

**OGK-2 GROUP
CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE YEAR ENDED 31 DECEMBER 2013**



Independent Auditor's Report

To the Shareholders and Board of Directors of Open Joint Stock Company "The Second Generating Company of the Wholesale Electric Power Market" (OJSC "OGK-2"):

We have audited the accompanying consolidated financial statements of OJSC "OGK-2" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for 2013, 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.

Auditor's 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.



Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

7 April 2014

Moscow, Russian Federation



T.S. Medvedeva, Director (licence no. 01-000496), ZAO PricewaterhouseCoopers Audit

Audited entity: Open Joint Stock Company "The Second Generating Company of the Wholesale Power Market" (OJSC "OGK-2").

Registered in the Unified State Register of Legal Entities on 9 March 2005 by the Federal Tax Inspectorate for the Izobilnensky District of the Stavropol Territory, Registration No 1052600002180. Certificate series 26 No 001634873.

Legal address: Izobilnensky District, the Stavropol Territory, Russian Federation, 356128.

Company location: Building 3, 101 Vernadskogo Prospekt, Moscow, Russian Federation, 119526.

Independent auditor: ZAO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683 in the register of auditors and audit organizations

OGK-2 Group
Consolidated Statement of Financial Position as at 31 December 2013
(in thousands of Russian Roubles)

	Notes	31 December 2013	31 December 2012 (Restated)	1 January 2012 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	7	128,490,301	114,454,903	106,614,393
Intangible assets	8	1,544,061	1,404,747	1,297,359
Investments in equity accounted investees	9	-	1,570,187	-
Other non-current assets	9	2,917,982	3,319,460	3,211,158
Total non-current assets		132,952,344	120,749,297	111,122,910
Current assets				
Cash and cash equivalents	10	5,756,231	3,760,344	359,116
Trade and other receivables	11	18,734,815	16,684,384	13,585,399
Inventories	12	6,344,290	6,664,242	6,158,002
Income tax prepayments		398,488	564	894,405
Other current assets	13	3,100,000	2,127,380	-
Total current assets		34,333,824	29,236,914	20,996,922
TOTAL ASSETS		167,286,168	149,986,211	132,119,832
EQUITY AND LIABILITIES				
Equity				
Share capital	14			
Ordinary shares		40,057,009	21,518,239	21,518,239
Treasury shares		(4,058,856)	(4,058,856)	(4,058,238)
Share premium		28,378,693	23,916,508	23,916,508
Retained earnings and other reserves		48,616,825	66,829,632	40,444,101
Total equity		112,993,671	108,205,523	81,820,610
Non-current liabilities				
Deferred income tax liabilities	15	6,702,917	6,170,486	6,198,655
Non-current debt	16	34,641,540	20,250,627	27,168,240
Retirement benefit obligations	21	2,020,359	2,818,582	2,488,532
Restoration provision	22	419,636	511,133	521,670
Other long-term liabilities	17	996,514	714,153	241,261
Total non-current liabilities		44,780,966	30,464,981	36,618,358
Current liabilities				
Current debt and current portion of non-current debt	18	79,751	3,314,372	5,601,708
Trade and other payables	19	8,664,936	6,835,449	7,431,510
Other taxes payable	20	727,698	594,945	597,478
Income tax payable		592	525,822	-
Restoration provision	22	38,554	45,119	50,168
Total current liabilities		9,511,531	11,315,707	13,680,864
Total liabilities		54,292,497	41,780,688	50,299,222
TOTAL EQUITY AND LIABILITIES		167,286,168	149,986,211	132,119,832

General Director

D.N. Bashuk

Chief Accountant

L.V. Klisch

7 April 2014

OGK-2 Group**Consolidated Statement of Profit or Loss for the year ended 31 December 2013**

(in thousands of Russian Roubles, except for earning per ordinary share information)

		Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
	Notes		
Revenues	23	111,975,593	104,213,387
Operating expenses	24	(105,302,840)	(97,761,383)
Other operating items		201,037	50,519
Operating profit		6,873,790	6,502,523
Finance income	25	463,177	204,953
Finance costs	26	(1,904,508)	(2,471,816)
Profit before income tax		5,432,459	4,235,660
Income tax charge	15	(1,191,033)	(980,222)
Profit for the year		4,241,426	3,255,438
Attributable to:			
Shareholders of OJSC OGK-2		4,241,426	3,255,438
Earnings per ordinary share attributable to the shareholders of OJSC OGK-2 – basic and diluted (in Russian Roubles)			
	27	0.04	0.05

OGK-2 Group**Consolidated Statement of Comprehensive Income for the year ended 31 December 2013**

(in thousands of Russian Roubles)

	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
Profit for the year	4,241,426	3,255,438
<i>Items that may be reclassified to profit or loss:</i>		
Available-for-sale investments, net of tax	(12,013)	(16,738)
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurements of retirement benefit obligation, net of tax	558,332	(117,081)
Total comprehensive income for the year	4,787,745	3,121,619
Attributable to:		
Shareholders of OJSC OGK-2	4,787,745	3,121,619

OGK-2 Group
Consolidated Statement of Cash Flows for the year ended 31 December 2013

(in thousands of Russian Roubles)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		5,432,459	4,235,660
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment	24	4,441,946	4,009,890
Reversal of property, plant and equipment impairment	7	-	(4)
Amortisation of intangible assets	24	143,560	107,587
Reversal of intangible assets impairment	8	-	(61,716)
Charge of provision for impairment of trade and other receivables	24	2,439,818	549,666
Charge / (reversal) of provision for inventory obsolescence	24	1,609	(7,616)
Finance income	25	(463,177)	(204,953)
Finance costs	26	1,904,508	2,471,816
(Decrease) / increase in retirement benefit obligations	24	(143,093)	107,527
Loss on disposal of assets, net	24	20,871	105,395
Other non-cash items		28,601	(147,559)
Operating cash flows before working capital changes and income tax paid		13,807,102	11,165,693
Working capital changes:			
Increase in trade and other receivables		(2,327,969)	(4,161,458)
Decrease / (increase) in inventories		30,584	(643,397)
Increase in trade and other payables		655,586	1,565,254
Payments in respect of retirement benefit obligations		(82,983)	(105,427)
(Decrease) / increase in other non-current liabilities		(55,723)	4,721,019
Increase in taxes payable, other than income tax		132,356	74,273
Income tax (paid) / received in cash		(1,644,329)	273,946
Net cash generated from operating activities		10,514,624	12,889,903
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(16,986,463)	(19,166,033)
Proceeds from sale of property, plant and equipment		22,113	24,392
Purchase of intangible assets		(165,217)	(66,587)
Increase in deposits		(972,620)	(2,127,380)
Investments in equity accounted investees	9	-	(1,048,344)
Interest received		352,122	38,241
Net cash used in investing activities		(17,750,065)	(22,345,711)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Prepayment for issued shares	14	403	23,000,552
Proceeds from short-term borrowings		-	6,626,350
Proceeds from long-term borrowings		24,470,664	4,114,986
Repayment of short-term borrowings		(3,200,360)	(8,918,844)
Repayment of long-term borrowings		(10,000,000)	(9,317,006)
Interest paid		(1,875,767)	(2,257,378)
Payments under finance lease		(163,024)	(159,168)
Finance lease advance		(588)	(6,653)
Expenses for share issue		-	(172,351)
Dividend paid by the Group to shareholders of OGK-2		-	(53,702)
Proceeds from sale of treasury shares		-	250
Net cash generated from financing activities		9,231,328	12,857,036
Net increase in cash and cash equivalents		1,995,887	3,401,228
Cash and cash equivalents at the beginning of the year	10	3,760,344	359,116
Cash and cash equivalents at the end of the year	10	5,756,231	3,760,344

OGK-2 Group
Consolidated Statement of Changes in Equity for the year ended 31 December 2013

(in thousands of Russian Roubles)

	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Total
At 31 December 2011 (As previously reported)	21,518,239	(4,058,238)	23,916,508	41,097,814	82,474,323
Effect of changes in accounting policies and other adjustments (Note 5)	-	-	-	(653,713)	(653,713)
At 1 January 2012 (Restated)	21,518,239	(4,058,238)	23,916,508	40,444,101	81,820,610
Profit for the year (restated)	-	-	-	3,255,438	3,255,438
Available-for-sale investments, net of tax	-	-	-	(16,738)	(16,738)
Remeasurements of retirement benefit obligations, net of tax	-	-	-	(117,081)	(117,081)
Total comprehensive income for the year (restated)	-	-	-	3,121,619	3,121,619
Dividends (Note 14)	-	-	-	(56,905)	(56,905)
Merger adjustment	-	-	-	320,265	320,265
Prepayments for issued shares (Note 14)	-	-	-	23,000,552	23,000,552
Acquisition of treasury shares (Note 14)	-	(868)	-	-	(868)
Sale of treasury shares (Note 14)	-	250	-	-	250
At 31 December 2012 (Restated)	21,518,239	(4,058,856)	23,916,508	66,829,632	108,205,523
At 31 December 2012 (As previously reported)	21,518,239	(4,058,856)	23,916,508	67,368,361	108,744,252
Effect of changes in accounting policies and other adjustments (Note 5)	-	-	-	(538,729)	(538,729)
At 31 December 2012 (Restated)	21,518,239	(4,058,856)	23,916,508	66,829,632	108,205,523
Profit for the year	-	-	-	4,241,426	4,241,426
Available-for-sale investments, net of tax	-	-	-	(12,013)	(12,013)
Remeasurements of retirement benefit obligations, net of tax	-	-	-	558,332	558,332
Total comprehensive income for the year	-	-	-	4,787,745	4,787,745
Issued shares (Note 14)	18,538,770	-	4,462,185	(23,000,552)	403
At 31 December 2013	40,057,009	(4,058,856)	28,378,693	48,616,825	112,993,671

OGK-2 Group

Notes to Consolidated Financial Statements for the year ended 31 December 2013

(in thousands of Russian Roubles)

Note 1. The Group and its operations

Open Joint Stock Company "The Second Generating Company of the Wholesale Electric Power Market" (OJSC "OGK-2", or the "Company") was established on 9 March 2005 within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1254-r adopted by the Russian Federation Government on 1 September 2003.

