RAO ENERGY SYSTEM OF EAST GROUP

CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED), PREPARED IN ACCORDANCE WITH IFRS

AS AT AND FOR THE THREE MONTHS ENDED 31 MARCH 2013

RAO Energy System of East Group
Consolidated Interim Condensed Statement of Financial Position (unaudited)
(in millions of Russian Rubles unless noted otherwise)

		31 March 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	6	53,008	52,364
Investments in associates		993	937
Available-for-sale financial assets	7	508	586
Deferred tax assets		373	314
Other non-current assets	8	967	988
Total non-current assets		**55,849**	**55,189**
Current assets			
Cash and cash equivalents	9	4,408	5,781
Accounts receivable and prepayments	10	26,928	21,847
Inventories	11	14,549	17,670
Other current assets	12	2,747	1,552
Total current assets		**48,632**	**46,850**
Assets of disposal group classified as held for sale	13	29,105	28,954
TOTAL ASSETS		**133,586**	**130,993**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	22,717	22,717
Treasury shares	14	(410)	(410)
Revaluation reserve		8,514	8,518
Retained losses and other reserves		(14,510)	(17,098)
Equity attributable to shareholders of parent company		**16,311**	**13,727**
Non-controlling interest		9,590	7,768
Total equity		**25,901**	**21,495**
Non-current liabilities			
Deferred tax liabilities		2,207	2,200
Non-current debt	16	26,876	24,488
Other non-current liabilities	17	10,090	9,969
Total non-current liabilities		**39,173**	**36,657**
Current liabilities			
Current debt and current portion of non-current debt	16	24,066	28,148
Accounts payable and accruals	18	21,261	23,187
Current income tax payable		777	335
Other taxes payable	19	5,748	4,777
Total current liabilities		**51,852**	**56,447**
Liabilities of disposal group classified as held for sale	13	16,660	16,394
Total liabilities		**107,685**	**109,498**
TOTAL EQUITY AND LIABILITIES		**133,586**	**130,993**

General Director S. N. Tolstoguzov

Acting Chief Accountant E. N. Makina

19 June 2013

RAO Energy System of East Group
Consolidated Interim Condensed Income Statement (unaudited)
(in millions of Russian Rubles unless noted otherwise)

	Note	Three months ended 31 March 2013	Three months ended 31 March 2012
Revenue	20	41,917	42,582
Government grants	21	2,776	2,579
Expenses	22	(38,736)	(40,704)
Operating profit		**5,957**	**4,457**
Finance income	23	179	221
Finance expenses	23	(1,201)	(1,300)
Share of income of associates		57	7
Profit before income tax		**4,992**	**3,385**
Total income tax expense	15	(524)	(872)
Profit for the period		**4,468**	**2,513**
Attributable to:			
Shareholders of parent company		2,618	1,463
Non-controlling interest		1,850	1,050
Profit per share from profit attributable to the shareholders of parent company – basic and diluted (in Russian Rubles per share)	24	0.0587	0.0329
Weighted average number of ordinary shares (in thousands)	24	42,537,972	42,406,250
Weighted average number of preference shares (in thousands)	24	2,075,149	2,075,149

General Director S. N. Tolstoguzov

Acting Chief Accountant E. N. Makina

19 June 2013

(in millions of Russian Rubles unless noted otherwise)

	Note	Three months ended 31 March 2013	Three months ended 31 March 2012
Profit for the period		**4,468**	**2,513**
Other comprehensive income, net of tax:			
Change in fair value of available-for-sale financial assets, net of tax		(62)	55
Revaluation of property, plant and equipment, net of tax		-	(3)
Total comprehensive income for the period		**4,406**	**2,565**
Attributable to:			
Shareholders of parent company		2,584	1,491
Non-controlling interest		1,822	1,074

General Director S. N. Tolstoguzov

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19 June 2013

(in millions of Russian Rubles unless noted otherwise)

	Note	Three months ended 31 March 2013	Three months ended 31 March 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**4,992**	**3,385**
Depreciation of property, plant and equipment	22	1,194	1,283
(Profit)/loss on disposal of property, plant and equipment	22	(165)	23
Finance cost, net	23	1,022	1,079
(Reversal)/accrual of impairment of accounts receivable	22	(197)	1,244
Profit from associates		(57)	(7)
Other expenses / (income)		10	(32)
Operating cash flows before working capital changes and income tax paid		**6,799**	**6,975**
Working capital changes:			
Increase in accounts receivable and prepayments		(4,857)	(5,925)
Decrease in inventories		3,068	2,513
Decrease in accounts payable and accruals		(1,610)	(83)
Increase in other taxes payable		1,121	1,730
Increase in other current assets		(13)	-
Decrease in other non-current assets		33	48
Increase / (decrease) in other non-current liabilities		121	(117)
Income tax paid		(44)	(300)
Net cash generated by operating activities		**4,618**	**4,841**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(1,872)	(2,667)
Proceeds from sale of property, plant and equipment		88	82
Purchase of other investments		-	(8)
Interest received		96	160
Issue of loans and deposits placed		(2,538)	(5,715)
Proceeds from issued loans and deposits		1,397	3,560
Net cash used in investing activities		**(2,829)**	**(4,588)**

(in millions of Russian Rubles unless noted otherwise)

	Note	Three months ended 31 March 2013	Three months ended 31 March 2012
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt		13,768	11,907
Repayment of debt		(15,429)	(12,278)
Interest paid		(1,367)	(1,237)
Finance lease payments		(157)	(290)
Net cash used in financing activities		**(3,185)**	**(1,898)**
Decrease in cash and cash equivalents		**(1,396)**	**(1,645)**
Cash and cash equivalents at the beginning of the period	**9, 13**	**5,819**	**4,407**
Cash and cash equivalents at the end of the period	**9, 13**	**4,423**	**2,762**

General Director S. N. Tolstoguzov

Acting Chief Accountant E. N. Makina

19 June 2013

RAO Energy System of East Group
Consolidated Interim Condensed Statement of Changes in Equity (unaudited)
(in millions of Russian Rubles unless noted otherwise)

