JSC Interregional Distribution Grid Company of Siberia

Consolidated Financial Statements
for the year ended 31 December 2012

Contents

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Auditors' Report

To the Shareholders and Board of Directors

JSC Interregional Distribution Grid Company of Siberia

We have audited the accompanying consolidated financial statements of JSC Interregional Distribution Grid Company of Siberia (the "Company") (and its subsidiaries (the "Group")), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and 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 express an opinion on the fair presentation of these consolidated financial statements.

Audited entity: JSC Interregional Distribution Grid Company of Siberia

Registered in the Unified State Register of Legal Entities on 04 July 2005 by Inspectorate of the Federal Tax Service of Zheleznodorozhniy district of Krasnoyarsk, Registration No. 1052460054327, Certificate series 24 No. 002538008.

144a Bograda street, Krasnoyarsk, Russia, 660021

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for 2012 in accordance with International Financial Reporting Standards.

Titova T.E., Deputy Director, (power of attorney dated 28 October 2011 No. 50/11)

ZAO KPMG

8 April 2013

Moscow, Russian Federation

JSC IDGC of Siberia

Consolidated Statement of Comprehensive Income for the year ended 31 December 2012

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
Revenue	8	49 514 546	52 311 571
Operating expenses	9	(50 823 108)	(53 214 117)
Other operating income	8	2 134 677	1 013 386
Results from operating activities		**826 115**	**110 840**
Finance income	11	696 147	142 885
Finance costs	11	(464 431)	(563 763)
Net finance income/(costs)		**231 716**	**(420 878)**
Profit /(loss) before income tax		**1 057 831**	**(310 038)**
Income tax expense	12	(208 321)	(165 079)
Profit /(loss) for the year		**849 510**	**(475 117)**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		(112 959)	(111 372)
Income tax on other comprehensive income		14 676	28 980
Other comprehensive loss for the year, net of income tax		**(98 283)**	**(82 392)**
Total comprehensive income/(loss) for the year		**751 227**	**(557 509)**
Profit/(loss) attributable to:			
Shareholders of the Company		852 546	(473 129)
Non-controlling interests		(3 036)	(1 988)
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		754 263	(555 521)
Non-controlling interests		(3 036)	(1 988)
Total comprehensive income/(loss) for the year		**751 227**	**(557 509)**
Earnings/(loss) per share – basic and diluted (in Russian Roubles)	22	**0.0090**	**(0.0051)**

These consolidated financial statements were approved by management of the Company on 8 April 2013 and were signed on its behalf by:

General Director Petukhov K.Y.

Chief accountant Leontiev A.V.

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 on pages 11-43.

(in thousands of Russian Roubles, unless otherwise stated)

	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	13	40 052 841	39 141 807
Intangible assets	14	466 157	312 563
Investments and financial assets	16	633 934	723 816
Other non-current assets	17	16 134	462 242
Total non-current assets		**41 169 066**	**40 640 428**
Current assets			
Cash and cash equivalents	18	328 424	1 183 631
Trade and other receivables	19	7 047 387	5 065 551
Income tax receivable		549 935	548 738
VAT recoverable		354 783	380 379
Prepayments	19	84 841	90 349
Inventories	20	1 263 948	943 806
Other current assets		14 505	26 941
Total current assets		**9 643 823**	**8 239 395**
Total assets		**50 812 889**	**48 879 823**

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 on pages 11-43.

(in thousands of Russian Roubles, unless otherwise stated)

	Note	31 December 2012	31 December 2011
EQUITY AND LIABILITIES			
Equity			
Share capital	21	9 481 516	9 481 516
Share premium		1 198 452	1 198 452
Retained earnings		15 029 724	14 177 178
Available-for-sale investments revaluation reserve		44 971	143 254
Total equity attributable to shareholders of the Company		**25 754 663**	**25 000 400**
Non-controlling interests		(1 660)	1 376
Total equity		**25 753 003**	**25 001 776**
Non-current liabilities			
Loans and borrowings	23	3 546 841	6 279 429
Finance lease liability	24	1 104	8
Employee benefits	25	307 239	257 936
Deferred tax liabilities	15	3 099 323	3 019 950
Other non-current liabilities	26	3 218 781	109 945
Total non-current liabilities		**10 173 288**	**9 667 268**
Current liabilities			
Loans and borrowings	23	2 995 372	347 004
Finance lease liability	24	2 468	66 978
Trade and other payables	28	9 452 101	11 508 365
Employee payables	27	1 591 808	1 427 069
Income tax payable		11 026	102 415
Other taxes payable	29	833 823	758 948
Total current liabilities		**14 886 598**	**14 210 779**
Total liabilities		**25 059 886**	**23 878 047**
Total equity and liabilities		**50 812 889**	**48 879 823**

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 on pages 11-43.

JSC IDGC of Siberia
Consolidated Statement of Cash Flows for the year ended 31 December 2012
(in thousands of Russian Roubles, unless otherwise stated)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
OPERATING ACTIVITIES			
Profit/(loss) before income tax		**1 057 831**	**(310 038)**
Adjustments for:			
Depreciation and amortization	9	4 176 733	3 726 361
Allowance for impairment of accounts receivable	9	370 107	1 090 423
Net finance (income)/ costs	11	(231 716)	420 878
Loss/(gain) on disposal of property, plant and equipment		102 339	(200 580)
Gain on disposal of subsidiaries	6	(128 235)	(108 733)
Other non-cash activities		(90 907)	(17 474)
Operating profit before changes in working capital		**5 256 152**	**4 600 837**
Increase in accounts receivable and prepayments		(2 251 074)	(522 035)
Increase in inventories		(324 804)	(232 677)
Decrease/(increase) in other assets		468 288	(218 585)
(Decrease)/increase in accounts payable		(2 014 903)	4 476 198
Increase in employee payables		164 739	621 444
Increase in employee benefits		49 303	44 078
Increase/(decrease) in other taxes payable		74 875	(121 291)
Increase/(decrease) in other liabilities		3 591 633	(554 213)
Cash flows from operations before income tax paid		**5 014 209**	**8 093 756**
Income tax paid in cash		(190 554)	(172 505)
Net cash flows from operating activities		**4 823 655**	**7 921 251**

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 on pages 11-43.

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(5 131 940)	(6 875 969)
Proceeds from disposal of property, plant and equipment		73 696	456 032
Acquisition of intangible assets		(184 894)	(34 176)
Proceeds from disposal of subsidiaries	6	46 956	13 910
Interest received		93 904	36 112
Proceeds from disposal of investments		65 340	-
Cash flows used in investing activities		**(5 036 938)**	**(6 404 091)**
FINANCING ACTIVITIES			
Proceeds from borrowings		789 020	7 524 906
Repayment of borrowings		(879 939)	(9 522 503)
Proceeds from share issue		-	1 743 202
Repayment of finance lease liability		(67 924)	(92 426)
Interest paid		(483 081)	(441 158)
Cash flows used in financing activities		**(641 924)**	**(787 979)**
Net (decrease)/increase in cash and cash equivalents		**(855 207)**	**729 181**
Cash and cash equivalents at beginning of year		1 183 631	454 450
Cash and cash equivalents at end of year	18	**328 424**	**1 183 631**

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 on pages 11-43.

