. VP-P13-56pr	On measures for asset restructuring.	Completed	By resolution of the Board of Directors of JSC "INTER RAO UES" dated April 29, 2011 (Minutes No. 41 dated May 3, 2011), the Provisions on handling the marginal assets of JSC "INTER RAO UES" were approved, as well as the Register of the Company's marginal assets.

5.	Instruction of the Russian Government	Dated 17.12.2010 No. ISh-P13-8685	On implementation of measures aimed at ensuring procurement transparency and transition to electronic procurement.	Completed	By resolution of the Board of Directors of JSC "INTER RAO UES" dated December 24, 2012 (Minutes No. 35 dated December 27, 2010), the revised Provisions on regulated procurement of goods, works, services for JSC "INTER RAO UES" were approved (the version of March 19, 2012 is currently effective). A Procurement section has been created on the Company's web-site. The analytical trading operational system "The Market of products, services and technologies for the energy sector" (www.B2B-energo.ru) is used as an electronic trading site for purchasing.
6.	Instruction of the Russian Government	Dated 04.12.2010 No. KA-P13-8297	On improvement of the Company's remuneration system.	Completed	The system of material incentives for management personnel of JSC "INTER RAO UES" and top managers of the Company's subsidiaries and associates is aimed at ensuring financial incentives for the managers of the INTER RAO UES Group in order to improve the effectiveness of the Company's management of property and finances, and to achieve its objectives in accordance with the strategy and the business plan. The system of material incentives is based on meeting yearly and quarterly key performance indicators (KPIs) and target values as a pre-requisite for bonus payments. KPIs and target

					<p>values of the Company are created in view of:</p> <ul style="list-style-type: none"> - Assignments of the Deputy Chairman of the Government of the Russian Federation No. IS-P9-5739 of August 17, 2010 for the control over the implementation of the investment program; - Resolutions of the Ministry of Energy of the Russian Federation based on the results of the meeting held on December 23, 2010 in pursuance of the assignments of the subcommittee for ensuring the sustainability of the Russian economy from the Government Commission for Economic Development and Integration dated October 27, 2010 for the implementation of cost management and efficiency enhancement programs. - Assignment of the First Deputy Chairman of the Government of the Russian Federation dated August 15, 2011 No. ISh-P13-5809; - Assignment of the Deputy Chairman of the Government of the Russian Federation No. IS-P9-21pr dated September 15, 2011; - Assignment of the Federal Agency for State Property Management No. GN-15/27795 dated September 14, 2011; - Assignment of the Chairman of the Government of the Russian Federation
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					<p>No. VP-P9-9378 dated December 31, 2011.</p> <p>The system of material incentives based on meeting KPIs and target values is an economically feasible regulation of payments to managers.</p>
7.	Resolution of the Government Commission on high technologies and innovations	Dated August 3, 2010, Minutes No. 4	On programs of innovative development	Completed	The innovative development program of the INTER RAO UES Group till 2015 with a view to 2020 was approved at the meeting of the Company's Management Board on September 8, 2011 (Minutes No. 308).
8.	Assignment of the President of the Russian Federation	Dated April 2, 2011 No. Pr-846 (pp. "e" p. 1)	On implementation of high priority measures related to improving the investment climate in the Russian Federation.	Completed	By resolution of the Board of Directors of JSC "INTER RAO UES" dated March 19, 2012 (Minutes No. 63 dated March 22, 2012), the Procedure for calculation the yearly target value and performance evaluation was approved: "Reduction of costs for the procurement of goods (work, services) per unit of products by at least 10% a year" in order to evaluate the effectiveness of the Company's management and its effectiveness as a whole.
9.	Assignment of the President of the Russian Federation	Dated August 3, 2011 No. Pr-2206	On insurance of liability of independent directors' (representing the Government's interests).	Completed	JSC "INTER RAO UES" insures the liability of all directors. The Directors' Liability Insurance Contract was approved by the extraordinary General Meeting of Shareholders on February 21, 2011 (Minutes No. 6 dated February 24, 29011) with amendments approved by

					the annual General Meeting of Shareholders on June 24, 2011 (Minutes No. 8 of June 28, 2011)
10.	Assignment of the President of the Russian Federation	Dated 06.06.10 No. Pr-1640 (pp. "л" p. 1)	On stimulation of the environmental liability mechanisms based on international standards.	Completed	By resolution of the Board of Directors of JSC "INTER RAO UES" dated March 30, 2012 (Minutes No. 64 dated April 2, 2012), proposals of JSC "INTER RAO UES" were approved with respect to the procedure for using voluntary mechanisms of environmental liability and compulsory regular publication of non-financial reports related to sustainability of the Company's development starting with the non-financial report for 2011. The Environmental Liability Declaration of JSC "INTER RAO UES" has been approved, as well as the order for implementing the voluntary environmental liability mechanisms by the Company.