	Share capital	Treasury shares	Available-for-sale financial assets	Revaluation reserve	Retained losses	Total	Non-controlling interest	Total equity
Balance as at 01 January 2012	**21,558**	**-**	**152**	**10,394**	**(14,574)**	**17,530**	**11,637**	**29,167**
Profit for the period	-	-	-	-	1,463	1,463	1,050	2,513
Other comprehensive income								
Fair value gains on available-for-sale financial assets	-	-	30	-	-	30	25	55
Revaluation of fixed assets	-	-	-	(2)	-	(2)	(1)	(3)
Total other comprehensive income	-	-	30	(2)	-	28	24	52
Total comprehensive income for the period	**-**	**-**	**30**	**(2)**	**1,463**	**1,491**	**1,074**	**2,565**
Shares issue	1,159	(410)				749		749
Balance at 31 March 2012	**22,717**	**(410)**	**182**	**10,392**	**(13,111)**	**19,770**	**12,711**	**32,481**
Balance as at 01 January 2013	**22,717**	**(410)**	**82**	**8,518**	**(17,180)**	**13,727**	**7,768**	**21,495**
Profit for the period	-	-	-	-	2,618	2,618	1,850	4,468
Other comprehensive income								
Fair value loss on available-for-sale financial assets	-	-	(34)	-	-	(34)	(28)	(62)
Total other comprehensive income	-	-	(34)	-	-	(34)	(28)	(62)
Total comprehensive income for the period	**-**	**-**	**(34)**	**-**	**2,618**	**2,584**	**1,822**	**4,406**
Transfer of revaluation reserve to retain earnings	-	-	-	(4)	4	-	-	-
Balance at 31 March 2013	**22,717**	**(410)**	**48**	**8,514**	**(14,558)**	**16,311**	**9,590**	**25,901**

General Director S. N. Tolstoguzov

Acting Chief Accountant E. N. Makina

19 June 2013

Note 1. RAO Energy System of East Group and its Operations

The Open Joint Stock Company RAO Energy System of East (hereinafter referred to as "the Company") was established on 1 July 2008 as a result of the final stage of reorganization of Russian Open Joint Stock Company for Energy and Electrification Unified Energy System of Russia (hereinafter referred to as "RAO UES") through a spin-off in accordance with the decision approved by the Extraordinary General Meeting of Shareholders of RAO UES on 26 October 2007. As a result of the reorganization, the Company became a shareholder of a number of energy companies in the Far East region of Russia and a number of energy retail companies and non-core companies that were transferred to the Company according to the separation balance sheet. The consolidated financial statements present the financial performance of the Company and its subsidiaries (together referred to as the "Group" or "RAO Energy System of East Group"). The Group's principal subsidiaries are presented in Note 3.

The Company was incorporated and is domiciled in the Russian Federation. The Company was set up in accordance with Russian regulations.

As at 31 December 2010 Russian Federation owned 52.68 percent of the Group and 47.32 percent was owned by non-controlling shareholders. According to the decision of the Government of Russian Federation, No. 1174-p dated 07 July 2011, the Government made an additional contribution to the share capital of OJSC RusHydro (hereinafter referred to as "parent company") by shares of the Company. Also in February 2013 Government paid additional share issue of parent company by shares of the Company As a result as at 31 March 2013 OJSC RusHydro owns 74.91 percent of the Company and 25.09 percent is owned by non-controlling shareholders and 31 December 2012 the OJSC RusHydro owns 65.75 percent of the Company and 34.25 percent is owned by non-controlling shareholders. The ultimate controlling party is the Russian Federation. Related party transactions are disclosed in Note 5.

The shares of the Company are traded on the Moscow Stock Exchange.

The Group's principal business activities are:

- electricity and heat generation;
- electricity and heat distribution;
- electricity and heat retail;
- electricity wholesale.

The Company's registered office is located at 28, Shevchenko str., Blagoveshchensk, the Amur region, Russia, 675000.

The Group operates in the Far East region, the Far East Federal region comprises Republic of Sakha (Yakutiya), Kamchatka territory, Primorye territory, Khabarovsk territory, Amur region, Magadan region, Sakhalin region, Evreiskaya autonomous district and Chukotka autonomous district and also in the Khanty-Mansi autonomous district and Yamalo-Nenets autonomous district.

Relations with the State and current regulation. Many consumers of electricity and heat supplied by the Group are controlled by or affiliated with the Russian Federation. Moreover, the Russian Federation controls a number of fuel suppliers and suppliers of other materials for the Group (Note 5).

The Government affects the Group's operations through:

- tariff regulation within wholesale electricity and capacity as well as retail electricity and heat markets;
- ratification of the Company's investment programs, including volume and sources of their financing, control over their implementation;
- existing antimonopoly regulation.

The Russian Federation directly influences the activities of the Group by regulating the wholesale purchases of electricity via the Federal Tariff Service (hereinafter, "FTS") and the retail sale of electricity, capacity and heat via executive bodies of constituents of the Russian Federation in charge of state price (tariffs) regulation. The activities of generating and grid companies (except operating within technologically isolated territories of electric power system) are operated by OJSC System Operator of the United Energy System (hereinafter, "SO UES") to maintain the effective operation of the electricity market.

Tariffs on electricity sold by Group's energy companies are set by regional regulating authorities based on maximum possible tariffs approved by FTS.

Tariffs on heat for the Group for all consumers are set by regional regulating authorities of constituents of the Russian Federation in charge of state tariffs regulation.

Operating environment. The economy of Russian Federation has some characteristics of an emerging economy. The tax, currency and customs legislation of Russian Federation continues to develop and is subject to varying interpretations (Note 25).

Management determined impairment provisions considering the economic situation and outlook at the end of the reporting period. The Group's assets are tested for impairment using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how probable those future events are. Future economic situation and regulatory environment can differ from existing expectations of management.