The primary activities of the Company are generation and sale of electric and heat power. The Company consists of the following power stations (plants): Troitskaya GRES, Stavropolskaya GRES, Pskovskaya GRES, Serovskaya GRES, Surgutskaya GRES-1, Adlerskaya TES, Kirishskaya GRES, Ryazanskaya GRES, Novochoercasskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES.

The Company is registered by the Izobilnensk District Inspectorate of the RF Ministry of Taxation of Stavropol Region.

The Company's office is located at 101-3, Vernadskogo Avenue, 119526, Moscow, Russian Federation.

OJSC "OGK-2" and its following subsidiaries form the OGK-2 Group (the "Group"):

	% owned	
	31 December 2013	31 December 2012
LLC "OGK-2 Finance"	100%	100%
LLC "Centr 112"	100%	100%

Operating environment of the Group. The Group's operations are primarily located in the Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations (Note 29). The political and economic turmoil witnessed in the region, including the developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the Rouble and making it harder to raise international funding. At present, there is an ongoing threat of sanctions against Russia and Russian officials the extent and impact of which are at this stage difficult to determine. The financial markets are uncertain and volatile. These and other events may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation may differ from management's current expectations.

Relations with the state and current regulation. OJSC "OGK-2" is part of the Gazprom Group, which includes OJSC "Gazprom" and its subsidiaries. OJSC "Centerenergyholding" owns 73.42% of the shares of OJSC "OGK-2" as at 31 December 2013 (as at 31 December 2012: 50.52%).

Gazprom Group, in its turn, is controlled by the Russian Federation, therefore, the Russian Government is the ultimate controlling party of the Group as at 31 December 2013 and 31 December 2012.

The Group's customer base includes a large number of entities controlled by or related to the State. The list of the Group's major fuel suppliers includes subsidiaries of OJSC "Gazprom".

The government of the Russian Federation directly affects the Group's operations through regulations of wholesale sales of electricity (capacity) and retail sales of heat exercised by the Federal Tariff Service ("FTS") and the tariffs regulation executive authorities. JSC "System Operator of the United Power System" ("SO UPS"), which is controlled by the Russian Federation represented by the Federal executive body for state property management, regulates operations of generating assets of the Group.

As described in Note 29, the government's economic, social and other policies could have material effects on the operations of the Group.

Note 2. Basis of preparation

Statement of compliance. These consolidated financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related interpretations adopted by the International Accounting Standards Board ("IASB").

The Company and each subsidiary of the Company individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Russian Accounting Rules ("RAR"). The accompanying financial statements are based on the statutory records adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

Basis of measurement. The financial statements are prepared on the historical cost basis except financial instruments measured at fair value at initial recognition and revaluation of financial investments classified as available-for-sale.

Functional and presentation currency. The national currency of the Russian Federation is the Russian Rouble ("RR"), which is the functional currency of the Company and its subsidiaries and the currency in which these financial statements are presented. All financial information presented in RR has been rounded to the nearest thousand, unless otherwise stated.

Going concern. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The recoverability of the Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. The accompanying financial statements do not include any adjustments should the Group be unable to continue as a going concern.

Critical accounting estimates and assumptions. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment provision for trade and other receivables

The impairment provision for trade and other receivables is based on the Group's assessment of whether the collectability of specific customer accounts worsened compared to prior estimates. If there is deterioration/impairment in a major customer's creditworthiness or actual defaults are higher/lower than the estimates, the actual results could differ from these estimates. See effect of these critical accounting estimates and assumptions in Note 11.

Impairment of property, plant and equipment

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the consolidated statement of profit or loss in the period in which the reduction is identified. If conditions change and management determines that the value of property, plant and equipment and assets under construction has increased, the impairment provision will be fully or partially reversed. See effect of these critical accounting estimates and assumptions in Note 7. As described in Notes 1 and 29, the Government's economic, social and other policies could have material effects on the operations of the Group.

Useful lives of property, plant and equipment

The estimation of the useful lives of an items of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates. See effect of these critical accounting estimates and assumptions in Note 7.

Tax contingencies

Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. Where the Group management believes it is probable that their interpretation of the relevant legislation and the Group's tax positions cannot be sustained, an appropriate amount is accrued for in these consolidated financial statements. See effect of these critical accounting estimates and assumptions in Note 29.

Restoration provision

The Group reviews its decommissioning liability, representing site restoration provisions, at each reporting date and adjusts it to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The amount recognized as a provision is the best

estimate of the expenditures required to settle the present obligation at the reporting date based on the requirements of the current legislation of the country where the respective operating assets are located. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgment is required in forecasting future site restoration costs. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision when there is sufficient objective evidence that they will occur. See effect of these critical accounting estimates and assumptions in Note 22.

Note 3. New accounting developments

The following new standards and amendments to standards became effective from 1 January 2013 and impacted the Group:

- IFRS 13, *Fair Value Measurement* (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Standard did not have any material impact on the measurement of the Group's assets and liabilities but resulted in additional disclosures in these consolidated financial statements (Note 30);

- Amendments to IAS 1 *Presentation of Financial Statements* (issued in June 2011, effective for annual periods beginning on or after 1 July 2012) changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to statement of profit or loss and other comprehensive income. The amended Standard has changed the presentation of the Group's consolidated financial statements but did not have any impact on measurement of transactions and balances;

- Amended IAS 19 *Employee Benefits* (issued in June 2011, effective for periods beginning on or after 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group reports accumulated amount of these remeasurements in retained earnings in equity. Retrospective application of the standard had the impact on the consolidated financial statements (Note 5).

The following new standards, amendments to standards and interpretations became effective from 1 January 2013 but did not have any material impact on the Group's consolidated financial statements:

- IFRS 10, *Consolidated Financial Statements* (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);

- IFRS 11, *Joint Arrangements* (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);

- IFRS 12, *Disclosure of Interests in Other Entities* (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);

- IAS 27, *Separate Financial Statements* (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);

- IAS 28, *Investments in Associates and Joint Ventures* (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);

- Amendments to IFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013);

- Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards* (issued in March 2012 and effective for periods beginning on or after 1 January 2013);

- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning on or after 1 January 2013);

- IFRIC 20, *Stripping costs in the Production Phase of a surface Mine*, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013);

- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning 1 January 2013).

All IFRS pronouncements issued by the International Accounting Standards Board (IASB) and effective for 2013 have been endorsed for application in Russia.

Certain new standards, amendments to standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later, and which the Group has not early adopted:

- IFRS 9, *Financial Instruments Part 1: Classification and Measurement*. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 and November 2013 to address the classification and measurement of financial liabilities;

- Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities* (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014);

- Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment entities* (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014);

- IFRIC 21 - *Levies* (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014);

- Amendments to IAS 36 – *Recoverable amount disclosures for non-financial assets* (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment;

- Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting* (issued in June 2013 and effective for annual periods beginning 1 January 2014).

Above standards effective for the annual periods beginning on or after 1 January 2014 or later were adopted in Russia.

Certain IFRS pronouncements have been issued by the IASB but are not yet adopted in Russia:

- Amendments to IAS 19 – *Defined benefit plans: Employee contributions* (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service;

- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to seven standards:

- a) IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition';

- b) IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss;

- c) IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported;

- d) The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial;

e) IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model;

f) IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards: IFRS 1, IFRS 3, IFRS 13 and IAS 40;

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016);

- The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

The Group is currently assessing the impact of the new standards, amendments to standards and interpretations on its consolidated financial statements.

Note 4. Summary of significant accounting policies

Principles of consolidation. The consolidated financial statements comprise the financial statements of the Company and those entities whose operations are controlled by the Company.

A) Subsidiaries

Subsidiaries are those investees that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

B) Transactions eliminated on consolidation

Intercompany balances and transactions and any unrealized gains arising from intercompany transactions, are eliminated in preparing these consolidated financial statements; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Equity accounted investees. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Significant influence occurs when the Group has the power to participate in the financial and operating policy decisions of an entity but has no control or joint control over those policies. Equity accounted investees are accounted for using the equity method. The group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. Unrealised gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in the equity accounted investees; unrealised

losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's interest in each equity accounted investees is carried in the consolidated statement of financial position at an amount that reflects cost, including the goodwill at acquisition, the Group's share of profit and losses and its share of post-acquisition movements in reserves recognized in equity. Provisions are recorded for any impairment in value.

Recognition of losses under equity accounting is discontinued when the carrying amount of the investment in an equity accounted investees reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the equity accounted investees.

Transfers of businesses from parties under common control. The Group was formed by the combination of a number of businesses under common control. Contributions to share capital of shares in subsidiaries (businesses) from parties under common control are accounted for using predecessor basis of accounting. 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 restated. The assets and liabilities of the subsidiaries transferred under common control are accounted for at the predecessor entity's carrying amounts. Because of the consequent use of the predecessor basis of accounting, the principal component of the net equity recognised for the Group is based on the historic carrying value of the net assets of the businesses contributed as recorded in the IFRS financial records of the predecessor enterprises, rather than the fair values of those net assets. In accordance with the predecessor basis of accounting any difference between the carrying amount of net assets and the nominal value of share capital contributed and share premium is accounted for in these consolidated financial statements as retained earnings.

Foreign currency. Monetary assets and liabilities, held by the Group and denominated in foreign currencies at the reporting date, are translated into RR at the exchange rates prevailing at that date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of the monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

The official Russian Rouble to US dollar exchange rates as determined by the Central Bank of the Russian Federation were 32.7292 and 30.3727 as at 31 December 2013 and 31 December 2012, respectively. The official RR to EURO exchange rates as determined by the Central Bank of the Russian Federation were 44.9699 and 40.2286 as at 31 December 2013 and 31 December 2012, respectively.