(in thousands of Russian Roubles, unless otherwise stated)

	Share capital	Share premium	Available-for-sale investments revaluation reserve	Retained earnings	Total equity attributable to shareholders of the Company	Non-controlling interests	Total
Balance at 1 January 2011	**8 936 766**	**-**	**225 646**	**14 650 307**	**23 812 719**	**3 364**	**23 816 083**
Loss for the year	-	-	-	(473 129)	(473 129)	(1 988)	(475 117)
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	(82 392)	-	(82 392)	-	(82 392)
Total other comprehensive loss	**-**	**-**	**(82 392)**	**-**	**(82 392)**	**-**	**(82 392)**
Total comprehensive loss for the year	**-**	**-**	**(82 392)**	**(473 129)**	**(555 521)**	**(1 988)**	**(557 509)**
Transactions with owners, recorded directly in equity							
Share issue	544 750	1 198 452	-	-	1 743 202	-	1 743 202
Balance at 31 December 2011	**9 481 516**	**1 198 452**	**143 254**	**14 177 178**	**25 000 400**	**1 376**	**25 001 776**
Balance at 1 January 2012	**9 481 516**	**1 198 452**	**143 254**	**14 177 178**	**25 000 400**	**1 376**	**25 001 776**
Profit/(loss) for the year	-	-	-	852 546	852 546	(3 036)	849 510
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	(98 283)	-	(98 283)	-	(98 283)
Total other comprehensive loss	**-**	**-**	**(98 283)**	**-**	**(98 283)**	**-**	**(98 283)**
Total comprehensive income/(loss) for the year	**-**	**-**	**(98 283)**	**852 546**	**754 263**	**(3 036)**	**751 227**
Balance at 31 December 2012	**9 481 516**	**1 198 452**	**44 971**	**15 029 724**	**25 754 663**	**(1 660)**	**25 753 003**

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 on pages 11-43.

1 Background

(a) The Group and its operations

Joint Stock Company Interregional Distribution Grid Company of Siberia (hereinafter – "the Company") was founded to effectively manage the distribution electric grid complex of Siberia as part of the reform process in the Russian electric utilities industry. The Company was established in July 2005 (registered on 4 July 2005) in accordance with the laws of the Russian Federation and based on the Decree of the Chairman of the Board of Directors of the Open Joint Stock Company RAO United Energy System of Russia (hereafter - "RAO UES") dated 1 July 2005, No. 149r.

The Company's registered office is located at 144a, Bograda Street, Krasnoyarsk, Russia, 660021.

On 27 April 2007 the Board of Directors of RAO UES approved the structure of Interregional Distribution Grid Companies. Under the approved structure the following entities were incorporated into the Company: OJSC Altayenergo, OJSC Buryatenergo, OJSC Krasnoyarskenergo, OJSC Kuzbassenergo – RES, OJSC Omskenergo, OJSC Khakasenergo, OJSC Chitaenergo, OJSC Tyvaenergo – Holding. A merger of the Company with those entities was completed on 31 March 2008. The merger was effected through conversion of shares issued by the Company in exchange for shares in the merged entities. As a result of the merger, the above-mentioned entities ceased to exist as separate legal entities and the Company became their legal successor.

The subsidiaries of the Company are disclosed in note 5.

The Company's and its subsidiaries (together referred to as the "Group") principal activity is the transmission of electricity and the connection of customers to the electricity grids. The Group's business is a national monopoly which is under the pressure and support of the Russian government. The Government of the Russian Federation influences the Group's operations through setting transmission tariffs. The Group's tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commissions.

On 1 July 2008 RAO UES ceased to exist as a separate legal entity and transferred the shares in the Company to JSC Interregional Distribution Grid Company Holding (hereinafter – "JSC IDGC Holding"), a newly formed state-controlled entity.

As at 31 December 2012 the Government of the Russian Federation owned 56.58% of the voting shares and 7.01% of the preference shares of JSC IDGC Holding (31 December 2011: 53.69% of the voting ordinary shares and 7.01% of the preference shares), which in turn owned 55.59% of the Company (31 December 2011: 55.59%).

(b) Business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements of the Group (hereinafter "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for financial investments classified as available-for-sale and stated at fair value; and property, plant and equipment which were revalued to determine deemed cost as part of the adoption of IFRSs as at 1 January 2007.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand, except when otherwise indicated.

(d) Going concern

These Financial Statements have been prepared on a going concern basis.

The Group had a net working capital deficit of RUB 5 242 775 thousand as at 31 December 2012 (31 December 2011: RUB 5 971 384 thousand), primarily attributable to trade and other payables and current portion of long-term loans.

The Group monitors the level of liquidity on a regular basis. Management analyses maturities of the estimated cash flows from operating and financing activities and manages current liquidity using open credit lines (for more details refer to note 30).

In order to increase efficiency of working capital management the Group is focused on an increased collection of trade receivables, including doubtful receivables. A plan was developed by the Group to decrease the level of overdue receivables from regional distribution entities and other customers. The issues regarding collection of receivables are considered by the Board of Directors on a quarterly basis.

During 2012 the Group was able to restructure its accounts payable to JSC FGC UES in the amount of RUB 3 666 958 thousand. Payments will be made in equal monthly payments in 2014.

The Group believes it would be able to change the structure of its loan portfolio from short-term to long-term bank loans with maturity dates of more than 3 years. Currently the Group has available limits on long-term credit lines in the amount of RUB 5 648 499 thousand as a result of tender procedures.

Management anticipates that any repayments of loans and borrowings and settlement of trade and other payables required will be met out of operating or financing cash flows. Therefore, management believes that there is no significant uncertainty regarding Group's ability to continue as going concern.

(e) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

- Note 30 – allowances for impairment of trade and other receivables.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 25 – employee benefits;
- Note 33 – contingencies.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and have been applied consistently by Group entities, which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Business combinations involving entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognized previously in the financial statements of the acquired entities. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of retained earnings. Any cash paid for the acquisition is recognised directly in equity.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(b) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity, trade and other receivables, cash and cash equivalents.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables category comprise the following classes of assets: trade and other receivables and cash and cash equivalents.

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(g) (i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in equity is reclassified to profit or loss.

Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be reliably measured are stated at cost less impairment losses.

(ii) Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, and trade and other payables.

(c) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of property, plant and equipment at 1 January 2007, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing of assets and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with carrying amount of property, plant and equipment, and is recognized net in "operating expenses" or "other operating income" in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10-70 years;
Transmission networks	6-40 years;
Equipment for electricity transmission	4-30 years;
Other	1-30 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(iv) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases, and leased assets are not recognized in the consolidated statement of financial position. Operating lease payments (net of benefits granted by the lessor) are recognized in profit or loss on a straight line basis over the lease term.

(e) Intangible assets

(i) Initial recognition

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The amortization charge is recognized in profit or loss as an operating expense.

The estimated useful lives for the current and comparative periods are as follows:

Licenses and certificates	1-3 years;
Software	2-4 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

The cost of inventories is determined using the weighted average cost method.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale equity securities are recognised by reclassifying losses accumulated in the fair value reserve in equity, to profit or loss. Any subsequent recovery in fair value of an impaired available-for-sale equity securities is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group’s corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Revenue

Revenue from electricity transmission is recognised in profit or loss on the basis of the acts confirming the volume of electric energy distributed in accordance with agreements signed only when the services are rendered. The act is compiled on the basis of a monthly report of electricity consumed (in terms of physical volumes) for each customer. The tariffs for energy transmission are approved by the Federal Tariff Agency and Regional Energy Commission of each region of the Group's operations.

Revenue from connection services represents a non-refundable fee for connecting the customer to the electricity grid network. The tariffs for connection services are approved by the Federal Tariff Agency and Regional Energy Commission of each region of the Group's operations. The terms, conditions and amounts of these fees are negotiated separately and are independent from fees generated by electricity transmission services. Revenue is recognized in proportion to the stage of completion.

Revenue from installation, repair and maintenance services and other sales is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer or when the services are provided.

(j) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, finance leasing, unwinding of the discount on provisions and impairment losses recognised on financial assets other than trade and other receivables. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefits plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past services are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses in profit or loss for the reporting period under the 10% corridor of the post-employment benefit obligation.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(iii) Other long-term employee benefits

The Group's net obligation in respect of non-current employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in profit or loss as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and if the obligation can be estimated reliably.

(m) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(n) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are reviewed regularly by the Management Board to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Segment financial information is presented in the Financial Statements in a manner similar to those provided to the Management Board. The amount of each segment item reported is the measure reported to the Management Board. Total amounts of segment information are reconciled to those in the Financial Statements (see note 7).