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

Note 2. Summary of significant accounting policies and new accounting pronouncements

Statement of compliance. This Consolidated Interim Condensed Financial Information has been prepared in accordance with and complies with IAS 34, Interim Financial Reporting and should be read in conjunction with the annual Consolidated Financial Statements as at and for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

This Consolidated Interim Condensed Financial Information is unaudited and does not contain certain information and disclosures required in annual IFRS financial statements. Disclosures duplicating information included in the annual Consolidated Financial Statements as at and for the year ended 31 December 2012 have been omitted or condensed.

The accounting policies followed in the preparation of this Consolidated Interim Condensed Financial Information are consistent with those applied in the annual Consolidated Financial Statements as at and for the year ended 31 December 2012 except for income tax which is accrued in the interim periods using the tax rate that would be applicable to expected total annual profit or loss.

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

The Group has adopted all new standards and interpretations that were effective from 1 January 2012. The impact of the adoption of these new standards and interpretations has not been significant with respect to this Consolidated Interim Condensed Financial Information.

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the Consolidated Financial Statements as at and for the year ended 31 December 2012, have been issued but are not effective for the financial year beginning 1 January 2013 and which the Group has not early adopted.

Critical accounting estimates and judgements. The preparation of Consolidated Interim Condensed Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this Consolidated Interim Condensed Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2012 with the exception of changes in estimates that are required in determining the provision for income taxes.

(in millions of Russian Rubles unless noted otherwise)

Note 3. Principal subsidiaries

All subsidiaries are incorporated and operate in the Russian Federation. The following are the principal subsidiaries which have been consolidated into this consolidated interim condensed financial information as at 31 March 2013 and 31 December 2012:

	31 March 2013		31 December 2012	
Name	**Ownership %**	**Voting %**	**Ownership %**	**Voting %**
OJSC DEK	51.08	51.13	51.08	51.13
OJSC DGK (subsidiary of OJSC DEK)	51.08	100.00	51.08	100.00
OJSC DRSK (subsidiary of OJSC DEK)*	51.08	100.00	51.08	100.00
Isolated energy systems:				
OJSC Kamchatskenergo	98.74	98.74	98.74	98.74
OJSC Magadanenergo**	49.00	64.39	49.00	64.39
OJSC Yakutskenergo**	49.37	57.63	49.37	57.63
OJSC Sakhalinenergo	55.55	55.55	55.55	55.55

* Group has classified this equity investment as assets held for sale and a disposal group (Note 13).
** Control is based on the ability to govern the operating policies of the company through the majority of votes of the Board of Directors.

Note 4. Segment information

In accordance with IFRS 8 Operating Segments the Group presents an analysis of its performance in the context of the operating segments.

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance of the entity. The functions of CODM are performed by the Board of Directors of the Company.

Description of products and services from which each reportable segment derives its revenue

The Group is organised in five main operating segments:

- Segment 1 - OJSC DEK Group's segment (including OJSC DGK, OJSC DRSK and OJSC DEK subsidiaries) consists of companies that generate electricity and heat and provide transportation, distribution, construction and repair services in the Far East region.
- Segment 2 - OJSC Kamchatskenergo segment represents subsidiaries that generate electricity and heat and provide transportation and distribution in the Kamchatka territory.
- Segment 3 - OJSC Magadanenergo segment represents subsidiaries that generate electricity and heat and provide transportation and distribution services in the Magadan region and Chukotka autonomous district.
- Segment 4 - OJSC Sakhalinenergo segment represents subsidiaries that generate electricity and heat and provide transportation and distribution in the Sakhalin region.
- Segment 5 - OJSC Yakutskenergo segment represents subsidiaries that generate electricity and heat and provide transportation and distribution services in the Republic of Sakha (Yakutiya).

Included in Segment 1 is OJSC DRSK that was classified as a disposal group (Note 13).

The Group also includes entities supporting Group's operations which are not considered as separate segments by the CODM. These entities render financial, managerial, repair and maintenance and other (such as educational, recreation, etc.) services to the Group and external parties.

Factors that management used to identify the reportable segments

The Group's segments represent five sub-holdings which were created mainly in accordance with different geographical areas. The Board of Directors monitors the operating results of its sub-holdings/business units separately for the purpose of making decisions about resource allocation and performance assessment.

Measurement of operating segment profit or loss, assets and liabilities

Segment performance and EBITDA (RSA) is evaluated based on gross profit or loss and is measured under RSA which differs significantly from the gross profit or loss in the IFRS consolidated financial statements. The differences between the measurements and presentation of reportable segment's profit or losses, assets and liabilities and Group's profit and losses, assets and liabilities are:

- income tax is not allocated to the segments;
- liabilities for the Group's post-employment obligations are not recognized;
- provisions for accounts receivable are recognized based on management judgment and availability of information rather than based on the incurred loss model prescribed in IAS 39;
- investments in subsidiaries are not consolidated, investments in associates are not accounted for using the equity method;
- impairment of property, plant and equipment is not considered;
- government grants are classified as revenue or other income;
- other intercompany assets and liabilities balances are not eliminated.

Transactions between the operating segments are made on normal commercial terms and conditions. Sales between segments are carried out at arm's length.

(in millions of Russian Rubles unless noted otherwise)

Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the three month ended 31 March 2013 is set out below:

	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Other	Reconciliation	Total
Three months ended 31 March 2013								
External revenue	27,222	3,179	2,658	2,080	5,967	952	(141)	41,917
Revenue from other segments	444	12	26	101	870	18	(1,471)	-
Total revenue	**27,666**	**3,191**	**2,684**	**2,181**	**6,837**	**970**	**(1,612)**	**41,917**
EBITDA*	**4,153**	**480**	**(352)**	**498**	**1,654**	**287**	**70**	**6,790**
Total segment assets	**109,904**	**14,493**	**10,419**	**8,763**	**38,341**	**2,779**	**(51,113)**	**133,586**
Investments in equity accounted investees	-	-	1	149	-	717	126	993
Capital expenditure**	556	34	146	67	437	251	556	2,047
Total segment liabilities	**64,700**	**9,557**	**4,226**	**5,129**	**17,908**	**1,057**	**5,108**	**107,685**