Dividends. Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared (approved by shareholders) before or on the reporting date. Dividends are disclosed when they are declared after the reporting date, but before the financial statements are authorized for issue.

Property, plant and equipment. Following the predecessor basis of accounting property, plant and equipment were recognized at the carrying value determined in accordance with IFRS by the predecessors.

Property, plant and equipment are stated at depreciated cost less impairment. At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the consolidated statement of profit or loss. An impairment loss recognised in prior years is reversed if there has been an increase in the estimated fair value or value in use used to determine an asset's recoverable amount.

Renewals and improvements are capitalised and the assets replaced are retired. The cost of repair and maintenance is expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in the consolidated statement of profit or loss as incurred.

Social assets are not capitalised as they are not expected to result in future economic benefits to the Group. Costs associated with a fulfilment of the Group's social responsibilities are expensed as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

The remaining useful lives, in years, are as follows:

Classes of property, plant and equipment	31 December 2013	31 December 2012
Production buildings	23-39	24-40
Constructions	5-31	6-32
Energy machinery and equipment	7-28	8-29
Other machinery and equipment	1-18	2-19
Other	1-10	2-11

Purchases of property, plant and equipment are shown net of VAT within investing activities in consolidated statement of cash flows.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

The Group classified assets and liabilities on the basis of an appropriate level of hierarchy of fair value as it is stated above (Note 30).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter

period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. The Group classifies its financial assets into the following categories: loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payment terms, which are not quoted on an active market. These assets are included into the current assets except when the maturity is greater than 12 months after the reporting date. These assets are classified as non-current assets.

(b) Available-for-sale investments. Available-for-sale financial assets include investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Initial recognition of financial instruments. All financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions involving a similar instrument or by a valuation technique whose inputs include data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive a dividend is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year. Impairment losses on equity instruments are not reversed through profit or loss and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Cash and cash equivalents. Cash comprises cash in hand and cash deposited on demand at banks. Cash equivalents comprise short-term highly liquid investments that are readily convertible into cash and have a maturity of three months or less from the date of acquisition and are subject to insignificant changes in value.

Trade and other receivables. Trade and other receivables are recorded inclusive of value added taxes. Financial trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. In practice, the entity has estimated that the nominal amount of trade and other receivables approximates the fair value at inception. A provision for impairment of trade receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate for similar borrowers. The carrying amount of the asset is reduced through the use of an impairment provision account, and the amount of the loss is recognised in the consolidated statement of profit or loss within operating expenses. When a receivable is uncollectible, it is written off against the impairment provision account for receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statement of profit or loss.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

Derecognition of non-derivative financial liabilities. 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.

Trade and other payables and accrued charges. Trade and other payables are stated inclusive of value added tax. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. If trade and other payables are restructured and the discounted present value of the cash flows under the restructured terms discounted using the original effective interest rate differs by more than ten percent from the discounted present value of the remaining cash flows of the original financial liability, then the fair value of the restructured payable is measured as the discounted present value of the cash flows under the restructured terms. In this case the amount of the discount is credited to the consolidated statement of profit or loss (finance costs) as a gain on restructuring, and the non-current portion of the discounted payable is classified as other non-current liabilities. The discount is amortized as interest expense.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Debt. Debt is recognized initially at its fair value. In subsequent periods, debt is stated at amortized cost using the effective yield method; any difference between the fair value at initial recognition (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or losses as an interest expense over the period of the debt obligation.

Environmental liabilities. Liabilities for environmental remediation are recorded where there is a present legal obligation as a result of past events, the payment is probable and reliable estimates can be made.

Value added tax on purchases and sales (VAT). Output VAT related to sales is payable to tax authorities on the earlier of (a) receipt of advance from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of goods or services and the respective VAT invoice. Input VAT from advances paid to suppliers after 1 January 2009 is recoverable upon advance payment provided the receipt of respective VAT invoice.

The tax authorities permit the settlement of VAT on net basis. VAT related to sales and purchases is recognized in the statement of financial position at nominal value on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Inventories. Inventories are valued at the lower of net realizable value and weighed average acquisition cost. Write-down is made for potential losses on obsolete or slow-moving inventories, taking into account their expected use and future realizable value.

Intangible assets. The Group's intangible assets have definite useful lives and primarily include capitalised computer software and licences. Acquired computer software and licences, are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. Maintenance costs associated with computer software are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives.

Intangible assets are reviewed for impairment whenever the events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The remaining useful lives, in years, are as follows:

Classes of intangible assets	31 December 2013	31 December 2012
SAP software	8-13	9-14
Other intangibles	3-13	4-14

Income tax. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current period. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Taxes other than on income are recorded within operating expenses.

Deferred tax is provided using the balance sheet liability method for the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business

combination if the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Prepayments / Advances paid. Prepayments/advances paid are carried at cost less provision for impairment. A prepayment/advance paid is classified as non-current when the goods or services relating to the prepayment/advance paid are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments/advances paid to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Advances paid to capital contractors and to acquire intangible assets are included into carrying amount of construction in progress balance of property, plant and equipment and intangible assets balance, respectively, excluding related input VAT. Input VAT from the advances paid to capital contractors and to acquire intangible assets is included into carrying amount of other non-current assets if expected date of input VAT recovery after one year. If input VAT recovery is expected within one year, it is recognized as trade and other receivables. The input VAT is stated at its nominal value. Other prepayments/advances paid offset when the goods or services relating to the prepayments/advances are received. If there is an indication that the assets, goods or services relating to a prepayment/advances paid will not be received, the carrying value of the prepayment advance paid is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

Borrowing costs. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset. Other borrowing costs are recognised as an expense using the effective interest method.

The Group capitalises borrowing costs that would have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Borrowing costs directly attributable to specific purposes other than the acquisition of qualifying assets are excluded from general borrowings when assessing the amount of borrowing costs to be capitalised. Borrowing costs associated with such borrowings are expensed within finance costs.

The commencement date for capitalisation is when (i) the Group incurs expenditures for the qualifying asset; (ii) it incurs borrowing costs; and (iii) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Interest payments capitalised as part of the cost of an assets are classified as cash outflows from financing activities.

Restoration provision. Estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of the item when an item is acquired. Changes in the measurement of an existing asset retirement obligation result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate. These changes adjust the cost of the related asset in the current period. The Group has an obligation to restore the surface of ash dumps when they are full.

Finance leases. Where the Group is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and

equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of future finance charges, are included in debts. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest cost is charged to the statement of profit or loss over the lease period using the effective interest method.

Operating leases. Management applies judgment in determining whether to account for lease agreements as finance or operating leases. In the application of this judgment, management makes assessment of various factors including which party carries the risks and rewards of ownership, the extent of the lease term and whether early termination clauses can be exercised by the counterparties to the lease.

Where the Group is a lessee in a lease which does not transfer substantially all the risk and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income.

Pension, post-employment and other long-term benefits. In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred and included in employee benefit expenses and social funds contributions in the consolidated statement of profit or loss.

Benefit plans define the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligation at the reporting date. The defined benefit obligations are calculated using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid associated with the operation of the plans, and that have terms to maturity approximating the terms of the related retirement benefit obligations.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions. Remeasurements are recognised immediately in other comprehensive income. Remeasurements for other long-term benefits are recognised immediately in profit and loss.

A past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. Past service cost is recognised immediately as soon as the pension plan conditions are changed. A curtailment of pension plan occurs when there is a significant reduction in the number of employees covered by the plan. A curtailment gain or loss gives rise to past service cost and as such it is recognised when it occurs.

Revenue recognition. Revenue is recognized on the delivery of electricity, capacity, heat and provision of other services during the period. Revenues from sales of non-utility goods are recognised at the point of transfer of risks and rewards of ownership of the goods. Revenues from sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenues are measured at the fair value of consideration received or receivable. Revenue amounts are represented exclusive of value added tax.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker.

The primary activity of the Group is production of electric and heat power and capacity. Operating segments are operations that generate revenue and incur expenses that are covered by separate financial information regularly submitted to the decision-making body which is represented by the Company's Management Board. The Management Board of the Company controls and allocates economic resources of the Group between segments and evaluates segment's operating efficiency. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. The Group discloses seven reporting segments: Surgutskaya GRES-1, Troitskaya GRES,

Stavropolskaya GRES, Serovskaya GRES, Kirishskaya GRES, Ryazanskaya GRES, Novochercasskaya GRES, Pskovskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES and Adlerskaya TES are included in other operating segments based on quantitative criteria.

Earnings per share. The Group presents basic and diluted 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, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held.

Note 5. Changes in accounting policies and other adjustments of the financial statements

The Group retrospectively changed its accounting policy for pension and post-employment benefits as a result of application of amended IAS 19 *Employee Benefits* from 1 January 2012. The revised standard makes significant changes to the recognition and measurement of defined benefit pension expenses and to disclosures of all employee benefits. The material impacts of IAS 19 (revised) on the Group's consolidated financial statements are as follows:

- "Actuarial gains and losses" are renamed "remeasurements" and for post-employment benefits are recognized immediately in other comprehensive income and thus, will no longer be deferred using the corridor approach or recognised in profit or loss. As a result, unrecognised actuarial losses in the amount of RR 686,553 thousand and RR 790,769 thousand as of 1 January 2012 and 31 December 2012, respectively, were recorded within retained earnings and other reserves. Correspondingly, the net defined benefit assets/liabilities have changed by those amounts;

- Past service costs are now recognized immediately through profit or loss when they occur, in the period of a plan amendment. This resulted in unrecognised income on past service costs in the amount of RR 14,738 thousand and RR 38,528 thousand as of 1 January 2012 and 31 December 2012, respectively, being expensed within retained earnings and other reserves. Past service costs will no longer be deferred to the future periods;

- Estimation of defined benefit obligation includes tax liabilities to be paid by the plan in connection with the employee benefits payments. As a result, additional expenses in the amount of RR 44,676 thousand and RR 59,869 thousand were recognized in other comprehensive income up to 1 January 2012 and 31 December 2012, respectively. Also additional expenses in the amount of RR 89,819 thousand and RR 123,646 thousand were recognized in the consolidated statement of profit or loss up to 1 January 2012 and 31 December 2012, respectively. Accordingly, the net pension plan assets/liabilities have changed on these amounts.