(o) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2012, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet determined the potential effect of the amendments.

- IAS 19 (2011) *Employee Benefits*. The amended standard will introduce a number of significant changes to IAS 19. First, the corridor method is removed and, therefore, all changes in the present value of the defined benefit obligation and in the fair value of plan assets will be recognised immediately as they occur. Secondly, the amendment will eliminate the current ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss. Thirdly, the expected return on plan assets recognised in profit or loss will be calculated based on the rate used to discount the defined benefit obligation. The amended standard shall be applied for annual periods beginning on or after 1 July 2013 and early adoption is permitted. The amendment generally applies retrospectively.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early. *The Standard has not yet been endorsed in the Russian Federation*.

- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2013. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in equity securities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

(in thousands of Russian Roubles, unless otherwise stated)

(b) Trade and other receivables

The fair value of non-current trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Group's subsidiaries

The Group's subsidiaries are disclosed below:

	Ownership, %	
Subsidiaries:	**31 December 2012**	**31 December 2011**
OJSC Tyvaenergo	98.96	98.96
OJSC AES	-	100.00
OJSC Omskelectrosetremont	100.00	100.00
OJSC Sotcsfera	100.00	100.00
OJSC Buryatsetremont	-	100.00
OJSC Sibirsetremont	-	100.00
OJSC Mekhanizirovannaya colonna	-	100.00
JSC PSC of Siberia	100.00	100.00

The subsidiary of the Group OJSC AES was liquidated on 13 April 2012. As a result of the liquidation of the subsidiary the net assets of OJSC AES in amount of RUB 116 597 thousand were disposed of. The loss on the liquidation of OJSC AES amounted to RUB 46 905 thousand.

In May 2012 the subsidiaries of the Group OJSC Buryatsetremont and OJSC Mekhanizirovannaya colonna were merged with the subsidiary OJSC Omskelectrosetremont. OJSC Omskelectrosetremont is the legal successor to OJSC Buryatsetremont and OJSC Mekhanizirovannaya colonna.

6 Disposal of subsidiary

OJSC AES was liquidated on 13 April 2012. Some assets of OJSC AES were sold and the proceeds were used to meet the subsidiary's obligations.

In accordance with the judgement of the Arbitration Court of the Kemerovo region dated 27 June 2012 the subsidiary OJSC Sibirsetremont was declared bankrupt and bankruptcy management was introduced for the period of six months up to 26 December 2012. Due to the introduction of bankruptcy management the Group lost control of the subsidiary. Gain on write-off of negative net assets of OJSC Sibirsetremont amounted to RUB 175 141 thousand.

The disposal of subsidiaries had the following effect on the Group's assets and liabilities at the date of disposal for the year ended 31 December 2012:

ASSETS	**Carrying amount at date of disposal**
Property, plant and equipment	114 922
Cash and cash equivalents	22 736
Trade and other receivables	18 613
Inventories	2 381
Deferred tax assets	35
Other current assets	1 371
Total	**160 058**

(in thousands of Russian Roubles, unless otherwise stated)

LIABILITIES	
Deferred tax liabilities	(16 340)
Trade and other payables	(202 262)
Total	**(218 602)**
Net liabilities	**(58 544)**
Consideration received in cash	69 692
Total consideration received	**69 692**
Gain on disposal (note 8)	**128 236**
Cash disposed of	22 736
Net cash inflow	**46 956**

7 Operating segments

The Group has nine reportable segments representing branches and subsidiary of the Company, as described below. These are the Group's strategic business units. The strategic business units offer similar services representing transmission of electric power and connection services, and are managed separately. For each of the strategic business units, the Management Board, the Group's operating decision making body, reviews internal management reports.

"Others" include operations of Group subsidiaries. None of them meets any of the quantitative thresholds for determining reportable segments in 2012 or 2011.

Unallocated items comprise corporate balances of the Company's headquarters which do not constitute an operating segment under IFRS 8.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Management Board.

Segment reports are based on the information reported in the statutory accounts, which differ significantly from the consolidated financial statements prepared under IFRS. The reconciliation of items measured as reported to the Management Board with similar items in these financial statements includes those reclassifications and adjustments that are necessary for the financial statements to be presented in accordance with IFRS.

Segment capital expenditures are the total cost invested during the year to acquire property, plant and equipment.

(in thousands of Russian Roubles, unless otherwise stated)

(i) Information about reportable segments as at and for the year ended 31 December 2012:

	Transmission										
	Altayenergo	**Buryatenergo**	**Gorno-Altayskie elektricheskie seti**	**Kuzbassenergo - RES**	**Krasnoyarsk-energo**	**Omskenergo**	**Khakas-energo**	**Chitaenergo**	**Tyvaenergo**	**Others**	**Total**
Revenue											
Electricity transmission	5 427 022	2 914 777	777 911	17 831 169	7 747 330	5 892 388	4 151 111	3 561 631	658 712	-	**48 962 051**
Connection services	28 708	24 608	18 248	70 293	213 722	8 696	19 828	906 817	41 237	-	**1 332 157**
Other	10 704	5 167	998	6 488	31 374	15 314	5 992	28 384	9 142	81 134	**194 697**
Total revenue from external customers	**5 466 434**	**2 944 552**	**797 157**	**17 907 950**	**7 992 426**	**5 916 398**	**4 176 931**	**4 496 832**	**709 091**	**81 134**	**50 488 905**
Inter-segment revenue	-	-	-	-	-	1 489	-	-	-	503 031	**504 520**
Total reportable segment revenue	**5 466 434**	**2 944 552**	**797 157**	**17 907 950**	**7 992 426**	**5 917 887**	**4 176 931**	**4 496 832**	**709 091**	**584 165**	**50 993 425**
Reportable segment operating profit/ (loss)	389 169	(440 989)	56 411	1 857 093	(2 351 767)	1 110 531	53 398	299 579	(33 786)	(50 946)	**888 693**
Finance income	30	112	-	48	271	371	95	101	131	90	**1 249**
Finance costs	(106 628)	(30 498)	(22 476)	-	(152 736)	(77 704)	(25 876)	(48 179)	(5 003)	(7 169)	**(476 269)**
Reportable segment profit/ (loss) before income tax	7 528	(755 709)	427 534	1 979 269	(1 589 731)	1 025 017	10 345	220 472	(53 962)	(77 393)	**1 193 370**
Depreciation and amortization	706 603	287 323	173 393	683 735	625 049	369 970	221 858	550 195	35 669	11 162	**3 664 957**
Reportable segment assets	9 078 521	3 811 560	2 365 545	10 353 526	9 708 946	6 619 554	2 912 099	6 932 514	1 482 530	387 222	**53 652 017**
Including property, plant and equipment	7 586 000	2 633 167	2 230 546	8 974 621	7 001 326	5 012 967	2 397 528	6 229 766	655 993	108 586	**42 830 500**
Reportable segment liabilities	3 229 357	1 258 702	192 042	1 399 231	9 899 865	1 656 184	856 897	1 696 445	1 300 593	356 232	**21 845 548**
Capital expenditures	**796 758**	**332 513**	**139 299**	**1 535 379**	**422 044**	**595 876**	**425 790**	**1 099 422**	**56 529**	**14 649**	**5 418 259**

The reportable segment operating loss of Krasnoyarskenergo was caused by the termination of the “last mile” agreement for electricity distribution with OJSC RUSAL Krasnoyarsk Aluminium Smelter.