Segment information for the reportable segments for the three month ended 31 March 2012 is set out below:

	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Other	Reconciliation	Total
Three months ended 31 March 2012								
External revenue	28,484	3,542	2,616	2,063	5,429	783	(335)	42,582
Revenue from other segments	304	12	17	70	946	29	(1,378)	-
Total revenue	**28,788**	**3,554**	**2,633**	**2,133**	**6,375**	**812**	**(1,713)**	**42,582**
EBITDA*	**3,313**	**738**	**(260)**	**561**	**1,834**	**(238)**	**1,059**	**7,007**
Total segment assets	**111,906**	**14,153**	**10,166**	**8,349**	**38,285**	**2,683**	**(54,550)**	**130,993**
Investments in equity accounted investees	-	-	1	-	-	925	28	954
Capital expenditure**	675	128	44	318	374	26	917	2,482
Total segment liabilities	**66,798**	**9,396**	**3,595**	**4,970**	**18,561**	**1,001**	**5,177**	**109,498**

** EBITDA is determined as earnings before interest, tax, depreciation and amortisation and increased by the amount of loss (reduced by the amount of income) from revaluation of financial investments.*

*** Capital expenditure represents additions to property, plant and equipment and construction in progress under RSA, including advances issued to construction companies and suppliers of property, plant and equipment.*

(in millions of Russian Rubles unless noted otherwise)

Reconciliation of reportable segment revenues, profit or loss

	Three months ended 31 March 2013	Three months ended 31 March 2012
EBITDA (RSA) of the reportable segments	**6,720**	**5,948**
Reconciliation from RSA to IFRS:		
Loss from disposal of property, plant and equipment	(63)	(24)
Accrual of allowance for impairment of trade and other receivables	(140)	944
Pension benefit obligations	86	6
Reconciliation adjustment related to Other income and expenses*	(50)	149
Finance lease expenses	185	168
Work-in-progress adjustment	(8)	(38)
Net difference in the value of fixed assets and construction in progress	90	127
Provision for unused vacations and travel expenses for holidays	11	(220)
Other reclassifications and adjustments	(41)	(53)
EBITDA (IFRS) of the reportable segments	**6,790**	**7,007**
Accrual of allowance for impairment of trade and other receivables	197	(1,244)
Net difference in depreciation	(1,194)	(1,283)
Loss from fixed assets	164	(23)
Operating income	**5,957**	**4,457**
Finance income	179	221
Finance expenses	(1,201)	(1,300)
Share of results of associates	57	7
Income before income tax	**4,992**	**3,385**

* In RSA accounting certain expenses reflected as other income and expenses, while in IFRS they are part of Expenses.

Adjustments related to external revenue by the reportable segments, calculated under RSA, in accordance with IFRS are not material either individually or collectively.

External revenue information for the reportable segments for three months ended 31 March 2013 and for three months ended 31 March 2012 is set out below:

	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Other	Total
Three months ended 31 March 2013							
Sales of electricity and capacity	16,189	1,097	1,443	1,599	4,611	210	25,149
Heat and hot water sales	8,611	1,941	1,134	472	1,297	-	13,455
Other revenue	2,094	57	43	110	717	293	3,314
Total revenue	**26,894**	**3,095**	**2,620**	**2,181**	**6,625**	**503**	**41,918**
Three months ended 31 March 2012							
Sales of electricity and capacity	16,082	1,137	1,378	1,516	4,228	340	24,681
Heat and hot water sales	8,212	2,412	1,067	638	1,238	-	13,568
Other revenue	3,312	29	52	87	636	217	4,333
Total revenue	**27,606**	**3,578**	**2,498**	**2,241**	**6,102**	**557**	**42,582**

(in millions of Russian Rubles unless noted otherwise)

Note 5. Related party transactions

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions, as described by IAS 24, *Related Parties Disclosure*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Government-related entities. In the normal course of business the Group enters into transactions with the entities controlled by the Government. The Group had transactions during the Three month ended 31 March 2013 and 31 March 2012 and balances outstanding as at 31 March 2013 and 31 December 2012 with the following government-related banks: OJSC Sberbank of Russia, The Central Bank of the Russian Federation, OJSC VTB, OJSC Rosselkhozbank and etc. (Note 16). Loans are provided at commercial terms.

The Group sells electricity, capacity and heat to government-related entities. Prices for such electricity and capacity sales are based on tariffs set by FST and Regional Energy Commissions. The Group's sales to government-related entities comprised approximately 34 percent of total sales for the three months ended 31 March 2013 (for the three months ended 31 March 2012: 30 percent). The Group's purchases from government-related entities comprised approximately 26 percent of total expenses on purchased for the three months ended 31 March 2013 (for the three months ended 31 March 2012: 22 percent).

Operating lease commitments accounted by the Group with the Government are disclosed in Note 6.

Transactions with Key management of the Group. Compensation is paid to the members of the Management Board of the Company and the subsidiaries for their services in full time management positions. The compensation is made up of a contractual salary and performance bonus depending on the results of the work for the period based on key performance indicators. The key performance indicators are approved by the Board of Directors.

Fees, compensation or allowances to the members of the Board of Directors of the Company and the major subsidiaries for their services in their capacity and for attending Board meetings are paid depending on the results for the year.

Major part of compensation for Key management personnel is generally sort-term excluding future payments under pension plans with defined benefits. Defined benefit payments to Key management of the Group are calculated based on the same terms as for the other employees.

Total remuneration paid to the members of the Management Boards and Boards of Directors of the Company and the major subsidiaries for the three months ended 31 March 2013 was RR 53 million (for the three months ended 31 March 2012: RR 66 million).

Parent company and entities under common control. In the normal course of business the Group enters into transactions with the OJSC RusHydro and entities under common control.