The restated comparative information from adoption of amended IAS 19 is described below.

Other adjustments include:

- adjustment to capitalization of borrowing costs;
- Items "Retained earnings" and "Other reserves" are shown in "Retained earnings and other reserves" for presentation purposes in the Consolidated statement of Financial Position and the Consolidated Statement of Changes in Equity.

OGK-2 Group
Notes to Consolidated Financial Statements for the year ended 31 December 2013

(in thousands of Russian Roubles)

Consolidated Statement of Financial Position

	As previously reported, at 1 January 2012	Change in accounting policy for pension and post- employment benefits	Other adjustments	As restated at 1 January 2012
Property, plant and equipment	106,497,335	-	117,058	106,614,393
Total non-current assets	111,005,852	-	117,058	111,122,910
TOTAL ASSETS	132,002,774	-	117,058	132,119,832
Retained earnings and other reserves	41,097,814	(747,359)	93,646	40,444,101
Total equity	82,474,323	(747,359)	93,646	81,820,610
Deferred income tax liabilities	6,234,194	(58,951)	23,412	6,198,655
Retirement benefit obligations	1,682,222	806,310	-	2,488,532
Total non-current liabilities	35,847,587	747,359	23,412	36,618,358
Total liabilities	49,528,451	747,359	23,412	50,299,222
TOTAL EQUITY AND LIABILITIES	132,002,774	-	117,058	132,119,832

	As previously reported, 31 December 2012	Change in accounting policy for pension and post- employment benefits	Other adjustments	As restated at 31 December 2012
Property, plant and equipment	114,100,762	-	354,141	114,454,903
Total non-current assets	120,395,156	-	354,141	120,749,297
TOTAL ASSETS	149,632,070	-	354,141	149,986,211
Other reserves	23,000,552		(23,000,552)	-
Retained earnings and other reserves	44,367,809	(822,042)	23,283,865	66,829,632
Total equity	108,744,252	(822,042)	283,313	108,205,523
Deferred income tax liabilities	6,213,372	(113,714)	70,828	6,170,486
Retirement benefit obligations	1,882,826	935,756	-	2,818,582
Total non-current liabilities	29,572,111	822,042	70,828	30,464,981
Total liabilities	40,887,818	822,042	70,828	41,780,688
TOTAL EQUITY AND LIABILITIES	149,632,070	-	354,141	149,986,211

Consolidated Statement of Profit and Loss and Consolidated Statement of Comprehensive Income

	As previously reported, year ended 31 December 2012	Change in accounting policy for pension and post- employment benefits	Other adjustments	As restated, year ended 31 December 2012
Operating expenses	(97,814,957)	57,414	(3,840)	(97,761,383)
Operating profit	6,448,949	57,414	(3,840)	6,502,523
Finance costs	(2,700,571)	(12,167)	240,922	(2,471,816)
Profit before income tax	3,953,331	45,247	237,082	4,235,660
Income tax charge	(929,958)	(2,848)	(47,416)	(980,222)
Profit for the year	3,023,373	42,399	189,666	3,255,438
Attributable to: Shareholders of OJSC OGK-2	3,023,373	42,399	189,666	3,255,438
Remeasurements of retirement benefit obligations, net of tax	-	(117,081)	-	(117,081)
Total comprehensive income for the year	3,006,635	(74,682)	189,666	3,121,619
Attributable to: Shareholders of OJSC OGK-2	3,006,635	(74,682)	189,666	3,121,619

OGK-2 Group
Notes to Consolidated Financial Statements for the year ended 31 December 2013

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Consolidated Statement of Changes in Equity

	As previously reported			Change in accounting policy for pension and post-employment benefits and other adjustments			As restated	
	Other reserves	Retained earnings	Total	Other reserves	Retained earnings and other reserves	Total	Retained earnings and other reserves	Total
At 1 January 2012	-	41,097,814	82,474,323	-	(653,713)	(653,713)	40,444,101	81,820,610
Profit for the year	-	3,023,373	3,023,373	-	232,065	232,065	3,255,438	3,255,438
Remeasurements of retirement benefit obligations, net of tax	-	-	-	-	(117,081)	(117,081)	(117,081)	(117,081)
Total comprehensive income for the year	-	3,006,635	3,006,635	-	114,984	114,984	3,121,619	3,121,619
Prepayment for issued shares	23,000,552	-	23,000,552	(23,000,552)	23,000,552	-	23,000,552	23,000,552
At 31 December 2012	23,000,552	44,367,809	108,744,252	(23,000,552)	22,461,823	(538,729)	66,829,632	108,205,523

Consolidated Statement of Cash Flows

	As previously reported, year ended 31 December 2012	Change in accounting policy for pension and post-employment benefits	Other adjustments	As restated, year ended 31 December 2012
Profit before income tax	3,953,331	45,247	237,082	4,235,660
Depreciation of property, plant and equipment	4,006,050	-	3,840	4,009,890
Finance costs	2,700,571	12,167	(240,922)	2,471,816
Increase in retirement benefit obligations	154,423	(46,896)	-	107,527
Other non-cash items	(137,041)	(10,518)	-	(147,559)
Net cash generated from operating activities	12,889,903	-	-	12,889,903

There is no effect of changes in the accounting policy and other adjustments on the earning per ordinary share calculation.

Note 6. Related Parties

Information on transactions and balances with related parties is presented below. All transactions were made in Russian Federation and in Russian Roubles. Transactions with related parties have been made mostly on the same terms and conditions as similar operations with the parties external to the Group. Prices for natural gas and heat are based on tariffs set by FST, prices for electricity and capacity are based on tariffs set by FST and also based on competitive take-off on the wholesale electricity (capacity) market. Loans are granted at market rates. Bank deposits are invested at market rates.

Transactions with Gazprom Group and its associates

Transactions with Gazprom Group and its associates were as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
<i>Sales:</i>		
Sales of electricity and capacity	6,417,528	6,278,807
Sales of heat	385	394
Other sales	365,081	331,539
Other income	43,658	49
<i>Purchases:</i>		
Purchases of gas	44,077,623	39,343,828
Other purchases	2,418,390	1,377,258
Other expenses	5,345	9,700

OGK-2 Group**Notes to Consolidated Financial Statements for the year ended 31 December 2013**

(in thousands of Russian Roubles)

Balances with Gazprom Group and its associates were as follows:

	31 December 2013	31 December 2012
Long-term loan issued (Note 9)	1,048,344	1,048,344
Bank accounts (Note 10)	43,594	82
Trade and other receivables	771,883	636,574
Promissory notes OJSC "Gazprombank" (nominal value of promissory notes is RR 777,794 thousand as at 31 December 2013 and nil as at 31 December 2012)	750,611	-
Prepayment for issued shares (equity)*	-	23,000,000
Non-current debt	21,600,000	-
Trade and other payables	1,229,272	881,713

* This prepayment for shares issued was received from the parent OJSC "Centerenergyholding" (see also Note 14).

Interest expense accrued in respect of non-current debt for the year ended 31 December 2013 was RR 269,765 thousand (for the year ended 31 December 2012: RR 492,010 thousand).

Interest income accrued in respect of loans issued for the year ended 31 December 2013 was RR 54,374 thousand (for the year ended 31 December 2012: nil).

Transactions with state-controlled entities and its associates other than Gazprom Group

In the normal course of business the Group enters into transactions with other entities under Government control (in addition to transactions with Gazprom Group), including sales of electricity and capacity, heat, purchases of electricity and capacity resources, services and other transactions. These transactions (except for sales and purchases of electricity and capacity) are not significant either individually or collectively.

Information concerning sales and purchases of electricity and capacity with the state-controlled entities is presented below:

	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
Sales of electricity and capacity	28,643,999	22,608,154
Charge of provision for impairment of trade receivables	1,273,767	728,625
Reversal of provision for impairment of trade receivables	(177,284)	(446,285)
Building and construction works	6,895,594	3,172,967
Purchases of electricity and capacity	9,101,893	8,592,655

Significant balances with the state-controlled entities were as follows:

	31 December 2013	31 December 2012 (Restated)
Trade and other receivables, gross	18,411,101	18,912,613
Provision for impairment of trade and other receivables	(3,176,550)	(2,088,193)
Trade and other payables	2,185,843	1,385,801
Non-current debt and current portion of non-current debt to OJSB "Sberbank"	2,873,307	-

Interest expense accrued in respect of debt for the year ended 31 December 2013 was RR 76,179 thousand (for the year ended 31 December 2012: nil).

The guarantees from OJSC "Sberbank" equal RR 3,150,096 thousand as at 31 December 2013 (as at 31 December 2012: RR 3,435,313 thousand). Significant amount of this guarantees ensures return of the advance payments made to CJSC "QUARTZ-Novie Technologii" to secure the contractor's obligations under the general construction contract (see Note 7).

OGK-2 Group**Notes to Consolidated Financial Statements for the year ended 31 December 2013**

(in thousands of Russian Roubles)

Transactions with key management

Compensation is paid to members of the Management Board of the Company for their services in full time management positions. The compensation is made up of a contractual salary and a performance bonus depending on results for the period according to Russian statutory financial results of the Company. The compensation is approved by the Board of Directors. Discretionary bonuses are also payable to members of the Management Board, which are approved by the Chairman of the Management Board according to his perception of the value of their contribution.