Appendix No. 9

Information about state support received by the Company during the reporting year.

In accordance with the Federal Law of December 2, 2009 No. 308-FZ “On the Federal Budget for 2010 and for the planning period of 2011 and 2012” and the bylaws adopted for the purposes of implementation thereof, JSC “INTER RAO UES” did not receive any direct support from the Federal Budget in 2011.

At the same time, as part of the Group, JSC “TGK-11” received subsidies from the Federal Budget for partial compensation of expenditures connected with credits that had been used for seasonal fuel provision and energy equipment repairs amounting to 25,929,630.18 RUB.

Furthermore, the INTER RAO UES Group has been implementing a series of state-supported projects, such as:

- The project for “Urengoyskaya GRES” construction (21.3bn RUB received by JSC “INTER RAO UES” from Vnesheconombank in 2010 for financing the project as a contribution to the authorized capital of the Company; this amount was contributed by the Company to the authorized capital of JSC “OGK-1” the same year). In 2011, expenses related to the project amounted to 6,002bn RUB;
- The project for construction and operation of the nuclear power plant on the Akkuyu site in Turkey, which is implemented by the Project Company with a participation interest of JSC “INTER RAO UES”. In 2011, Federal Budget resources amounting to 21,872bn RUB were transferred in order to increase the authorized capital of the Project Company. In 2011, JSC “INTER RAO UES” made a contribution to the company’s authorized capital amounting to 49,995,000 Turkish Liras (22,668,329 euro).
- The project for energy equipment supplies by JSC “INTER RAO UES” to the hydro-electric power station complex Toachi-Pilaton, Ecuador. The amount of the contract is 145m US dollars. The credit allocated by ZAO Roseksimbank against the guarantee of the Russian Government amounts to 123.3m US dollars. In 2011, as part of the received advance payment amounting to 29m US dollars (20% of the contract amount), equipment design and production work was performed.
- The project for exporting electric power equipment for upgrading 4 existing power generating units and construction of 2 new power generating units of the Maximo Gomez thermal power plant, Mariel, Cuba. The project is implemented by JSC “INTER RAO UES” on account of the state credit provided by the Russian Government to the Government of the Republic of Cuba. In 2011, ten supply contracts were implemented for a total amount of 11,639,356.217 US dollars and two contracts had a total amount of 514,000 euros.

Appendix No. 10

Information about major legal proceedings involving the Company in 2011

Claimant	Defendant	Subject of claims	The phase of the proceedings	Probability of unfavorable outcome
JSC "INTER RAO UES"	JSC "Kolskaya Energy Retailing Company"	Recovery of the principal debt amount from JSC "Kolskaya Energy Retailing Company" in connection with the electric energy sales contract for February – August, 2010, amounting to 64.5m RUB.	By award of the Arbitration Court of Moscow dated February 16, 2011, upheld by the appeals court, the amount of 62,897,001.89 RUB was recovered in favor of JSC "INTER RAO UES" (the remaining amount was paid by the debtor voluntarily prior to the court decision).	Low (practically impossible due to expiration of the appeal period)
JSC "INTER RAO UES"	JSC "Kolskaya Energy Retailing Company"	Recovery of the principal debt amount from JSC "Kolskaya Energy Retailing Company" in connection with the electric energy sales contract for September 2010, amounting to 15.7m RUB.	The 9 th Arbitration Appeal Court decided on June 28, 2011 to uphold recovery of the full amount due.	Low (practically impossible due to expiration of the appeal period)
JSC "INTER RAO UES"	JSC "Kolskaya Energy Retailing Company"	Recovery of the principal debt amount from JSC "Kolskaya Energy Retailing Company" in connection with the electric energy sales contract for October - December 2010, amounting to 47.2m RUB.	By decision of the court dated June 20, 2011, the amount due is recovered in full.	Low (practically impossible due to expiration of the appeal period)
JSC "INTER RAO UES"	Siemens LLC	Recovery of losses amounting to 59m RUB	On February 22, 2012, the appeal court accepted abandonment of the claim; proceedings have been terminated. (the claim was abandoned due to an out-of-court settlement of the dispute)	Low
JSC	"Energostroimontazh" LLC	Recovery of the debt under contractor	The claim was satisfied by the court decision	Low