(in thousands of Russian Roubles, unless otherwise stated)

(ii) Information about reportable segments as at and for the year ended 31 December 2011:

	Transmission										
	Altayenergo	**Buryatenergo**	**Gorno-Altayskie elektricheskie seti**	**Kuzbassenergo - RES**	**Krasnoyarsk-energo**	**Omskenergo**	**Khakas-energo**	**Chitaenergo**	**Tyvaenergo**	**Others**	**Total**
Revenue											
Electricity transmission	5 048 127	4 849 653	694 509	18 643 927	7 917 929	5 932 281	4 104 749	3 168 160	644 043	-	**51 003 378**
Connection services	9 479	123 947	60 123	152 620	252 632	4 351	12 070	846 772	32 070	-	**1 494 064**
Other	7 876	4 946	1 872	463 633	29 602	16 648	7 074	27 080	7 085	104 470	**670 286**
Total revenue from external customers	**5 065 482**	**4 978 546**	**756 504**	**19 260 180**	**8 200 163**	**5 953 280**	**4 123 893**	**4 042 012**	**683 198**	**104 470**	**53 167 728**
Inter-segment revenue	-	-	-	-	-	1 557	-	145	-	1 076 914	**1 078 616**
Total reportable segment revenue	**5 065 482**	**4 978 546**	**756 504**	**19 260 180**	**8 200 163**	**5 954 837**	**4 123 893**	**4 042 157**	**683 198**	**1 181 384**	**54 246 344**
Reportable segment operating profit/ (loss)	**181 047**	**1 931 875**	**51 950**	**1 832 826**	**(3 417 130)**	**1 373 663**	**113 678**	**143 226**	**(68 670)**	**(45 747)**	**2 096 718**
Finance income	-	99	-	-	78	22	10	6	124	615	**954**
Finance costs	(156 490)	(26 822)	(6 483)	-	(110 147)	(75 103)	(3 826)	(4 575)	(5 334)	(4 534)	**(393 314)**
Reportable segment profit/ (loss) before income tax	(95 865)	685 686	23 628	1 685 239	(3 401 464)	1 362 321	361 476	156 220	(308 136)	(73 122)	**395 983**
Depreciation and amortization	639 226	236 927	130 781	595 749	584 179	316 805	168 516	505 834	31 217	40 600	**3 249 834**
Reportable segment assets	**9 142 105**	**3 559 513**	**2 381 937**	**9 489 990**	**8 481 738**	**6 146 713**	**2 611 808**	**6 132 181**	**1 277 922**	**559 054**	**49 782 961**
Including property, plant and equipment	7 535 332	2 588 899	2 261 950	8 140 679	7 234 075	4 810 035	2 267 749	5 657 569	368 850	170 021	**41 035 159**
Reportable segment liabilities	**2 658 757**	**821 249**	**438 346**	**1 275 013**	**8 239 985**	**2 298 930**	**1 008 946**	**1 445 108**	**1 249 042**	**530 956**	**19 966 332**
Capital expenditures	**682 271**	**550 909**	**545 501**	**2 239 759**	**668 353**	**814 535**	**570 441**	**1 207 369**	**-**	**11 840**	**7 290 978**

The reportable segment operating loss of Krasnoyarskenergo was caused by the termination of the “last mile” agreement for electricity distribution with OJSC RUSAL Krasnoyarsk Aluminium Smelter.

(in thousands of Russian Roubles, unless otherwise stated)

(iii) Reconciliations of reportable segments' revenues, profit or loss, assets and liabilities and other material items

Revenues:

	Year ended 31 December 2012	Year ended 31 December 2011
Total revenue for reportable segments	**50 993 425**	**54 246 344**
Inter-segment revenue elimination	(504 520)	(1 078 616)
Other adjustments	(981 271)	(896 542)
Unallocated	6 912	40 385
Consolidated revenue	**49 514 546**	**52 311 571**

Profit/ (loss) before income tax:

	Year ended 31 December 2012	Year ended 31 December 2011
Total profit before income tax for reportable segments	**1 193 369**	**395 983**
Adjustment for depreciation of property, plant and equipment	(487 673)	(460 011)
Adjustments for financial lease	73 417	119 859
Discounting of accounts receivable	110 387	(45 217)
Adjustment for allowance for impairment of accounts receivable	456 357	50 111
Adjustment for change in fair value of available-for-sale investments	(72 504)	112 722
Recognition of employee benefits obligations	(34 279)	(25 899)
Capitalized interest	16 455	(558)
Discounting of accounts payable	482 797	(50 065)
Adjustment of revenue	(1 089 303)	(1 142 161)
Cut-off adjustment	(41 929)	668 873
Other adjustments	306 933	375 759
Unallocated	143 804	(309 434)
Consolidated profit/(loss) before income tax	**1 057 831**	**(310 038)**

Total assets:

	31 December 2012	31 December 2011
Total assets for reportable segments	**53 652 017**	**49 782 961**
Inter-segment balances	(397 654)	(461 172)
Elimination of cost of investments in subsidiaries	(324 337)	(387 378)
Adjustment for net book value of property, plant and equipment	(2 777 659)	(1 893 352)
Recognition of financial assets related to employee benefit fund	519 807	504 783
Adjustment for prepaid expenses write-off	(76 766)	(84 044)
Discounting of accounts receivable	-	(110 388)
Adjustment for deferred tax	(925 475)	(681 873)
Adjustments for finance lease	(1 767)	(12 070)
Adjustment for allowance for impairment of accounts receivable	1 487 158	830 046
Accounts receivable not recognized or written-off	(2 196 122)	(1 279 928)
Other adjustments	(146 488)	(95 109)
Unallocated	2 000 175	2 767 347
Consolidated total assets	**50 812 889**	**48 879 823**

(in thousands of Russian Roubles, unless otherwise stated)

Total liabilities:

	31 December 2012	31 December 2011
Total liabilities for reportable segments	**21 845 548**	**19 966 332**
Inter-segment balances	(397 654)	(461 172)
Adjustment for deferred tax	895 193	1 192 822
Unused vacation and annual bonus provision	1 143	11 593
Finance lease liabilities	3 572	66 986
Employee benefits	307 239	257 936
Discounting of accounts payable	(488 761)	(5 422)
Other adjustments	(24 040)	(159 460)
Unallocated	2 917 646	3 008 432
Consolidated total liabilities	**25 059 886**	**23 878 047**

For the year ended 31 December 2012 the Group had two major customers with individual turnover over 10% of total Group revenues in Kuzbassenergo-RES segment – RUB 6 883 607 thousand, in Krasnoyarskenergo segment - RUB 5 349 615 thousand (in 2011 - two major customers: in Kuzbassenergo-RES segment – RUB 6 646 425 thousand, in Krasnoyarskenergo segment – RUB 5 738 947 thousand).

8 Revenue and other operating income

Revenue	Year ended 31 December 2012	Year ended 31 December 2011
Electricity transmission	47 872 349	49 861 797
Connection services	1 332 156	1 544 548
Rent	101 515	150 433
Repairs and maintenance	58 521	86 282
Heat	13 900	14 326
Other	136 105	654 185
	49 514 546	**52 311 571**

Other operating income	Year ended 31 December 2012	Year ended 31 December 2011
Fines and penalties	248 398	256 811
Write-off of accounts payable	158 690	15 826
Gain as a result of Court decision on compensation of lost income in prior periods	1 020 865	-
Write-off overdue tax fines and penalties	-	228 334
Other income	706 724	512 415
	2 134 677	**1 013 386**

In February 2012 the Group appealed to the Arbitration Court of Krasnoyarsk region with a claim for recovery of losses from the Krasnoyarsk region in the amount of RUB 4 607 249 thousand, caused as a result of the unfair regulations regarding the tariff rates policy for electricity transmission for 2011.

As a result of a ruling of the Arbitration Court of Krasnoyarsk region dated 8 October 2012, the claim was partially satisfied in the amount of RUB 1 020 865 thousand. The third Arbitration Appeal Court in its decision dated 15 February 2013 upheld the decision of Court of previous instance without change.

In 2012 the Group has not recognised revenue for the electricity transmission services provided to distribution selling entities in the amount of RUB 1 089 303 thousand (in 2011: RUB 1 142 161 thousand) due to unresolved disagreements with these customers. These disagreements are currently being considered in court.