At 31 March 2013 and at 31 December 2012 the outstanding balances with entities controlled by OJSC RusHydro were as follows:

	31 March 2013	31 December 2012
Trade and other receivables	40	35
Trade and other payables	1,010	1,005
Current debt and current portion of non-current debt	555	58
Non-current debt	7,500	8,000

The income and expense items with entities controlled by OJSC RusHydro:

	Three months ended 31 March 2013	Three months ended 31 March 2012
Other revenue	67	68
Expenses	2,194	1,859
Finance expenses	207	-

(in millions of Russian Rubles unless noted otherwise)

The above balances include the following amounts of transactions and balances with parent company OJSC RusHydro:

	31 March 2013	31 December 2012
Trade and other receivables	3	3
Trade and other payables	333	564
Current debt and current portion of non-current debt	555	58
Non-current debt	7,500	8,000

The income and expense items with parent company OJSC RusHydro:

	Three months ended 31 March 2013	Three months ended 31 March 2012
Other revenue	1	2
Expenses	1,709	1,443
Finance expenses	207	-

Associates. The Group sells electricity and heat to its associates for RR 787 million for the three months ended 31 March 2013 and RR 225 million for the three months ended 31 March 2012. Trade and other receivables with associates comprise RR 70 million as at 31 March 2013 and RR 89 million as at 31 December 2012.

(in millions of Russian Rubles unless noted otherwise)

Note 6. Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were as follows:

Cost	Production buildings	Facilities	Machinery and equipment	Construction in progress	Other	Total
Opening balance as at 1 January 2013	**21,290**	**29,128**	**30,788**	**11,094**	**5,275**	**97,575**
Additions	5	2	54	1,820	166	**2,047**
Transfers	48	78	457	(616)	33	**-**
Disposals	(47)	(16)	(31)	(55)	(26)	**(175)**
Closing balance as at 31 March 2013	**21,296**	**29,192**	**31,268**	**12,243**	**5,448**	**99,447**
Accumulated depreciation (including impairment)						
Opening balance as at 1 January 2013	**(9,158)**	**(15,578)**	**(15,946)**	**(2,619)**	**(1,910)**	**(45,211)**
Depreciation charge	(152)	(354)	(639)	-	(184)	**(1,329)**
Transfers	(5)	(13)	(12)	37	(6)	**-**
Disposals	34	15	31	5	16	**101**
Closing balance as at 31 March 2013	**(9,281)**	**(15,930)**	**(16,566)**	**(2,577)**	**(2,084)**	**(46,439)**
Net book value as at 31 March 2013	**12,015**	**13,262**	**14,702**	**9,665**	**3,364**	**53,008**
Net book value as at 1 January 2013	**12,132**	**13,550**	**14,842**	**8,475**	**3,365**	**52,364**

Cost	Production buildings	Facilities	Machinery and equipment	Construction in progress	Other	Total
Opening balance as at 1 January 2012	**20,982**	**27,776**	**24,296**	**10,403**	**4,752**	**88,209**
Additions	5	87	506	1,828	56	**2,482**
Transfers	192	449	672	(1,351)	38	**-**
Disposals	(104)	-	(50)	(12)	(190)	**(356)**
Closing balance as at 31 March 2012	**21,075**	**28,312**	**25,424**	**10,868**	**4,656**	**90,335**
Accumulated depreciation (including impairment)						
Opening balance as at 1 January 2012	**(8,184)**	**(12,842)**	**(11,699)**	**(3,112)**	**(2,701)**	**(38,538)**
Depreciation charge	(202)	(362)	(732)	-	(158)	**(1,454)**
Transfers	(90)	(161)	(314)	706	(141)	**-**
Disposals	104	-	44	12	26	**186**
Closing balance as at 31 March 2012	**(8,372)**	**(13,365)**	**(12,701)**	**(2,394)**	**(2,974)**	**(39,806)**
Net book value as at 31 March 2012	**12,703**	**14,947**	**12,723**	**8,474**	**1,682**	**50,529**
Net book value as at 1 January 2012	**12,798**	**14,934**	**12,597**	**7,291**	**2,051**	**49,671**

Included in the property, plant and equipment disclosure carrying amount of RR 2,163 million as at 31 March 2013 (31 December 2012: RR 2,177 million) represents cost of assets relating to office buildings of the Group which are stated at non-revalued deemed cost.

Assets under construction represent the carrying amount of property, plant and equipment that has not yet been put into operation and advances to construction companies and suppliers of property, plant and equipment. As at 31 March 2013 such advances amounted to RR 1,753 million (31 December 2012: RR 1,473 million).

Additions to assets under construction include capitalized borrowing cost of RR 176 million (capitalized borrowing cost during the three months ended 31 March 2012: RR 104 million). The capitalization rate was 8.28 percent (2012: 8.72 percent). Up to 31 December 2008, borrowing costs incurred to finance the construction of property, plant and equipment were expensed.

(in millions of Russian Rubles unless noted otherwise)

Other property, plant and equipment include motor vehicles, computer equipment, plots of land, office fixtures and other equipment.

Leased equipment. Assets held under finance lease are included in property, plant and equipment with a carrying value of RR 1,064 million (RR 1,067 million as at 31 December 2012).

Assets held under leaseback are included in property, plant and equipment with a carrying value of RR 192 million (RR 201 million as at 31 December 2012).

Pledged assets. As at 31 March 2013 RR 208 million of property, plant and equipment have been pledged as collateral borrowings. RR 211 million of property, plant and equipment has been pledged as collateral for borrowings as at 31 December 2012 (Note 16).

Operating lease. The Group leases a number of land areas owned by local governments and production buildings under non-cancellable operating lease agreements. Land lease payments are determined by lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 March 2013	31 December 2012
Less than one year	1,316	1,165
Between one year and five years	3,782	3,704
After five years	22,394	21,689
Total	**27,492**	**26,558**

The major parts are the land areas leased by the Group at the territories on which the Group's electric power stations, substations and other assets are located. According to the Land Code of the Russian Federation such land areas are limited in their alienability and cannot become private property. The Group's leases typically run for an initial period of 5 – 49 years with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

Note 7. Available-for-sale financial assets

	31 March 2013		31 December 2012	
	% of ownership	Fair value	% of ownership	Fair value
OJSC FGC UES	0.13%	270	0.13%	334
OJSC RusHydro	0.04%	75	0.04%	88
LLC IT Energy Service	9.86%	59	9.86%	59
OJSC Eksperimentalnaya TES	20.00%	19	20.00%	20
Other available-for-sale investments		85		85
Total available-for-sale financial assets		**508**		**586**

The fair values of available-for-sale financial assets were calculated based on quoted market prices, for those which are not publicly traded fair values were estimated by reference to the discounted cash flows of the investees.