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

Total remuneration accrued to the members of the Board of Directors and Management Board is presented below:

	Year ended 31 December 2013		Year ended 31 December 2012 (Restated)	
	Expenses	Accrued liabilities	Expenses	Accrued liabilities
Remuneration	100,431	6,626	109,448	2,668
Social funds contribution	2,215	-	1,690	-
Medical insurance	2,063	-	2,997	-
Retirement benefit obligations	3,091	27,609	3,445	28,106

Transactions with other related parties

Transactions with other related parties represent transactions with the pension funds. For the year ended 31 December 2013 the Group made contributions of RR 50,578 thousand to NPF Electroenergetiki and NPF GAZFOND (for the year ended 31 December 2012: RR 47,247 thousand).

Note 7. Property, plant and equipment

	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Cost							
Opening balance as at 1 January 2013 (Restated)	37,665,957	19,614,523	44,164,395	14,080,513	1,626,223	48,509,459	165,661,070
Additions	13,136	-	60	32,067	17,118	18,865,065	18,927,446
Transfer	197,416	1,302,907	777,613	959,055	25,978	(3,262,969)	-
Disposals	(1,999)	(157,953)	(88,097)	(38,030)	(16,291)	(50,845)	(353,215)
Closing balance as at 31 December 2013	37,874,510	20,759,477	44,853,971	15,033,605	1,653,028	64,060,710	184,235,301
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2013 (Restated)	(16,003,525)	(10,117,988)	(17,451,848)	(6,325,226)	(981,129)	(326,451)	(51,206,167)
Charge for the period	(701,931)	(839,041)	(1,929,771)	(1,161,764)	(124,577)	-	(4,757,084)
Disposals	1,060	54,118	72,083	32,395	16,291	42,304	218,251
Closing balance as at 31 December 2013	(16,704,396)	(10,902,911)	(19,309,536)	(7,454,595)	(1,089,415)	(284,147)	(55,745,000)
Net book value as at 31 December 2013	21,170,114	9,856,566	25,544,435	7,579,010	563,613	63,776,563	128,490,301
Net book value as at 31 December 2012 (Restated)	21,662,432	9,496,535	26,712,547	7,755,287	645,094	48,183,008	114,454,903

OGK-2 Group**Notes to Consolidated Financial Statements for the year ended 31 December 2013**

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	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Cost							
Opening balance as at 1 January 2012 (Restated)	35,264,900	16,787,828	28,667,762	11,780,518	1,549,213	60,147,971	154,198,192
Additions	-	2,181	168	35,575	141,554	18,751,164	18,930,642
Transfer	2,464,391	2,986,696	15,630,426	2,404,837	33,639	(23,519,989)	-
Disposals	(63,334)	(162,182)	(133,961)	(89,673)	(95,022)	(19,092)	(563,264)
Disposal of subsidiary	-	-	-	(50,744)	(3,161)	(6,850,595)	(6,904,500)
Closing balance as at 31 December 2012 (Restated)	37,665,957	19,614,523	44,164,395	14,080,513	1,626,223	48,509,459	165,661,070
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2012 (Restated)	(15,413,627)	(9,451,315)	(15,914,039)	(5,508,610)	(966,573)	(329,635)	(47,583,799)
Charge for the period	(629,185)	(778,867)	(1,644,276)	(892,226)	(95,384)	-	(4,039,938)
Reversal of impairment	-	-	-	-	-	4	4
Disposals	39,287	112,194	106,467	75,610	80,547	3,180	417,285
Disposals subsidiary	-	-	-	-	281	-	281
Closing balance as at 31 December 2012 (Restated)	(16,003,525)	(10,117,988)	(17,451,848)	(6,325,226)	(981,129)	(326,451)	(51,206,167)
Net book value as at 31 December 2012 (Restated)	21,662,432	9,496,535	26,712,547	7,755,287	645,094	48,183,008	114,454,903
Net book value as at 31 December 2011 (Restated)	19,851,273	7,336,513	12,753,723	6,271,908	582,640	59,818,336	106,614,393

Construction in progress as at 31 December 2013 and 31 December 2012 includes advances for property, plant and equipment in the amount of RR 16,710,043 thousand and RR 18,564,075 thousand respectively.

As at 31 December 2013 the advances given to major contractors are: OJSC "E4 Group" to build a power unit on site of Serovskaya GRES and Stavropolskaya GRES amounted to RR 4,449,337 thousand (net of VAT), CJSC "QUARTZ-Novie Technologii" to build a power unit on site of Troitskaya GRES amounted to RR 11,506,892 thousand (net of VAT) and CJSC "PF VIS" for construction of a power unit on site of Novocherkasskaya GRES amounted to RR 494,900 thousand (net of VAT) (as at 31 December 2012: RR 3,550,693 thousand (net of VAT) OJSC "E4 Group", RR 12,664,260 thousand (net of VAT) CJSC "QUARTZ-Novie Technologii", RR 1,865,935 thousand (net of VAT) CJSC "PF VIS"). The respective input VAT is recognised within other non-current assets balance (see Note 9) and trade and other receivables (see Note 11).

The return of the advance payments made to CJSC "PF VIS" for construction of a power unit on site of Novocherkasskaya GRES during the year in case of non-fulfilment of construction obligations was guaranteed by OJSC "BANK "ROSSIYA" in the amount of RR 1,416,040 thousand (as at 31 December 2012: RR 2,278,840 thousand).

The return of the advance payments made to CJSC "QUARTZ-Novie Technologii" to secure the contractor's obligations under the general construction contract with the Group as at 31 December 2013 in the amount of RR 3,148,937 thousand was guaranteed to the Group by OJSC "Sberbank" and in the amount of RR 12,672,692 thousand was guaranteed by the contract of pledge of property rights by OJSC "QUARTZ-Novie Technologii" (as at 31 December 2012: RR 3,453,313 thousand by OJSC "Sberbank" and RR 12,672,692 thousand by OJSC "QUARTZ-Novie Technologii" respectively).

The return of the advance payments made to OJSC "E4 Group" to secure the contractor's obligations under the general construction contract with the Group as at 31 December 2013 in the amount of RR 8,375,747 thousand was guaranteed by the contract of pledge of property rights by OJSC "E4 Group" (as at 31 December 2012: RR 5,213,936 thousand).

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The Group capitalized borrowing costs attributable to the acquisition, construction or production of an asset in the amount of RR 331,825 thousand (for the year ended 31 December 2012: RR 262,436 thousand), with an average capitalisation rate of 8.09% (for the year ended 31 December 2012: 7.25%).

As at 31 December 2013 the Group owns land (included in the group "Other") with the carrying amount of RR 66,551 thousand (as at 31 December 2012: RR 66,551 thousand).

The amount of ash dump restoration costs capitalised within the group "Constructions" (see Note 22) is RR 25,397 thousand as at 31 December 2013 (as at 31 December 2012: RR 214,647 thousand).

Impairment

The impairment provision balance included in accumulated depreciation as at 31 December 2013 in the amount of RR 284,147 thousand (as at 31 December 2012: RR 326,451 thousand) relates to the assets under construction that have been indefinitely suspended for further construction and are not included in the Group's investment program (see Note 28).

Finance lease

The Group leased certain equipment under a number of finance lease agreements. At the end of the leases the Group has the option to purchase the equipment at a beneficial price. The net book value of leased property, plant and equipment is presented below:

	31 December 2013	31 December 2012
Energy machinery and equipment	39,934	44,557
Other machinery and equipment	175,452	200,411
Other	212,933	244,249
Total	428,319	489,217

The leased equipment is pledged as a security for the lease obligation.

Operating lease

The Group leases a number of land plots owned by local governments and real estate entities under operating leases. Lease payments are determined by lease agreements. Lease agreements are concluded for the different periods. Part of the lease contracts is concluded for a year with right of future prolongation, maximum lease period is 49 years.

Operating lease rentals are payable as follows:

	31 December 2013	31 December 2012
Not later than one year	3,205,755	664,862
Later than one year and not later than five years	1,636,478	1,821,841
Later than five years and not later than ten years	1,087,932	1,063,099
Later than ten years	5,124,937	5,213,888
Total	11,055,102	8,763,690

The land areas leased by the Group are the territories on which the Group's electric power stations and other assets are located. Lease payments are linked to market value of land are reviewed regularly to reflect market rentals.

OGK-2 Group
Notes to Consolidated Financial Statements for the year ended 31 December 2013

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Note 8. Intangible assets

	SAP software	Other intangibles	Total intangible assets
Cost			
Balance as at 1 January 2013	1,225,030	427,581	1,652,611
Additions	147,741	139,371	287,112
Disposals	(4,237)	(151,670)	(155,907)
Balance as at 31 December 2013	1,368,534	415,282	1,783,816
Amortisation (including impairment)			
Balance as at 1 January 2013	(72,697)	(175,167)	(247,864)
Charge for the period	(65,843)	(77,717)	(143,560)
Disposals	-	151,669	151,669
Balance as at 31 December 2013	(138,540)	(101,215)	(239,755)
Net book value as at 31 December 2013	1,229,994	314,067	1,544,061
Net book value as at 31 December 2012	1,152,333	252,414	1,404,747

	SAP software	Other intangibles	Total intangible assets
Cost			
Balance as at 1 January 2012	1,178,967	410,515	1,589,482
Additions	48,212	108,299	156,511
Disposals subsidiary	-	(599)	(599)
Disposals	(2,149)	(90,634)	(92,783)
Balance as at 31 December 2012	1,225,030	427,581	1,652,611
Amortisation (including impairment)			
Balance as at 1 January 2012	(103,205)	(188,918)	(292,123)
Charge for the period	(33,357)	(74,458)	(107,815)
Reversal of impairment	61,716	-	61,716
Disposals subsidiary	-	225	225
Disposals	2,149	87,984	90,133
Balance as at 31 December 2012	(72,697)	(175,167)	(247,864)
Net book value as at 31 December 2012	1,152,333	252,414	1,404,747
Net book value as at 31 December 2011	1,075,762	221,597	1,297,359

SAP software as at 31 December 2013 includes prepayments for Intangible assets in the amount of RR 11,142 thousand (net of VAT) (as at 31 December 2012: nil).