(in thousands of Russian Roubles, unless otherwise stated)

9 Operating expenses

	Year ended 31 December 2012	Year ended 31 December 2011
Electricity transmission	22 811 836	25 056 549
Personnel costs (note 10)	10 843 968	10 139 055
Purchased electricity for compensation of technological losses	6 872 979	6 516 023
Depreciation and amortization	4 176 733	3 726 361
Raw materials and supplies	1 761 869	1 097 302
Repairs and maintenance	1 065 414	1 462 199
Consulting, legal and audit services	513 908	518 771
Allowance for impairment of accounts receivable	370 107	1 090 423
Rent	350 083	303 139
Security	202 849	222 803
Taxes other than income tax	186 162	180 785
Telecommunication services	161 649	147 014
Heat for own needs	129 637	64 832
Insurance	101 145	108 025
Transportation	58 173	419 655
Other	1 216 596	2 161 181
	50 823 108	**53 214 117**

10 Personnel costs

	Year ended 31 December 2012	Year ended 31 December 2011
Wages and salaries	8 139 417	7 001 767
Payroll taxes	2 232 961	2 202 174
Bonus provision and unused vacation expense	145 998	428 683
Expense in respect of post-employment defined benefit plan	128 351	128 689
Other	197 241	377 742
	10 843 968	**10 139 055**

In 2012 the average number of employees (including production and non production employees) was 21 720 employees (2011: 21 028 employees).

(in thousands of Russian Roubles, unless otherwise stated)

11 Finance income and costs

	Year ended 31 December 2012	Year ended 31 December 2011
Finance income		
Effect of discounting of financial instruments	598 295	70 592
Interest income	93 904	36 112
Other	3 948	36 181
	696 147	**142 885**
Finance costs		
Interest expense	454 810	384 005
Effect of discounting of financial instruments	5 111	165 874
Interest on finance lease liabilities	4 510	13 884
	464 431	**563 763**

12 Income tax expense

	Year ended 31 December 2012	Year ended 31 December 2011
Current tax expense		
Current year	(100 114)	(204 143)
Over provided in prior years	2 147	201 818
	(97 967)	**(2 325)**
Deferred tax benefit		
Origination and reversal of temporary differences	(247 679)	(40 945)
Change in tax base of property, plant and equipment	-	(332 169)
Recognition of tax loss carry-forwards as result of the recalculation of income tax from prior years	137 325	210 360
	(110 354)	**(162 754)**
Total income tax expense	**(208 321)**	**(165 079)**

The Group's applicable tax rate is the income tax rate of 20% for Russian companies.

Reconciliation of effective tax rate:

	Year ended 31 December 2012	%	Year ended 31 December 2011	%
Profit/(loss) before income tax	**1 057 831**	**100**	**(310 038)**	**(100)**
Income tax (expense)/benefit at applicable tax rate	(211 566)	20	62 008	20
Change in tax base of property, plant and equipment	-	-	(332 169)	(107)
Recognition of tax loss carry-forwards as result of the recalculation of income tax from prior years	137 325	13	210 360	68
Net tax effect of items which are not deductible / not taxable for taxation purposes	(136 227)	(13)	(307 096)	(99)
Over provided in prior years	2 147	0	201 818	65
	(208 321)	**20**	**(165 079)**	**(53)**

(in thousands of Russian Roubles, unless otherwise stated)

13 Property, plant and equipment

	Land and buildings	Transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
Cost/Deemed cost						
Balance at 1 January 2011	8 404 540	25 700 219	8 235 742	4 243 637	1 448 361	48 032 499
Additions	89 323	180 611	85 819	396 287	6 747 509	7 499 549
Transfers	690 550	2 035 614	1 134 613	562 655	(4 423 432)	-
Disposals	(71 548)	(83 266)	(34 684)	(106 428)	(109 235)	(405 161)
Disposal of subsidiaries	-	-	-	(12 612)	(46 191)	(58 803)
Balance at 31 December 2011	**9 112 865**	**27 833 178**	**9 421 490**	**5 083 539**	**3 617 012**	**55 068 084**
Balance at 1 January 2012	9 112 865	27 833 178	9 421 490	5 083 539	3 617 012	55 068 084
Additions	65 262	656 464	45 796	644 481	3 931 998	5 344 001
Transfers	717 248	1 984 530	1 716 370	519 644	(4 937 792)	-
Disposals	(78 326)	(19 296)	(4 752)	(48 458)	(90 385)	(241 217)
Disposal of subsidiaries	(99 632)	-	-	(107 140)	(177)	(206 949)
Balance at 31 December 2012	**9 717 417**	**30 454 876**	**11 178 904**	**6 092 066**	**2 520 656**	**59 963 919**
Depreciation						
Balance at 1 January 2011	(1 426 396)	(6 941 760)	(2 202 687)	(1 819 984)	-	(12 390 827)
Depreciation for the year	(446 774)	(2 069 064)	(634 378)	(544 378)	-	(3 694 594)
Disposals	11 066	33 263	17 105	88 004	-	149 438
Disposal of subsidiaries	-	-	-	9 706	-	9 706
Balance at 31 December 2011	**(1 862 104)**	**(8 977 561)**	**(2 819 960)**	**(2 266 652)**	**-**	**(15 926 277)**
Balance at 1 January 2012	(1 862 104)	(8 977 561)	(2 819 960)	(2 266 652)	-	(15 926 277)
Depreciation for the year	(508 034)	(2 251 270)	(746 000)	(640 129)	-	(4 145 433)
Disposals	18 693	10 025	3 514	36 373	-	68 605
Disposal of subsidiaries	17 137	-	-	74 890	-	92 027
Balance at 31 December 2012	**(2 334 308)**	**(11 218 806)**	**(3 562 446)**	**(2 795 518)**	**-**	**(19 911 078)**
Net book value						
At 1 January 2011	**6 978 144**	**18 758 459**	**6 033 055**	**2 423 653**	**1 448 361**	**35 641 672**
At 31 December 2011	**7 250 761**	**18 855 617**	**6 601 530**	**2 816 887**	**3 617 012**	**39 141 807**
At 31 December 2012	**7 383 109**	**19 236 070**	**7 616 458**	**3 296 548**	**2 520 656**	**40 052 841**

As at 31 December 2012 construction in progress includes prepayments for property, plant and equipment of RUB 209 671 thousand (as at 31 December 2011: RUB 372 388 thousand).

The amount of capitalized interest in 2012 was RUB 28 764 thousand (in 2011: RUB 55 962 thousand). The capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation in the year ended 31 December 2012 was 7.5 % (in 2011: 7.8 %).

(in thousands of Russian Roubles, unless otherwise stated)

Leased plant and machinery

The Group leases production equipment and transportation vehicles under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment. As at 31 December 2012 the net book value of leased property, plant and equipment was RUB 18 381 thousand (31 December 2011: RUB 231 753 thousand). The leased equipment secures lease obligations.