Loss arising on available-for-sale financial assets for the three months ended 31 March 2013 totaled RR 62 million, net of tax and was recorded within other comprehensive income (for the three months ended 31 March 2012: gain of RR 55 million, net of tax).

Note 8. Other non-current assets

	31 March 2013	31 December 2012
Non-current accounts receivable (Net of provision for impairment of accounts receivable of RR 48 million as at 31 March 2013 and RR 87 million as at 31 December 2012)	313	310
Other non-current assets	654	678
Total other non-current assets	**967**	**988**

(in millions of Russian Rubles unless noted otherwise)

Note 9. Cash and cash equivalents

	31 March 2013	31 December 2012
Cash at bank	2,549	2,769
Term deposits with original maturity of less than three months (contractual interest rate: 2.4-9.3%)	1,846	3,003
Cash in hand	13	9
Total cash and cash equivalents	**4,408**	**5,781**

Cash equivalents held as at 31 March 2013 and 31 December 2012 comprised short-term bank deposits with original maturities of three months or less.

As at 31 March 2013 the line Cash and cash equivalents in the Consolidated Statement of Cash Flows included RR 15 million of cash and cash equivalents held by disposal group classified as held for sale (31 December 2012: RR 38 million) (Note 13).

Note 10. Accounts receivable and prepayments

	31 March 2013	31 December 2012
Trade receivables (Net of provision for impairment of accounts receivable of RR 6,167 million as at 31 March 2013 and RR 6,297 million as at 31 December 2012)	20,118	15,058
Advances to suppliers and prepayments (Net of provision for impairment of accounts receivable of RR 131 million as at 31 March 2013 and RR 119 million as at 31 December 2012)	3,412	3,549
Value added tax recoverable	1,658	1,781
Income tax receivables	381	415
Other receivables (Net of provision for impairment of accounts receivable of RR 1,029 million as at 31 March 2013 and RR 1,044 million as at 31 December 2012)	1,359	1,044
Total accounts receivable and prepayments	**26,928**	**21,847**

Note 11. Inventories

	31 March 2013	31 December 2012
Fuel	9,199	12,430
Materials and supplies	3,983	3,857
Spare parts	996	1,041
Other materials	426	412
Total inventories, gross	**14,603**	**17,740**
Provision for inventory obsolescence	(54)	(70)
Total inventories	**14,549**	**17,670**

Note 12. Other current assets

	31 March 2013	31 December 2012
Current deposits	2,563	1,366
Other short-term investments	184	186
Total other current assets	**2,747**	**1,552**

Note 13. Assets and liabilities of a disposal group classified as held for sale

The resolution of the Russian Government No. 1174-p dated 07 July 2011 stipulated integration of grid assets of OJSC DRSK (subsidiary of the Company) into OJSC FGC UES. The decree of the Russian President No. 1567 dated 22 November 2012 defined the structure of grid system – the foundation of unified holding company OJSC Russian Grids, which will receive control over OJSC FGC UES. According to this decision further Group's intensions are to transfer OJSC DRSK shares to OJSC Russian Grids. In accordance with management professional judgment the probability of shares transfer as at 31 December 2012 is still assessed as high, the Group has classified the equity investments in OJSC DRSK as assets of disposal group held for sale.

	Note	31 March 2013	31 December 2012
Non-current assets			
Property, plant and equipment		27,925	27,665
Other non-current assets		105	114
Total non-current assets		**28,030**	**27,779**
Current assets			
Cash and cash equivalents	9	15	38
Trade receivables		488	453
Advances to suppliers and prepayments		27	14
Other receivables		162	340
Inventories		383	330
Total current assets		**1,075**	**1,175**
Total assets of disposal group classified as held for sale		**29,105**	**28,954**

Trade receivables, advances to suppliers and other receivables include provision for impairment RR 16 million as at 31 March 2013 and RR 47 million as at 31 December 2012.

	31 March 2013	31 December 2012
Non-current liabilities		
Deferred income tax liabilities	2,372	2,363
Non-current debt	4,234	3,951
Other non-current liabilities	1,946	1,948
Total non-current liabilities	**8,552**	**8,262**
Current liabilities		
Current debt and current portion of non-current debt	3,912	4,187
Trade accounts payable	2,909	2,825
Advances received	511	477
Other payables	466	483
Taxes payable	310	160
Total current liabilities	**8,108**	**8,132**
Total liabilities of disposal group classified as held for sale	**16,660**	**16,394**

Assets and liabilities of disposal group were remeasured to the lower of carrying amount and fair value less cost to sell at date of held for sale classification and further reporting dates.

Note 14. Equity

		In thousands of Russian Rubles		
	Number of issued and fully paid shares (in thousands)	**Ordinary shares**	**Preference shares**	**Total share capital**
As at 31 December 2012	45,433,972	21,679,411	1,037,575	22,716,986
As at 31 March 2013	45,433,972	21,679,411	1,037,575	22,716,986

Company was established on 1 July 2008 and as at 31 March 2013 and as at 31 December 2012 all Company's shares were fully paid (Note 1).

Nominal value per each share equal 0.5 RR for ordinary share and 0.5 RR for preference share.

Ordinary shares and preference shares. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholders meetings of the Company.

Holders of preference shares are entitled to receive annual dividends. Preference shares are entitled to a minimum annual dividend of 10 percent of net statutory profit of the Company divided by number of shares which constitute 25 percent from equity of the Company on the date of state registration of the Company as a legal entity.