OGK-2 Group**Notes to Consolidated Financial Statements for the year ended 31 December 2013**

(in thousands of Russian Roubles)

Note 9. Other non-current assets

	31 December 2013	31 December 2012
Long-term loan issued	1,048,344	-
Long-term promissory notes (nominal value of promissory notes is RR 819,598 thousand as at 31 December 2013 and RR 929,526 thousand as at 31 December 2012)	484,047	672,175
Long-term restructured trade and other receivables (net of provision for impairment of RR 10,766 thousand as at 31 December 2013 and RR 10,992 thousand as at 31 December 2012, and the effect of discounting of RR 46,883 thousand as at 31 December 2013 and RR 95,993 thousand as at 31 December 2012)	87,335	369,877
Available-for-sale investments	582,326	66,358
Financial assets	2,202,052	1,108,410
Deposits for pensions (Note 21)	683,208	833,531
Long-term input VAT from advances paid	26,070	1,370,869
Other	6,652	6,650
Total	2,917,982	3,319,460

As at 31 December 2011 the Group owned 100% of subsidiary LLC "OGK-Investproekt". In September 2012 the share of OJSC "OGK-2" in LLC "OGK-Investproekt" was reduced from 100% to 49% due to increase in share capital of LLC "OGK-Investproekt" by RR 551,640 thousand that was fully paid by new participant of LLC "OGK-Investproekt" (OJSC "Mosenergo"). This resulted in deconsolidation of subsidiary LLC "OGK-Investproekt" and recognition of investment in associated company LLC "OGK-Investproekt". As at 31 December 2012 the cost of investment amounted to RR 1,570,187 thousand including the Group's share in LLC "OGK-Investproekt" in the amount of RR 521,843 thousand and issued long-term loan in the amount of RR 1,048,344 thousand.

As at 31 December 2012, the Group's interest in its associate and its summarized financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

Name	Total assets	Total liabilities	Revenue	Profit	Interest held	Country of incorporation
LLC "OGK-Investproekt"	9,421,054	8,337,327	1,910	383	49%	Russia

During 2013 OJSC "Mosenergo" sequentially increased its interest in LLC "OGK-Investproject" to 90.51% through acquisition of shares in additional share issuances for total cash consideration of RR 4,500,000 thousand. Respectively, the Group's share in LLC "OGK-Investproekt" decreased from 49% to 9.49%. Since 26 July 2013 the Group does not apply the equity method of accounting in respect of LLC "OGK-Investproekt" and recognises its 9.49% interest as an available-for-sale investment in the amount of RR 530,984 thousand and long-term loan issued to LLC "OGK-Investproekt" in the amount of RR 1,048,344 thousand, initially accounted within investment in associate.

As at 31 December 2013 available-for-sale investments also include 90,454,910 ordinary shares of OJSC "RusHydro" with par value of RR 0.001 thousand amounted to RR 51,342 thousand as at 31 December 2013 (as at 31 December 2012: RR 66,358 thousand) (see also Note 14).

Note 10. Cash and cash equivalents

	Currency	31 December 2013	31 December 2012
Bank deposits with maturity three months or less	RR	3,467,861	3,531,520
Current bank accounts	RR	2,288,331	228,742
Other cash equivalents	RR	39	82
Total		5,756,231	3,760,344

OGK-2 Group
Notes to Consolidated Financial Statements for the year ended 31 December 2013

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The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 31 December 2013*	31 December 2013	Credit rating on 31 December 2012*	31 December 2012
OJSC "Alfa-bank"	D/Stable	2,223,018	D/Stable	203,835
OJSC "Gazprombank"	D-/Stable	43,594	D-/Stable	82
OJSC "BANK "ROSSIYA"	WR/Ratings Withdrawn	21,099	E+/Stable	23,227
OJSC "Sberbank"	D+/Stable	620	D+/Stable	1,139
OJSC "Bank "Petrocommerce"	-	-	E+/Negative (multiple)	457
OJSC "Eurofinance Mosnarbank"	-	-	E+/Negative (multiple)	2
Total cash in bank		2,288,331		228,742

* The bank financial strength rating / the outlook on all of the bank's ratings, determined by Moody's Investor Service.

Credit quality of bank deposits is presented below:

Bank deposits with maturity of three months or less	Interest rate	Credit rating on 31 December 2013*	31 December 2013	Interest rate	Credit rating on 31 December 2012*	31 December 2012
OJSC "Alfa-bank"	6.58%- 7.00%	Not-Prime	3,459,361	8.01%- 8.62%	Not-Prime	2,903,190
OJSC "BANK "ROSSIYA"	6.00%	WR/Ratings Withdrawn	8,500	6.50%	Not-Prime	620,930
OJSC "Nomos-bank"	-	-	-	8.20%	Not-Prime	7,400
Total bank deposits with maturity of three months or less			3,467,861			3,531,520

* Short-term rating of domestic currency deposits, determined by Moody's Investors Service.

OGK-2 Group**Notes to Consolidated Financial Statements for the year ended 31 December 2013**

(in thousands of Russian Roubles)

Note 11. Trade and other receivables

	31 December 2013	31 December 2012
Trade receivables	9,304,844	9,580,025
(net of provision for impairment of RR 5,500,512 thousand as at 31 December 2013 and RR 3,107,812 thousand as at 31 December 2012, and the effect of discounting of RR 35,795 thousand as at 31 December 2013 and RR 74,772 thousand as at 31 December 2012)		
Other receivables	4,365,666	4,406,114
(net of provision for impairment of RR 1,237,480 thousand as at 31 December 2013 and RR 1,249,909 thousand as at 31 December 2012, and the effect of discounting of RR 11,088 thousand as at 31 December 2013 and RR 21,221 thousand as at 31 December 2012)		
Promissory notes	1,479,532	1,164,346
(nominal value of promissory notes is RR 1,858,415 thousand as at 31 December 2013 and RR 1,577,206 thousand as at 31 December 2012)		
Interest receivable	45,826	37,886
Financial assets	15,195,868	15,188,371
Input VAT	3,046,246	2,947,745
Advances to suppliers	819,950	275,654
(net of provision for impairment of RR 14,130 thousand as at 31 December 2013 and RR 15,043 thousand as at 31 December 2012)		
Prepaid other taxes and social funds contribution	270,203	685,535
Total	19,332,267	19,097,305
Less: Long-term promissory notes	(484,047)	(672,175)
Long-term restructured trade and other receivables	(87,335)	(369,877)
Long-term input VAT from advances paid	(26,070)	(1,370,869)
Total	18,734,815	16,684,384

Other receivables balance includes receivables from LLC EUROFERT TRADING LIMITED in the amount RR 4,235,816 thousand and RR 4,235,816 thousand as at 31 December 2013 and 31 December 2012, respectively, for the Company's shares. The repayment date of these receivables expired in October 2013 was further renegotiated and extended till October 2014.

Note 12. Inventories

	31 December 2013	31 December 2012
Fuel supplies	4,383,289	4,381,429
Materials and supplies	960,482	847,405
Spare parts	925,895	1,360,782
Other inventories	74,624	74,626
Total	6,344,290	6,664,242

The above inventory balances are recorded net of writes-down of RR 47,343 thousand and RR 45,734 thousand as at 31 December 2013 and 31 December 2012, respectively.

There is no inventory pledged as collateral at 31 December 2013 and at 31 December 2012.

Note 13. Other current assets

	31 December 2013	31 December 2012
Short-term deposits	3,100,000	2,127,380
Total	3,100,000	2,127,380

OGK-2 Group**Notes to Consolidated Financial Statements for the year ended 31 December 2013**

(in thousands of Russian Roubles)

Credit quality of bank deposits is presented below:

Bank deposits with maturity more than three months but within one year	Interest rate	Credit rating on 31 December 2013*	31 December 2013	Credit rating on 31 December 2012*	31 December 2012
OJSC "Alfa-bank"	6.83%-8.80%	Not-Prime	3,100,000	Not-Prime	2,127,380
Total bank deposits with maturity more than three months but within one year			3,100,000		2,127,380

* Short-term rating of domestic currency deposits, determined by Moody's Investors Service.

Note 14. Equity**Share capital**

In June 2012 the General Shareholders Meeting approved a decision to increase the share capital of the Company by public offering of additional shares in total amount of 110,000,000,000 shares with par value of RR 0.3627. The offer price of share was set at RR 0.45 per share. The Company received RR 23,000,552 thousand from September 2012 to December 2012 from pre-emptive rights shareholders to purchase 51,112,337,815 shares. Due to the fact that as at 31 December 2012 the Charter of the Company has not been amended, management has assessed the conditions and procedures for additional issue and probability of return of cash received in connection with the possible recognition of this additional issue invalid or frustrated under the requirements of Russian legislation. As a result of this review, the Company concluded that it is extremely rare and highly unusual event to recognise the issuance of additional shares invalid or frustrated and reflected the amount of funds received of RR 23,000,552 thousand in category "Retained earnings and other reserves" within equity as at 31 December 2012. After the registration of changes in the Charter of the Company as at 23 May 2013 this amount was reclassified from retained earnings and other reserves to share capital (RR 18,538,445 thousand) and share premium (RR 4,462,107 thousand). Additionally in January 2013 the Company received RR 403 thousand from pre-emptive rights shareholders to purchase 896,095 shares.

As a result of additional ordinary share issue in the amount of 51,113,233,910 shares share capital of the Company was increased by RR 18,538,770 thousand, share premium was increased by RR 4,462,185 thousand. All issued ordinary shares are fully paid.

Share capital	Number of ordinary shares 31 December 2013	Number of ordinary shares 31 December 2012
Issued shares	110,441,160,870	110,440,264,775
Treasury shares	(2,361,540,300)	(2,361,540,300)
Total outstanding shares	108,079,620,570	108,078,724,475

Each ordinary share carries one vote.