14 Intangible assets

	Software	Licenses	Certificates	Other intangible assets	Total
Cost					
Balance at 1 January 2011	328 216	18 228	623 932	6 215	976 591
Additions	33 669	-	685	422	34 776
Disposals	-	-	-	-	-
Balance at 31 December 2011	**361 885**	**18 228**	**624 617**	**6 637**	**1 011 367**
Balance at 1 January 2012	361 885	18 228	624 617	6 637	1 011 367
Additions	183 839	-	1 069	-	184 908
Disposals	(33 874)	-	(608 590)	(6 637)	(649 101)
Balance at 31 December 2012	**511 850**	**18 228**	**17 096**	**-**	**547 174**
Amortisation					
Balance at 1 January 2011	(33 249)	(16 400)	(612 662)	(4 726)	(667 037)
Amortisation for the year	(24 738)	(1 786)	(3 332)	(1 911)	(31 767)
Balance at 31 December 2011	**(57 987)**	**(18 186)**	**(615 994)**	**(6 637)**	**(698 804)**
Balance at 1 January 2012	(57 987)	(18 186)	(615 994)	(6 637)	(698 804)
Amortisation for the year	(27 315)	(17)	(3 968)	-	(31 300)
Disposals	33 874	-	608 576	6 637	649 087
Balance at 31 December 2012	**(51 428)**	**(18 203)**	**(11 386)**	**-**	**(81 017)**
Net book value					
At 1 January 2011	**294 967**	**1 828**	**11 270**	**1 489**	**309 554**
At 31 December 2011	**303 898**	**42**	**8 623**	**-**	**312 563**
At 31 December 2012	**460 422**	**25**	**5 710**	**-**	**466 157**

(in thousands of Russian Roubles, unless otherwise stated)

15 Deferred tax liabilities

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Property, plant and equipment	22 874	1 659	(3 334 128)	(3 500 283)	(3 311 254)	(3 498 624)
Inventories	-	-	(83)	(4 564)	(83)	(4 564)
Trade and other receivables	47 631	956	(187 139)	(22 301)	(139 508)	(21 345)
Other current assets	87 033	18 005	-	-	87 033	18 005
Trade and other payables	249 172	223 236	(1 160)	-	248 012	223 236
Tax loss carry-forwards	19 877	141 334	-	-	19 877	141 334
Other	8 070	131 483	(11 470)	(9 475)	(3 400)	122 008
Deferred tax assets/(liabilities)	**434 657**	**516 673**	**(3 533 980)**	**(3 536 623)**	**(3 099 323)**	**(3 019 950)**

Movements in temporary differences during the year

	1 January 2012	Disposal of subsidiary (note 6)	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2012
Property, plant and equipment	(3 498 624)	16 340	171 030	-	(3 311 254)
Inventories	(4 564)	-	4 481	-	(83)
Trade and other receivables	(21 345)	-	(118 163)	-	(139 508)
Other current assets	18 005	-	69 028	-	87 033
Trade and other payables	223 236	(35)	24 811	-	248 012
Tax loss carry-forwards	141 334	-	(121 457)	-	19 877
Other	122 008	-	(140 084)	14 676	(3 400)
Deferred tax assets/(liabilities)	**(3 019 950)**	**16 305**	**(110 354)**	**14 676**	**(3 099 323)**

	1 January 2011	Disposal of subsidiaries (note 6)	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2011
Property, plant and equipment	(3 265 197)	-	(233 427)	-	(3 498 624)
Inventories	(17 059)	-	12 495	-	(4 564)
Trade and other receivables	140 139	-	(161 484)	-	(21 345)
Other current assets	-	-	18 005	-	18 005
Trade and other payables	144 486	(61)	78 811	-	223 236
Tax loss carry-forwards	170 254	-	(28 920)	-	141 334
Other	(56 121)	(2 617)	151 766	28 980	122 008
Deferred tax assets/(liabilities)	**(2 883 498)**	**(2 678)**	**(162 754)**	**28 980**	**(3 019 950)**

(in thousands of Russian Roubles, unless otherwise stated)

16 Investments and financial assets

	31 December 2012	31 December 2011
Non-current		
Financial assets related to employee benefit fund	519 807	504 783
Available-for-sale investments	114 127	219 033
	633 934	**723 816**

Available-for-sale investments represent investments in shares of JSC TGK-13, JSC FGC UES and other securities, which are listed on MICEX, recorded at fair market value (Level 1 in the fair value hierarchy).

Financial assets related to employee benefit fund

Financial assets related to the employee benefit fund relate to the Group's contributions accumulated in the solidary and employees' individual pension accounts with the Non-State Pension Fund of Electric Power Industry (employee benefit fund). Subject to certain restrictions 80% contributions to the employee benefit fund can be withdrawn at the discretion of the Group.

The Group's exposure related to credit risks and impairment losses related to other investments and financial assets is disclosed in note 30.

17 Other non-current assets

	31 December 2012	31 December 2011
Trade accounts receivable	10 891	1 133
Other accounts receivable	5 243	461 084
Other non-current assets	-	25
	16 134	**462 242**

For more detailed information concerning the Group's exposure to credit risks and impairment losses related to trade and other receivables refer to note 30.

18 Cash and cash equivalents

Cash and cash equivalents mainly represent cash in bank accounts amounted to RUB 328 424 thousand denominated in roubles (31 December 2011: RUB 1 183 631 thousand). During 2012 the Group performed non-cash settlements offsetting of trade and other accounts receivables and payables with different counterparties for RUB 1 754 783 thousand (in 2011: RUB 2 154 562 thousand).

19 Trade and other receivables

	31 December 2012	31 December 2011
Trade receivables from electricity transmission and technological connection	6 510 168	4 910 060
Trade receivables from electricity transmission and technological connection impairment allowance	(1 383 666)	(1 098 781)
Other trade receivables	186 839	339 809
Other trade receivables impairment allowance	(157 209)	(152 628)
Other receivables	2 352 090	1 610 296
Other receivables impairment allowance	(460 835)	(543 205)
Total trade and other receivables	**7 047 387**	**5 065 551**

(in thousands of Russian Roubles, unless otherwise stated)

Prepayments	31 December 2012	31 December 2011
Prepayments	130 868	141 950
Prepayments impairment allowance	(58 409)	(60 566)
Other taxes prepaid	12 382	8 965
	84 841	**90 349**

For more detailed information concerning the Group's exposure to credit risks and impairment losses related to trade and other receivables refer to note 30.

20 Inventories

	31 December 2012	31 December 2011
Materials and supplies	976 545	724 869
Spare parts	265 050	170 584
Other inventories	48 282	75 234
Total inventories	**1 289 877**	**970 687**
Less: provision for inventory obsolescence	(25 929)	(26 881)
Net book value	**1 263 948**	**943 806**

As at 31 December 2012 and 2011 no inventories were pledged under the bank loan agreements.

21 Equity

(a) Share capital

	31 December 2012	31 December 2011
Number of ordinary shares authorised, issued and fully paid (thousands)	94 815 163	94 815 163
Par value (in RUB)	0.10	0.10

(b) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

As at 31 December 2012 and up to the date of approval of the Financial Statements the Group declared no dividends for 2012 and 2011.

22 Earnings/(loss) per share

	Year ended 31 December 2012	Year ended 31 December 2011
Weighted average number of ordinary shares for the year ended 31 December (thousands of shares)	94 815 163	92 307 817
Profit/(loss) attributable to shareholders of the Company	**852 546**	**(473 129)**
Earnings/(loss) per share (in Russian Roubles) – basic and diluted	**0.0090**	**(0.0051)**

(in thousands of Russian Roubles, unless otherwise stated)

23 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risks, refer to note 30.

Non-current liabilities

		Effective interest rate, %				
Name of lender		**31 December 2012**	**31 December 2011**	**Maturity**	**31 December 2012**	**31 December 2011**
OJSC JSCB ROSBANK	Unsecured	7.20%	7.20%	2013	1 660 000	1 660 000
JSC Sberbank*	Unsecured	8.45%	8.45%	2013-2014	769 962	608 651
OJSC JSCB ROSBANK	Unsecured	7.20%	7.20%	2013	614 997	629 000
JSC Sberbank*	Unsecured	7.15%	7.15%	2014	600 000	600 000
JSC Sberbank*	Unsecured	7.15%	7.15%	2014	500 000	500 000
JSC Sberbank*	Unsecured	7.25%	7.25%	2014	500 000	500 000
JSC Sberbank*	Unsecured	7.25%	7.25%	2014	491 259	491 259
JSC Sberbank*	Unsecured	7.25%	7.25%	2014	450 000	450 000
JSC Sberbank*	Unsecured	7.43%	7.43%	2014	300 000	300 000
JSC Sberbank*	Unsecured	7.87%	7.87%	2015	218 992	223 719
JSC Sberbank*	Unsecured	7.56%	7.56%	2014	200 000	200 000
JSC Sberbank*	Unsecured	7.73%	7.73%	2015	125 280	27 465
JSC Sberbank*	Unsecured	7.15%	7.15%	2013	64 335	64 335
OJSC Gazprombank*	Unsecured	9.60%	9.60%	2014	-	25 000
Less current portion of long-term loans and borrowings					(2 947 984)	-
					3 546 841	**6 279 429**