“INTER RAO UES”		agreement amounting to 37.5m RUB.	on September 14, 2011. The decision entered into effect without appeal.	
JSC “INTER RAO UES”	Administration of the Komsomolsky District, the Ivanovo Region	Invalidation of the commissioning certificate issued to JSC FGC UES	The stated claims were satisfied on September 12, 2011 and upheld by the appeal court.	Low
JSC “INTER RAO UES”	1. Federal Agency for the Administration of State Property. 2. The Department of Civil Defense, Emergency Situations and Water Relations of the Krasnodar Territory	Coercion to restore permeability of the Maly river collector and keep it in good order.	By court decision of November 16, 2011, the claims were dismissed. The appeal and cassation courts upheld the decision.	High
JSC “INTER RAO UES”	JSC “NPO Saturn”	Recovery of the forfeit amounting to 69.4m RUB with respect to delay in delivery of goods	The main court session is scheduled on April 23, 2012 in the Arbitrage Court of the Ivanovo Region.	Low
JSC “INTER RAO UES”	JSC “Kapital Insurance”	Recovery of the insurance indemnity amounting to 176.7m RUB in connection with the occurrence of loss.	The statement of claim was received by the Arbitration Court of St Petersburg and the Leningrad Region on March 30, 2012; a preliminary court session was scheduled for May 15, 2012.	Average
JSC “INTER RAO UES”	OJSC Power Machines	Recovery of expenses related to compensation of equipment defects amounting to 19m RUB	By a court decision of February 27, 2012, the claim was partially satisfied in the amount of 12.3m RUB. On April 16, 2012, OJSC Power Machines filed an appeal against the judgment. No court decision with respect to acceptance of the appeal has been made yet.	Low
JSC “INTER	Interdistrict Inspectorate	Invalidation of the decision	The claim was filed on March 14, 2012 in the Moscow	Average

RAO UES”	of the Federal Tax Service No. 4	No. 03-1-21/349 on tax prosecution of December 27, 2011. Additional tax assessment taking into account the Federal Tax Service’s decision (higher authority) amounts to 37.1m RUB plus respective fines and penalties.	Arbitration Court. The court session is scheduled for May 14, 2012. Decision of the Federal Tax Service of April 3, 2012. Two episodes were dismissed based on appeal proceedings amounting to 15.6m RUB (the tax amount prior to the appeal was 52.7m RUB).	
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CONTACT DETAILS OF JSC “INTER RAO UES”:

INTER RAO UES Open Joint Stock Company (JSC “INTER RAO UES”)

Legal address: 27, bldg. 3, Bolshaya Pirogovskaya Street 119435, Moscow, Russian Federation

Mail address: 12, entrance 7, Krasnopresnenskaya Naberezhnaya, Moscow, 123610, Russian Federation

Tel.: +7(495) 967-05-27 (multi-line)

Fax: +7(495) 967-05-26

E-mail: office@interrao.ru

Corporate Web-site: www.interrao.ru

Shareholder Contacts:

Oleg Bocharov

bocharov_oi@interrao.ru

Shareholder Hotline: + 7 (495) 710-89-83

Working hours: from 11.00 am to 3.00 pm, from Tuesday to Friday

Investor Contacts:

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Larisa Sadovnikova

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Information Policy Department:

Tel.: +7(495) 967-05-27 Fax: +7 (495) 967-05-26

e-mail: press@interrao.ru

AUDITOR

Ernst & Young Limited Liability Company

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DEPOSITORY BANK

The Bank of New York Mellon

<http://www.bnymellon.com/>

Tanya Amaya, AVP

The Bank of New York Mellon

Depository Receipts

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REGISTRAR

OJSC “Registrar R.O.S.T.”
Mailing address: PO Box 9, 18, Stromynka Street, 107996, Moscow
Telephone: (495) 771-73-35 Fax: (495) 771-73-34
Web-site: www.rrost.ru

Call-center of the registrar for the shareholders of JSC “INTER RAO UES”:

Tel. 8-800-700-03-70 (free for calls from Russia) and the following email address: InterRAO@rrost.ru

Branches of OJSC “Registrar R.O.S.T.”