As at 31 December 2013 the number of authorised for issue but not issued ordinary shares is 58,886,766,090 shares.

Dividends

The Company's annual statutory accounts form the basis for the annual profit distribution and other appropriations. The specific Russian legislation identifies the basis of distribution as net profit. However, this legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation and, accordingly, management believes at present it would not be appropriate to disclose an amount of the distributable reserves in these financial statements.

At the General Shareholders Meeting held on 28 May 2013, the decision was made not to pay dividends for the year ended 31 December 2012.

In June 2012 OJSC "OGK-2" declared final dividends for the year ended 31 December 2011 of RR 0.000998761 per share for the total of RR 56,905 thousand. These dividends were recognized as liability and deducted from equity.

OGK-2 Group**Notes to Consolidated Financial Statements for the year ended 31 December 2013**

(in thousands of Russian Roubles)

Treasury shares

During 2012 year LLC "OGK-2 Finance", the Group's subsidiary, purchased on MICEX for further resale 600,000 shares of OJSC "OGK-2" in the total amount of RR 442 thousand. LLC "OGK-2 Finance" sold 280,000 shares of OJSC "OGK-2" in the total amount of RR 250 thousand during 2012 year. During 2012 year the Group also repurchased 335,773 shares of OJSC "OGK-2" in the total amount of RR 426 thousand.

Fair value revaluation reserve

The movements in fair value of available-for-sale investments (see also Note 9), which is recognized as part of other comprehensive income are presented below:

As at 31 December 2011	(91,047)
Change in fair value of available-for-sale investments including tax for the period	(20,922)
As at 31 December 2012	(111,969)
Change in fair value of available-for-sale investments including tax for the period	(15,016)
As at 31 December 2013	(126,985)

Note 15. Income tax**Income tax charge**

	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
Current income tax charge	(734,486)	(1,224,950)
Adjustment for prior years	12,914	155,200
Deferred tax expenses		
Deferred income tax (charge) / reversal	(469,461)	89,528
Total income tax charge	(1,191,033)	(980,222)

During the year ended 31 December 2013 the Group was subject to a 20% income tax rate on taxable profits (for the year ended 31 December 2012: 20%).

Reconciliation between the expected and the actual taxation charge is provided below:

	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
Profit before tax	5,432,459	4,235,660
Theoretical tax charge at the statutory tax rate of 20%	(1,086,492)	(847,132)
Tax returns for prior periods	12,914	155,200
Non-deductible expenses:		
Provision for impairment of other receivables	2,668	4,131
Social payments	(95,607)	(64,015)
Other	(24,516)	(228,406)
Total income tax charge	(1,191,033)	(980,222)

Deferred income tax. Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. Deferred income tax assets and liabilities are measured at 20%, the rate applicable when the temporary differences will reverse.

OGK-2 Group
Notes to Consolidated Financial Statements for the year ended 31 December 2013

(in thousands of Russian Roubles)

Deferred income tax liabilities

	31 December 2012 (Restated)	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2013
Property, plant and equipment	(6,856,650)	(134,218)	-	(6,990,868)
Deposits for pensions	(166,706)	30,064	-	(136,642)
Intangible assets	(13,895)	990	-	(12,905)
Provision for impairment of trade receivables	-	(113,722)	-	(113,722)
Total	(7,037,251)	(216,886)	-	(7,254,137)

Deferred income tax assets

	31 December 2012 (Restated)	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2013
Retirement benefit obligations	318,138	(23,552)	(65,973)	228,613
Provision for impairment of trade receivables	193,257	(193,257)	-	-
Restoration provision	111,250	(19,612)	-	91,638
Other non-current assets	101,771	(16,617)	-	85,154
Trade and other payables	67,416	30,596	-	98,012
Finance lease liabilities	56,049	(24,794)	-	31,255
Inventory	9,147	322	-	9,469
Unused tax losses	3,407	(471)	-	2,936
Other	6,330	(5,190)	3,003	4,143
Total	866,765	(252,575)	(62,970)	551,220

	31 December 2012 (Restated)	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2013
Total deferred income tax liabilities	(7,037,251)	(216,886)	-	(7,254,137)
Total deferred income tax assets	866,765	(252,575)	(62,970)	551,220
Deferred income tax liabilities, net	(6,170,486)	(469,461)	(62,970)	(6,702,917)

Deferred income tax liabilities

	31 December 2011 (Restated)	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2012 (Restated)
Property, plant and equipment	(6,612,419)	(244,231)	-	(6,856,650)
Provision for impairment of trade receivables	(100,553)	100,553	-	-
Deposits for pensions	(52,733)	9,181	(123,154)	(166,706)
Intangible assets	(14,889)	994	-	(13,895)
Total	(6,780,594)	(133,503)	(123,154)	(7,037,251)

Deferred income tax assets

	31 December 2011 (Restated)	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2012 (Restated)
Retirement benefit obligations	238,898	21,629	57,611	318,138
Restoration provision	114,368	(3,118)	-	111,250
Other non-current assets	78,485	23,286	-	101,771
Trade and other payables	69,032	(1,616)	-	67,416
Finance lease liabilities	52,550	3,499	-	56,049
Inventory	10,670	(1,523)	-	9,147
Unused tax losses	3,029	378	-	3,407
Provision for impairment of trade receivables	-	193,257	-	193,257
Other	14,907	(12,761)	4,184	6,330
Total	581,939	223,031	61,795	866,765

	31 December 2011 (Restated)	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income and in equity	31 December 2012 (Restated)
Total deferred income tax liabilities	(6,780,594)	(133,503)	(123,154)	(7,037,251)
Total deferred income tax assets	581,939	223,031	61,795	866,765
Deferred income tax liabilities, net	(6,198,655)	89,528	(61,359)	(6,170,486)

Note 16. Non-current debt

	Currency	Effective interest rate	Due	31 December 2013	31 December 2012
Loans	RR	8.00%-8.40%	2015-2016	34,570,664	20,100,000
Finance lease liability	RR	19.62%-34.73%	2015-2016	70,876	150,627
Total				34,641,540	20,250,627

All of the above loans are obtained at fixed interest rates.

OGK-2 Group**Notes to Consolidated Financial Statements for the year ended 31 December 2013**

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Loans balance includes loans from LLC EUROFERT TRADING LIMITED in the amount of RR 10,100,000 thousand and RR 20,100,000 thousand as at 31 December 2013 and 31 December 2012, respectively.

Maturity table

	31 December 2013	31 December 2012
Due for repayment		
Between one and two years	3,651,059	78,546
Between two and three years	30,990,481	13,652,263
Between three and four years	-	6,519,818
Total	34,641,540	20,250,627

The lease liabilities are effectively secured as the rights for the leased asset revert to the lessor in the event of default.

Finance lease liabilities – minimum lease payments

	31 December 2013	31 December 2012
Due for repayment		
Less than one year	101,666	163,607
Between one year and five years	80,297	181,963
Future finance charges on finance lease	(31,336)	(80,931)
Present value of lease liabilities	150,627	264,639

Management believes that the total current value of non-current debt approximates its fair value since actual interest rates approximate current market interest rates available to the Group for similar financial instruments.

Note 17. Other long-term liabilities

	31 December 2013	31 December 2012
Trade payables	987,751	704,615
Accrued liabilities and other payables	8,763	9,538
Total finance liabilities	996,514	714,153

Note 18. Current debt and current portion of non-current debt

	Currency	Effective interest rate	31 December 2013	31 December 2012
OJSC "BANK "ROSSIYA"	RR	8.00-8.25%	-	3,200,360
Current portion of finance lease liability	RR	19.62%-34.73%	79,751	114,012
Total			79,751	3,314,372

All of the above bank debt is obtained at fixed interest rates.

The effective interest rate is the market interest rate applicable to the loan at the date of origination for fixed rate loans.

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Note 19. Trade and other payables

	31 December 2013	31 December 2012
Trade payables	7,532,200	5,838,407
Accrued liabilities and other payables	397,620	411,323
Dividends payable	3,624	3,797
Interest payable	2,643	-
Financial liabilities	7,936,087	6,253,527
Salaries and wages payable	682,177	576,450
Advances from customers	46,672	5,472
Total	8,664,936	6,835,449

Note 20. Other taxes payable

	31 December 2013	31 December 2012
Property tax	250,786	246,180
Social tax	215,945	180,743
Water usage tax	112,598	98,674
Personal income tax	78,462	57,084
Environment pollution payment	51,925	-
Value added tax	9,765	3,552
Other taxes	8,217	8,712
Total	727,698	594,945

Note 21. Retirement benefit obligations

The post employment and post retirement program of the Company consists of the occupational pension plan and various post employment, long-term and jubilee benefits. This is a defined benefit plan, under which the participants accrue pension entitlements on the basis of a formula or defined rule. The occupational pension program comprises the main part of the program. According to the pension formula, the pension benefit is dependent on the past service of participants and their final salary. Employees older than 25 are entitled to the occupational pension benefits.

The defined benefit pension plan provides old age retirement pension and disability pension. The plan's old age retirement pension is conditional on the member qualifying for the State old age pension.

The company also provides various long-term and post employment benefits including death in service and death in occupational pension benefit, lump sum payments upon retirement and jubilee benefits to active employees.

Additionally the Company provides financial support payments of a defined benefit nature to its former employees, who have reached the retirement age. Such benefits are paid either to those who qualify for the occupational pension plan and those who do not.

Due to the post employment program the Company pays contributions to NPF Electroenergetiki and NPF GAZFOND, which are accumulated on pension accounts. In accordance with the terms of the treaty there is a possibility to abrogate a contract and receive the redemption amount of the depositor. In that way NPF funds do not meet the plan assets criteria. So they are recognized as a separate asset of the Company. The amount of that asset equals RR 683,208 thousand as at 31 December 2013 (as at 31 December 2012: RR 833,531 thousand) (Note 9).