Current portion of long-term borrowings

Name of lender		**Effective interest rate, %**	**31 December 2012**	**31 December 2011**
OJSC JSCB ROSBANK	Unsecured	7.20%	1 660 000	-
JSC Sberbank*	Unsecured	8.45%	608 652	-
OJSC JSCB ROSBANK	Unsecured	7.20%	614 997	-
JSC Sberbank*	Unsecured	7.15%	64 335	-
			2 947 984	**-**

Current liabilities

Name of lender		**Effective interest rate, % 31.12.2012**	**Effective interest rate, % 31.12.2011**	**31 December 2012**	**31 December 2011**
JSC Sberbank*	Unsecured	-	6.47%	-	317 454
Other loans and borrowings	Unsecured	-	-	40 689	29 550
Current portion of long-term loans and borrowings				2 947 987	-
Interest expense payable		-	-	6 696	6 207
				2 995 372	**353 211**

*- Loans from government-related entities

All the Group's borrowings are denominated in RUB and bear a fixed interest rate. The effective interest rate is the market interest rate applicable to the loan on the date of its receipt.

The carrying value of borrowings approximates their fair value.

(in thousands of Russian Roubles, unless otherwise stated)

24 Finance lease liability

The Group leases transportation vehicles, technical and other equipment under a number of finance lease agreements. Finance lease liabilities are payable as follows:

	31 December 2012			31 December 2011		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	3 507	(1 039)	2 468	71 496	(4 518)	66 978
Between one and five years	1 325	(221)	1 104	9	(1)	8
	4 832	**(1 260)**	**3 572**	**71 505**	**(4 519)**	**66 986**

The finance lease liabilities are secured by the leased assets.

25 Employee benefits

The Group has defined benefit pension and other long-term defined benefit plans that cover most full-time and retired employees. Defined post-employment benefits consist of several unfunded plans providing for lump-sum payments upon retirement, financial support for current pensioners, death benefits, jubilee benefits.

Net liability of the defined benefit obligations are as follows:

	31 December 2012	**31 December 2011**
Total present value of obligations	744 582	615 488
Unrecognised net actuarial loss	(279 897)	(163 082)
Unrecognised past service cost	(157 446)	(194 470)
Recognized liability for defined benefit obligations	**307 239**	**257 936**

The amounts recognized in profit or loss are as follows:

	Year ended 31 December 2012	**Year ended 31 December 2011**
Current service cost	29 054	27 722
Interest expense	48 153	47 205
Recognized past service costs	39 863	36 427
Recognized actuarial loss	11 281	17 335
Total periodical pension cost	**128 351**	**128 689**

The expense is recognized in the “personnel costs” as part of operating expenses.

Movements in the present value of the Group’s employee benefit obligations are as follows:

	31 December 2012	**31 December 2011**
Defined benefit obligations at 1 January	615 488	618 505
Current service cost	29 054	27 722
Interest expense	48 153	47 205
Actuarial gains and losses	128 096	(2 778)
Benefits paid	(79 048)	(84 611)
Past service cost	2 839	9 445
Defined benefit obligations at 31 December	**744 582**	**615 488**

(in thousands of Russian Roubles, unless otherwise stated)

Principal actuarial assumptions are as follows:

	2012	2011
Discount rate	7.10%	8.50%
Salary increase	5.00%	5.50%
Inflation rate	5.00%	5.50%

26 Other non-current liabilities

	31 December 2012	31 December 2011
Restructured trade payables	3 179 050	-
Other payables	3 993	25 161
Prepayments from customers for technological connection	27 755	84 784
Other prepayments	7 983	-
	3 218 781	**109 945**

The amount of restructured trade payables is represented by discounted trade payables to OJSC FGC UES, originated in 2011 in amount RUB 3 666 958 thousand. During 2012 the Group concluded restructuring agreement regarding overdue payables. According to restructuring agreement debt will be settled in equal payments in 2014.

27 Employee payables

	31 December 2012	31 December 2011
Salaries and wages payable	587 754	569 013
Unused vacation provision	446 049	398 028
Annual bonus provision	558 005	460 028
	1 591 808	**1 427 069**

Provision for annual bonuses includes bonuses and other similar payments accrued (including compulsory social security contributions) based on employees' performance.

28 Trade and other payables

	31 December 2012	31 December 2011
Trade payables	6 394 590	9 131 117
Other payables and accrued expenses	1 858 824	1 301 393
Prepayments from customers for electricity transmission and technological connection	1 186 481	1 036 613
Other prepayments received	12 206	39 242
	9 452 101	**11 508 365**

29 Other taxes payables

	31 December 2012	31 December 2011
Value added tax	414 383	176 304
Compulsory social security contributions	184 087	198 181
Personal income tax	124 021	143 806
Tax fines and penalties	64 537	184 563
Other taxes	46 795	56 094
	833 823	**758 948**

(in thousands of Russian Roubles, unless otherwise stated)

30 Financial risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

The Group does not have any significant exposure to currency risk on sales, purchases and borrowings, because no significant operations are denominated in a currency other than the functional currency of the Company and its subsidiaries, which is the Russian Rouble.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosure are included throughout these Financial Statements.

The Group's risk management policies deal with identifying and analyzing the risk faces by the Group, setting appropriate risk limits and controls, and monitoring risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its internal policies, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

To manage credit risk the Group attempts, to the fullest extent possible, to demand prepayments from customers. As a rule, prepayment for connection services is set in contract and depends on the amount of capacity to be connected.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables that relate to individually significant exposures.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2012	**31 December 2011**
Trade and other receivables	7 063 521	5 527 768
Investments and financial assets	519 807	504 783
Cash and cash equivalents	328 424	1 183 631
	7 911 752	**7 216 182**

The Group's four most significant customers, regional distribution entities, account for RUB 2 235 274 thousand of the trade receivables carrying amount at 31 December 2012 (31 December 2011: four most significant customers, accounted for RUB 1 500 480 thousand). The Group considers the debts as recoverable based on the financial position of counterparties, historical business relationships and prevailing market conjuncture.

The maximum exposure to credit risk for trade receivables (excluding other receivables) at the reporting date by type of customer was:

(in thousands of Russian Roubles, unless otherwise stated)

	Carrying amount	
	31 December 2012	**31 December 2011**
Electricity transmission customers (regional distribution entities)	3 058 253	2 214 983
Electricity transmission customers (others)	1 975 065	1 549 735
Connection services customers	98 084	49 796
Other trade customers	35 622	185 079
	5 167 024	**3 999 593**

Impairment losses

The tables below analyze the Group's trade and other receivables into relevant groups based on the past due periods:

	At 31 December 2012		At 31 December 2011	
	Gross	**Allowance**	**Gross**	**Allowance**
Not past due	5 690 713	-	4 056 209	(5 495)
Past due 0-3 months	874 145	(33 296)	895 604	(67 776)
Past due 3-6 months	651 880	(611 289)	772 857	(454 515)
Past due 6-12 months	792 579	(300 056)	643 983	(390 055)
Past due more than 12 months	1 059 026	(1 057 069)	953 729	(876 773)
	9 065 231	**(2 001 710)**	**7 322 382**	**(1 794 614)**

The movements in the allowance for impairment in respect of trade and other receivables during the year were as follows:

	Year ended 31 December 2012	**Year ended 31 December 2011**
Balance at 1 January	1 794 614	786 532
Net (decrease)/increase during the period	372 049	1 029 853
Provision used	(164 953)	(21 771)
Balance at 31 December	**2 001 710**	**1 794 614**

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors the risk of cash shortfalls by means of current liquidity planning. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This approach is used to analyze payment dates associated with financial assets, and also to forecast cash flows from operating activities.