(in millions of Russian Rubles unless noted otherwise)

The amount of dividends paid on each preference share may not be less than the amount of dividends paid on each ordinary share. If the preferred dividends are not paid or are paid not in full, then the preference shares give their holders the right to vote on all matters within the competence of the general meeting of shareholders, since the meeting following the annual meeting, which, irrespective of the reasons it was decided not to pay dividends or decided on partial payment of preferred dividends. Such a voice is terminated with the first payment of dividends on such shares in full.

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 RSA. For the three months ended 31 March 2013 the Company had retained loss of RR 1,475 million under RSA, (for the three months ended 31 March 2012 such loss equaled RR 1,543 million). Dividends were not declared and paid.

Treasury shares. Treasury shares as at 31 March 2013 and 31 December 2012 represents by 820,851,279 ordinary shares in the amount of RR 410 million were acquired in process of shares issue, registered on 07 February 2012.

Treasury shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by entities within the Group are effectively controlled by management of the Group.

Note 15. Income tax

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year.

	Three months ended 31 March 2013	**Three months ended 31 March 2012**
Current income tax expense	(552)	(595)
Deferred income tax benefit/(expense)	28	(277)
Total income tax benefit	**(524)**	**(872)**

In accordance with the tax legislation, tax losses and current income tax assets of different Group's entities may not be offset against current income tax liabilities and taxable profits of other Group's entities and, accordingly, taxes may be accrued even where there is a consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only when they relate to the same taxable entity.

(in millions of Russian Rubles unless noted otherwise)

Note 16. Current and non-current debt

Non-current debt

	Effective interest rate, %	Year of maturity	31 March 2013	31 December 2012
OJSC Sberbank	6.40-11.69%	2013-2016	10,847	14,553
OJSC Bank of Moscow	9.66-10.35%	2013-2015	8,517	7,717
OJSC RusHydro	10.08-10.64%	2014	8,000	8,000
OJSC AKB Rosbank	6.46-10.30%	2013-2015	6,875	6,132
OJSC Gazprombank	7.30-12.00%	2014-2016	3,214	3,494
Unsecured bonds issued (OJSC Yakutskenergo)	8.25%	2013	3,000	3,000
OJSC Asian-Pacific Bank	11.50-11.70%	2014-2015	474	274
OJSC NOMOS-Bank	11.89-12.00%	2014	380	380
EBRD	MosPrime+3.45%	2024	350	-
OJSC NOTA-Bank	9.90%	2013-2014	319	370
Ministry of Finance of the Republic Sakha (Yakutiya)	2.63%	2013	133	177
OJSC Rosselkhozbank	15.00-16.00%	2016-2018	97	125
OJSC Sobinbank	11.00%	2013	30	130
OJSC TransCreditBank	10.50-10.80%	2013-2014	-	901
OJSC Dalnevostochny bank	7.80%	2013	-	100
Other	8.00%	2014	204	226
Finance lease liabilities			1,454	1,448
Total			**43,894**	**47,027**
Less current portion of loans and borrowings			(16,530)	(21,775)
Less current finance lease liabilities			(488)	(764)
Total Non-current borrowings			**26,876**	**24,488**

Current debt

	Effective interest rate, %	31 March 2013	31 December 2012
OJSC Sberbank	8.25%-10.50%	3,410	2,616
OJSC AKB Rosbank	8.74%-9.35%	1,620	1,920
OJSC Gazprombank	7.50%-10.50%	1,063	210
OJSC Nomos-Regiobank	10.00%-11.50%	180	219
OJSC Investtradebank	9.50%-11.50%	160	160
OJSC Asian-Pacific Bank	11.00%-11.50%	112	162
OJSC Dalnevostochny bank	7.80%	100	-
OJSC Rosselkhozbank	10.75%-16.00%	66	-
OJSC Bank of Moscow	11.25%	60	60
Other	13.00%	150	94
Current portion of loans and borrowings		16,530	21,775
Current finance lease liabilities		488	764
Interest payable		127	168
Total current borrowings and current part of non-current borrowings		**24,066**	**28,148**

Currency of all non-current and current borrowings is Russian Ruble.

As at 31 March 2013 RR 208 million of property, plant and equipment have been pledged as collateral for borrowings (RR 211 million as at 31 December 2012) (Note 6).

As at 31 March 2013 and 31 December 2012 some of the Group's credit contracts were subject to covenant clauses, whereby the Group was required to meet certain key performance indicators. The Group did not fulfill some of the requirements. Before the 31 March 2013 and 31 December 2012 management received a covenant waiver from the bank confirming absence of intention to request early repayment of loans.

(in millions of Russian Rubles unless noted otherwise)

Debt maturity (excluding finance lease liabilities)	31 March 2013	31 December 2012
Between one and two years	8,475	5,909
Between two and three years	11,538	11,390
Between three and four years	1,023	1,291
Between four and five years	1,022	1,022
After five years	3,852	4,192
Total	**25,910**	**23,804**

Effective interest rate. The effective interest rate is the market interest rate applicable to the loans at the date of origination. The Group has not entered into any hedging arrangements in respect of interest rate exposures.

Finance lease liabilities. Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Minimum lease payments as at 31 March 2013	**813**	**2,176**	**1**	**2,990**
Less future finance charges	(325)	(1,210)	(1)	(1,536)
Present value of minimum lease payments as at 31 March 2013	**488**	**966**	**-**	**1,454**
Minimum lease payments as at 31 December 2012	843	821	-	1,664
Less future finance charges	(79)	(137)	-	(216)
Present value of minimum lease payments as at 31 December 2012	**764**	**684**	**-**	**1,448**

Note 17. Other non-current liabilities

	31 March 2013	31 December 2012
Pension benefit obligations*	8,560	8,560
Reserve for ash dump	618	618
Other non-current liabilities	912	791
Total other non-current liabilities	**10,090**	**9,969**

Other non-current liabilities includes non-current advances received under the contracts of technological connection to the grids, in the amount of RR 597 million as at 31 March 2013 and RR 475 million as at 31 December 2012.