Name	Mail address	Telephone
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Alpari Kemerovo branch	650004, Kemerovo, Ul. Sobornaya, 6a	(3842) 35-30-78, 35-26-97
Arkhangelsk branch	64, Lomonosova Pr., 163061, Arkhangelsk	(8182) 63-31-62, 63-31-68
Bratsk separate subdivision	665712 Bratsk, Ul. Gidrosrtoiteley 53, office 410	(3953) 35-95-82
Chelyabinsk regional branch	454078, Chelyabinsk, Ul. Dzerzhinskogo 93/B, offices 601, 602	(351) 239-02-25, 239-02-26
Elektrostal branch	144002, Moscow Region, Elektrostal, Ul. Zheleznodorozhnaya, 1	(49657) 2-95-54, 7-13-76
Irkutsk branch	664000, Irkutsk, Ul. Lenina, 6, office 302-A	(3952) 20-33-40
Kaluga regional branch	248600, Kaluga, Per. Smolensky, 4, office 7	(4842) 58-08-65
Kamchatka branch	683000, Kamchatka Region, Petropavlovsk-Kamchatsky, Pr. Karla Marksa, 35	(4152) 25-24-70
Komsomolsk-on-Amur branch	681016, Komsomolsk-on-Amur, Pr. Mira, 13, korp. 3	(4217) 25-27-17, 59-16-13, 25-26-10
Kostroma regional branch	156002, Kostroma, Ul. Komsomolskaya, 4, office 39	(4942) 31-02-05
Krasnodar branch	350020, Krasnodar, Ul. Krasnaya, 176, 4 th floor	(861) 255-21-01, 2-100-328
Krasnoyarsk branch	660017, Krasnoyarsk, Ul. Uritskogo, 117, office 504	(391) 212-08-21
Kurgan regional branch	640006, Kurgan, Ul. Kuybysheva, 144, 3rd floor	(3522) 46-65-80
Mordova republican branch	430003, Republic of Mordovia, Saransk, Lenina Prospect, 100	(834-2) 27-01-54
Nizhny Novgorod branch	603000, Nizhny Novgorod, M. Gorky square, 4/2, office 9	(831) 434-11-19
Novosibirsk branch	630007, Russian Federation, Novosibirsk, Ul. Kommunisticheskaya, 50	(383) 218-76-77, 218-76-79
Oktyabrsky branch	127A, Lenina Pr., 656011, Barnaul	(3852) 77-78-35, 77-64-58
Omsk branch	644007, Omsk, Ul. Frunze – Ul. Gertsena, 80/18, office 726/9	(381-2) 433-156
Perm' separate subdivision	614000, Perm, Ul. Kirova, 24	(342) 259-10-36, 259-10-46
Podolsk branch	142100, Moscow Region, Podolsk, Ul. Fevral'skaya, 57, bldg. 1	(4967) 55-77-01
Samara branch	443110, Russian Federation, Samara, Ul. Novo-Sadovaya, 44	(846) 273-84-48, 273-84-28
Separate subdivision in Gorno-Altaysk	649002, The Republic of Altai, Gorno-Altaysk, Kommunisticheskyy Prospect, 139	(38822) 6-40-90

Separate subdivision in Ivanovo	<i>153012, Russian Federation, Ivanovo, Ul. Bubnova, 52</i>	(4932) 32-65-80
Separate subdivision in St Petersburg	<i>199026, St Petersburg, 26 Liniya Vasilyevskogo Ostrova, 15, korp. 2, lit. A</i>	(812) 322-76-27, 322-48-91
Separate subdivision in Syktyvkar	<i>167000, Komi Republic, Syktyvkar, Ul. Garazhnaya, 9</i>	(8212) 29-33-84
Separate subdivision in Volgograd	<i>400033, Volgograd, Ak. Bogomoltsa St., 9, 3rd floor</i>	(8442) 79-82-80
Stavropol branch	<i>355037, Stavropol, Ul. Dovatortsev, 36</i>	(865-2) 77-07-13
Tambov regional branch	<i>392000, Tambov, Ul. Derzhavinskaya, 16 a</i>	(4752) 71-43-68, 72-71-41
Ulyanovsk regional branch	<i>432011, Ulyanovsk, Ul. Sovetskaya, 5, room 72</i>	(8422) 41-25-26
Vladivostok branch	<i>690001, Vladivostok, Ul. Svetlanskaya, 82</i>	(4232) 22-89-38, 21-17-95
Vologda separate subdivision	<i>160019, Vologda, Ul. Komsomolskaya, 55, office 103</i>	(8172) 54-30-40
Voronezh regional branch	<i>394006, Voronezh, Ul. Karla Marksa, 68</i>	(473) 253-11-61
Yaroslavl regional branch	<i>150000, Yaroslavl, Ul. Trefoleva, 17/14</i>	(4852) 32-83-15, 32-89-49
Yuzhno-Sakhalinsk branch Aktsiya-Reyestr	<i>693000, Yuzhno-Sakhalinsk, Ul. K. Marksa, 20, office 210</i>	(4242) 42-32-43
Zheleznogorsk branch	<i>307170, Kursk Region, Zheleznogorsk, Ul. Gornyakov, 27</i>	(47148) 4-70-26