To manage the liquidity risk, the Group has negotiated credit lines with a pool of highly rated commercial banks. As at 31 December 2012 the Group had unused credit lines in the amount of RUB 5 648 499 thousand (as at 31 December 2011: RUB 3 193 941 thousand).

(in thousands of Russian Roubles, unless otherwise stated)

The contractual maturities of financial liabilities presented including estimated interest payments:

	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities as at 31 December 2012								
Loans	6 542 213	7 107 829	3 128 576	3 590 085	367 345	21 823	-	-
Finance lease liabilities	3 572	4 832	3 507	1 111	214	-	-	-
Trade and other payables	10 341 216	10 829 977	7 158 173	3 666 958	-	-	-	4 846
	16 887 001	**17 942 638**	**10 290 256**	**7 258 154**	**367 559**	**21 823**	**-**	**4 846**

	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities as at 31 December 2011								
Loans	6 626 433	7 654 525	356 589	3 322 619	3 663 516	-	311 801	-
Finance lease liabilities	66 986	71 505	71 496	9	-	-	-	-
Trade and other payables	9 950 625	9 956 149	9 937 885	14 455	-	-	-	3 809
	16 644 044	**17 682 179**	**10 365 970**	**3 337 083**	**3 663 516**	**-**	**311 801**	**3 809**

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Interest rate risk

The Group's income and operating cash flows are largely independent of changes in market interest rates. The Group is exposed to interest rate risk only through market value fluctuations of loans and borrowings. The interest rates on most loans and borrowings are fixed. Changes in interest rates impact primarily loans and borrowings by changing their fair value (fixed rate debt).

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

(in thousands of Russian Roubles, unless otherwise stated)

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Fixed rate instruments	**Carrying amount 31 December 2012**	**Carrying amount 31 December 2011**
Loans and borrowings	6 535 514	6 626 433
Finance lease liabilities	3 572	66 986
	6 539 086	**6 693 419**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(e) Fair values

Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

The basis for determining fair value is disclosed in note 4.

Fair value of available-for-sale investments (refer to note 16) was determined in accordance with quoted prices at MICEX.

(f) Capital management

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Group defines as net profit after tax divided by total shareholders' equity.

Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are subject to external capital requirements that require that their net assets as determined in accordance with Russian Accounting Principles must exceed their share capital at all times.

31 Operating lease

The Group leases a number of land plots owned by local governments under operating leases. In addition, the Group leases non-residential premises and vehicles.

Land leases were entered in prior periods and represented land plots on which power lines, equipment for electricity transformation and other assets are located. The land leases typically run for an initial period of 5 to 49 years, with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

The land title does not pass and the landlord retains control over land usage. The Group determined that substantially all the risks and rewards of the land plots are with the landlord, therefore the leases are considered as operating leases.

Operating lease rentals under non-cancellable leases are payable as follows:

	31 December 2012	**31 December 2011**
Less than one year	287 333	217 635
Between one year and five years	643 722	539 163
More than five years	4 867 474	4 714 556
	5 798 529	**5 471 354**

In 2012 the amount of rent expense under operating leases recognized in profit or loss was RUB 350 083 thousand (in 2011: RUB 303 139 thousand).

32 Commitments

(a) Capital commitments

According to the capital investment program, the amount of the Group's investment commitments for the next year is RUB 5 512 717 thousand as at 31 December 2012, net of VAT and prepayments for property, plant and equipment (as at 31 December 2011: RUB 4 311 380 thousand). The Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 1 007 341 thousand as at 31 December 2012, net of VAT (as at 31 December 2011: RUB 723 332 thousand).

33 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its property, plant and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

The Group is a party to certain legal proceedings arising in the ordinary course of business. Management believes than these matters will not have a material adverse effect on the Group's financial position and operating results.

(c) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on Financial Statements, if the authorities were successful in enforcing their interpretations, could be significant.

(d) Environmental matters

The Company and its predecessors have operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. Management periodically evaluates its obligations under environmental regulations.

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

(e) Other contingencies

The Group believes that the electricity services provided are in compliance with the Russian legislation regulating electric power transmission. However, based on the lack of elaboration of legislation that regulates the lease of Unified National (All-Russia) Electricity Network property ("last-mile") the Company was the subject of lawsuit for RUB 2 227 016 thousand from LLC Rusenergosbyt concerning the legitimacy of the revenue recognition from the transmission of electricity via "last-mile" grids in the period from January to December 2009.

(in thousands of Russian Roubles, unless otherwise stated)

The potential amount of other claims cannot be reliably estimated as each claim would have individual legal circumstances and respective estimation would be based on variety of assumptions and judgements, which makes it impracticable.

The Group did not recognize any provision for those claims as it believes that it is not probable that related outflow of resources or decrease of benefits inflow will take place.

This position was also supported by the decision of the Supreme Arbitration Court of Russian Federation as at 12 March 2013 in a similar case of JSC IDGC of Urals.

34 Related parties

(a) Control relationships

The Company's parent as at 31 December 2012 and 2011 was JSC IDGC Holding. The party with the ultimate control over the Company is the Government of the Russian Federation, which held the majority of the voting rights of JSC IDGC Holding. The value of transactions and the amounts of outstanding balances with the parent company is disclosed below:

	Transaction value	**Outstanding balance**	**Transaction value**	**Outstanding balance**
Expenses	**2012**	**31 December 2012**	**2011**	**31 December 2011**
Consulting, legal and audit services	269 430	15 896	269 430	15 896
	269 430	**15 896**	**269 430**	**15 896**

(b) Management remuneration

There are no transactions or balances with key management and their close family members except for remuneration in the form of salary and bonuses. Total remuneration paid to key management for the year ended 31 December 2012 was RUB 214 180 thousand (2011: RUB 98 885 thousand).

(c) Transactions with government-related entities

The Group applies the exemption in IAS 24 Related party disclosures that allows to present reduced related party disclosures regarding transactions with government-related entities.

In the course of its operating activities the Group is also engaged in significant transactions with government-related entities. Revenues and purchases from government-related entities are measured at regulated tariffs where applicable.

Revenues from government-related entities for the year ended 31 December 2012 constitute 21.59% (year ended 31 December 2011: 22.35%) of total Group revenues, including 20.97% (year ended 31 December 2011: 22.50%) of electricity transmission revenues.

Electricity transmission costs for government-related entities for the year ended 31 December 2012 constitute 49.29% (year ended 31 December 2011: 59.59%) of total transmission costs.

Significant raised and repaid loans from government-related entities are disclosed below (see also Note 23):

	1 January 2012	**Received**	**Repaid**	**Transfer**	**31 December 2012**
Non-current loans and borrowings	3 990 429	259 126	(29 727)	(672 987)	3 546 841
Current loans and borrowings	317 454	9 309	(326 763)	672 987	672 987

	1 January 2011	**Received**	**Repaid**	**Transfer**	**31 December 2011**
Non-current loans and borrowings	3 105 523	4 899 143	(4 014 237)	-	3 990 429
Current loans and borrowings	-	317 454	-	-	317 454

35 Events after the reporting period

The Company was given an electricity supplier status in the operating area of OJSC Omskenergosbyt in accordance with Decree No. 24 of the Ministry of Energy of the Russian Federation dated 24 January 2013. The electricity supplier status is valid from 1 February 2013 until the effective date of the decision to provide the tender winner with the electricity supplier status in the above mentioned operating area, but no more than twelve months.

On 24 January 2013 the Unified State Register of legal entities recorded the fact that OJSC Omskelectrosetremont was renamed OJSC Sibirelectrosetremont.

On 23 March 2013 at an Extraordinary General Meeting of Shareholders of JSC IDGC Holding changes and additions were made to the Charter of JSC "IDGC Holding", under which the Parent Company was renamed JSC "Russian Grids". The relevant changes in Charter of JSC "IDGC Holding" were registered by Interdistrict Inspectorate of the Federal Tax Service of Russian Federation #46 on 4 April 2013.