Note 18. Accounts payable and accruals

	31 March 2013	31 December 2012
Trade payables	10,429	11,443
Settlements with personnel	4,558	4,157
Advances received	4,803	6,161
Dividends payable	20	19
Other accounts payable	1,451	1,407
Total accounts payable and accruals	**21,261**	**23,187**

All accounts payables nominated in Russian rubles.

Payables to suppliers of property, plant and equipment of RR 1,157 million (31 December 2012: RR 1,116 million) included in current accounts payable.

(in millions of Russian Rubles unless noted otherwise)

Note 19. Other taxes payable

	31 March 2013	31 December 2012
Value added tax	3,151	2,766
Social contribution	1,451	1,109
Property tax	595	331
Other taxes	551	571
Total other taxes payable	**5,748**	**4,777**

Note 20. Revenue

	Three months ended 31 March 2013	Three months ended 31 March 2012
Sales of electricity and capacity	25,149	24,681
Heat and hot water sales	13,455	13,568
Other revenue	3,313	4,333
Total revenue	**41,917**	**42,582**

Other revenue for the three months ended 31 March 2013 and 31 March 2012 mainly includes revenue from transportation of electricity and heat, repair and construction services, technological connection, resale of goods, rentals and communication services.

Note 21. Government grants

In accordance with Federal government law No. 371 dated 30 November 2011 About Federal budget for 2012-2014 and subdivisions of the Russian Federation decrees some subsidiaries are entitled government subsidies. These government subsidies appropriated for disposition of territory cross-subsidization for the electricity tariffs, compensation of the difference between economic value-added and reduced tarrifs at which electricity and heat are sold and for loss compensation on purchased fuel. During the three months ended 31 March 2013 the Group received government subsidies in amount of RR 2,776 million (for the three months ended 31 March 2012 in the amount of RR 2,579 million) in the following subsidised territories: Kamchatka territory, Republic of Sakha (Yakutiya), Magadan region and other Far East regions.

(in millions of Russian Rubles unless noted otherwise)

Note 22. Expenses

	Three months ended 31 March 2013	Three months ended 31 March 2012
Fuel expenses	15,511	15,561
Employee benefit expenses (including payroll taxes and pension benefit expenses)	10,160	10,106
Electricity distribution expenses	3,685	3,738
Purchased electricity and capacity	2,563	2,307
Other materials	1,417	1,581
Depreciation of property, plant and equipment	1,194	1,283
Third parties services, including:		
Purchase and transportation of heat power	553	533
Rent	308	325
Security expenses	284	262
Repairs and maintenance	278	411
Services of subcontracting companies	232	250
Transportation expenses	194	196
Services of SO-CDU, NP Council Market, CFS	174	159
Agency expenses	130	128
Consulting, legal and information expenses	121	128
Insurance cost	55	50
Other third parties services	835	834
Water usage expenses	457	439
Taxes other than income tax	445	395
Social charges	96	142
Insurance indemnity	(4)	(176)
(Profit)/loss on disposal of property, plant and equipment, net	(165)	23
(Reversal)/accrual of impairment for accounts receivable, net	(197)	1,244
Other expenses, net	410	785
Total expenses	**38,736**	**40,704**

Note 23. Finance income, expenses

	Three months ended 31 March 2013	Three months ended 31 March 2012
Finance income		
Interest income	98	178
Foreign exchange gain	53	-
Other finance income	28	43
Finance income	**179**	**221**
Finance expenses		
Interest expense	(1,135)	(980)
Finance lease expense	(66)	(73)
Other finance expenses	-	(247)
Finance expenses	**(1,201)**	**(1,300)**

Note 24. Earnings per share

	Three months ended 31 March 2013	Three months ended 31 March 2012
Weighted average number of ordinary shares, in thousands	42,537,972	42,406,250
Weighted average number of preference shares, in thousands	2,075,149	2,075,149
Profit attributable to ordinary and preference shareholders, thousand rubles	**2,617,618**	**1,462,768**
Basic and diluted profit per share for profit from operations attributable to the owners of the Company (in RR per share)	**0.0587**	**0.0329**

Note 25. Contingencies and commitments

Political environment. The operations and earnings of the Group's subsidiaries continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to the environmental protection, in the Russian Federation.

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

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

Russian transfer legislation was developed to new transactions from 1 January 2012. New principles are significantly detailed and have more accordance with international principles developed by Organization for Economic Co-operation and Development (OECD). The new transfer pricing legislation also provides the possibility for tax authorities to impose additional tax liabilities in respect of all controllable transactions (transactions with interdependent parties and some sort of transactions with independent parties), if transactions do not comply with market conditions.

During the first quarter of 2013 the Group's subsidiaries had controllable transactions and transactions, which with high probability can be controllable. The Management of the Group implements internal control procedures to apply requirements of transfer pricing legislation.

There is no practice in application of new principles at the moment, consequences of trials with tax authorities of the Group's transfer pricing cannot be reliably estimated therefore it may be significant to the financial results and operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Management believes that as at 31 March 2013 its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

Environmental matters. The Group's subsidiaries and their predecessor entities have operated in the utilities industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group's subsidiaries periodically evaluate their obligations under environmental regulations.

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. Group accrued assets retirement obligation for ash damps used by the Group as at 31 March 2013 and 31 December 2012 (Note 17).

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default.

The Group was in partial compliance with covenants during three months ended 31 March 2013 and year 2012 and as at 31 December 2012 and 31 March 2013. Before the 31 March 2013 and 31 December 2012 management received a covenant waiver from the bank confirming absence of intention to request early repayment of loans (Note 16)

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

Capital commitments. As at 31 March 2013 future capital expenditures in accordance with the contractual obligations amounted to RR 6,792 million (31 December 2012: RR 7,697 million).

Note 26. Subsequent events

There were no subsequent events which influence or could influence significantly financial position, cash flows or comprehensive income of the Group after year end and before issuance of the consolidated interim condensed financial information for the three month ended 31 March 2013 prepared under International Financial Reporting Standards.