As at 31 December 2013, there were 9,054 active employees eligible to participate in the post retirement defined benefit program of the Company and 7,107 recipients of the financial support benefits (as at 31 December 2012: 10,034 and 6,826 respectively).

The last independent actuarial valuation of pension and other post employment and long-term benefits in accordance with the provisions of IAS 19 (revised) was performed as at 31 December 2013 using individual members' census data as at the valuation date.

OGK-2 Group
Notes to Consolidated Financial Statements for the year ended 31 December 2013

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Amounts recognised in the consolidated statement of financial position are as follows:

	31 December 2013	31 December 2012 (Restated)	31 December 2011 (Restated)
Present value of defined benefit obligation	1,728,888	2,396,333	2,232,859
Present value of other long-term employee benefit obligation	291,471	422,249	255,673
Total net defined benefit liability	2,020,359	2,818,582	2,488,532

The movement in the net defined benefit obligation over the year is as follows:

	Present value of defined benefit obligation	Present value of other long- term employee benefit obligation	Total
At 1 January 2012 (Restated)	2,232,859	255,673	2,488,532
Current service cost	109,660	20,729	130,389
Past service cost	(143,651)	(32,743)	(176,394)
Curtailment	(35,666)	(6,986)	(42,652)
Interest expense	186,183	23,494	209,677
Remeasurements:			
(Gain) / loss from change in demographic assumptions	(170,042)	5,860	(164,182)
Loss from change in financial assumptions	222,024	39,427	261,451
Experience losses	122,710	150,897	273,607
Contributions	(127,744)	(34,102)	(161,846)
At 31 December 2012 (Restated)	2,396,333	422,249	2,818,582
At 1 January 2013 (Restated)	2,396,333	422,249	2,818,582
Current service cost	109,325	25,897	135,222
Past service cost	(81,796)	-	(81,796)
Curtailment	(51,715)	(8,067)	(59,782)
Interest expense	170,795	31,685	202,480
Remeasurements:			
Loss from change in demographic assumptions	84,663	3,085	87,748
Gain from change in financial assumptions	(529,348)	(96,644)	(625,992)
Experience gains	(146,307)	(43,178)	(189,485)
Contributions	(223,062)	(43,556)	(266,618)
At 31 December 2013	1,728,888	291,471	2,020,359

Amounts recognised in the consolidated statement of profit or loss are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
Service cost	53,426	(46,005)
Curtailment	(59,782)	(42,652)
Remeasurements on present value of other long-term employee benefit obligation	(136,737)	196,184
Interest expense	202,480	209,677
Total	59,387	317,204

OGK-2 Group

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(in thousands of Russian Roubles)

Amounts recognised in consolidated statement of comprehensive income are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
Loss / (gain) from change in demographic assumptions	84,663	(170,042)
(Gain) / loss from change in financial assumptions	(529,348)	222,024
Experience (gains) / losses	(146,307)	122,710
Total	(590,992)	174,692

The movement of remeasurements in consolidated statement of comprehensive income are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
At 1 January	1,001,335	826,643
Movement of remeasurements	(590,992)	174,692
At 31 December	410,343	1,001,335

The key actuarial assumptions used were as follows:

	31 December 2013	31 December 2012
Discount rate	8.00%	7.20%
Future salary increases	7.10%	9.30%
Future pension increases	n/a	n/a
Future financial support benefits increases	4.90%	4.90%
Social fund contribution rate	23.13%	24.34%
Staff turnover	4.00%	4.00%
Expected retirement age:		
Male	60	60
Female	57	57
Mortality	Russia 1998 adjusted	Russia 1998

Financial actuarial assumptions are based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled. The average period over which the Group obligations are to be settled is 10 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit liability
Discount rate	Increase / decrease by 0.50%	Decrease/ Increase by 4.80%
Future salary increases	Increase / decrease by 0.50%	Increase / decrease by 4.35%
Future pension increases (inflation)	Increase / decrease by 0.50%	Increase / decrease by 0.50%
Social fund contribution rate	Increase / decrease by 1.00%	Increase / decrease by 0.27%
Employee turnover	Increase / decrease by 10.00%	Decrease/ Increase by 2.07%
Mortality level	Increase / decrease by 10.00%	Decrease/ Increase by 0.74%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The Group expects to contribute to the plan for the next annual reporting period RR 193,183 thousand.

The most significant Group's risks that arise from the post-employment benefit plan are:

- *Changes in government bond yield.* The reduction in government bond yields will lead to the growth of the current value of liabilities according to the employee benefit plan of the Group.
- *Inflation risk and the risk of employees' wages growth.* The most of the employee benefit plans are linked to the level of employees' wages and salaries. At the same time the inflation growth has a direct impact on the growth of salaries and wages. So the high inflation level will lead to the growth of the current value of liabilities according to the employee benefit plan of the Group.
- *The reduction of mortality rate among plan participants.* The most part of the Group's liabilities includes lump sum payments upon reaching certain age or experience achievement, including retirement payments. The amount of the Group's obligation for such payments depends on the probability of employees' survival to the expected date of settlement. In addition to employee benefit plan, the Group makes a lifetime payments to non-working pensioners. The amount of such obligation depends on life expectancy. The reduction of death rate among employees and pensioners will lead to the growth of the current value of liabilities according to the all benefit plans of the Group.

Note 22. Restoration provision

The Group owns an ash dump on the territory of the Republic of Kazakhstan, and an obligation to restore the surface of this ash dump when it is full. The main assumptions used in the calculation of the provision are as following:

- Average inflation per annum – 4.2% (2012: 4.5%);
- Pre-tax discount rate – 13.88% (2012: 13.88%);
- Projected restoration period – 10 years (2012: 11 years).

	Notes	31 December 2013	31 December 2012
Total carrying amount at the beginning of year		556,252	571,838
Less current portion		45,119	50,168
Non-current portion at the beginning of year		511,133	521,670
Unwinding of the present value discount	26	39,588	52,269
Changes in estimates adjusted against property, plant and equipment		(81,927)	-
Utilisation		(55,723)	(67,855)
Total carrying amount at the end of year		458,190	556,252
Less current portion		38,554	45,119
Non-current portion at the end of year		419,636	511,133

Note 23. Revenues

	Year ended 31 December 2013	Year ended 31 December 2012
Electricity and capacity	106,597,570	99,550,361
Heating	4,204,297	3,458,361
Other	1,173,726	1,204,665
Total	111,975,593	104,213,387

Note 24. Operating expenses

	Notes	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
Fuel		64,307,488	62,107,630
Purchased electricity, capacity and heat		9,312,273	8,778,396
Employee benefits		7,370,965	7,012,417
Depreciation and amortisation of property, plant, equipment and intangible assets		4,585,506	4,117,477
Repairs		3,424,446	3,058,327
Provision for impairment of trade and other receivables		2,439,818	549,666
Taxes other than income tax		2,357,489	2,241,626
Rent		2,260,408	578,642
Raw materials and supplies		2,165,129	2,532,609
Dispatcher's fees		1,877,899	1,723,988
Electricity transit		1,229,264	989,822
Transport		606,221	678,297
Ecological payments		354,234	419,593
Insurance		204,502	204,328
Consulting, legal and audit services		160,319	292,470
Loss on disposal of property, plant, equipment		37,363	118,310
Write-down/ (reversal) for inventory obsolescence	12	1,609	(7,616)
Reversal of property, plant and equipment and intangible assets impairment	7,8	-	(61,720)
Gain on disposal of other assets		(16,492)	(12,915)
Other expenses		2,624,399	2,440,036
Total operating expenses		105,302,840	97,761,383

Employee benefits expenses comprise the following:

	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
Salaries and wages	5,431,477	5,225,209
Social funds contribution	1,492,643	1,308,893
Financial aid to employees and pensioners	542,289	370,788
Non-state pensions and other long-term benefits	(143,093)	107,527
Other expenses	47,649	-
Employee benefits	7,370,965	7,012,417
Number of personnel at the end of the period	9,466	10,091

Included in social funds contribution are statutory pension contributions of RR 1,160,463 thousand (for the year ended 31 December 2012: RR 1,067,813 thousand).

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Note 25. Finance income

	Year ended 31 December 2013	Year ended 31 December 2012
Interest income on bank deposits and current bank account balances	284,035	79,453
Release of discounting effect of long-term promissory notes received	64,921	68,650
Effect of discounting of long-term restructured trade receivables	59,680	14,400
Interest income on loans	54,541	10,798
Foreign currency exchange gain, net	-	31,574
Other finance income	-	78
Total finance income	463,177	204,953

Note 26. Finance costs

	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
Interest expense on debt	1,546,585	1,938,156
Interest on employee benefit obligations (Note 21)	202,480	209,677
Interest expense under finance lease agreements	49,595	72,234
Unwinding of the present value discount - provision for ash dump (Note 22)	39,588	52,269
Effect of discounting of long-term promissory notes received	30,944	89,087
Foreign currency exchange loss, net	24,746	-
Effect of discounting of long-term restructured trade receivables	10,570	110,393
Total finance costs	1,904,508	2,471,816

Note 27. Earnings per share

	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
Weighted average number of ordinary shares issued	108,079,596,547	65,829,606,615
Profit attributable to the shareholders of OJSC "OGK-2" (thousands of RR)	4,241,426	3,255,438
Earnings per ordinary share attributable to the shareholders of OJSC "OGK-2" – basic and diluted (in RR)	0.04	0.05

Note 28. Capital commitments

In November 2010 the Company had signed an agency agreements with OJSC "Financial Settling Center" (OJSC "CFS"), OJSC "ATS", NP Council Market and SO UPS, under which OJSC "CFS" was to sign on behalf of OJSC "OGK-2" contracts on capacity provision. In December 2010 OJSC "CFS" on behalf of the OJSC "OGK-2" signed the contracts on provision of capacity from estimated generating units with total capacity of 3 680 MWth. In accordance with agency agreements conditions in case of non-compliance with deadlines of putting into operation of generating units, or in case of incomplete delivery, the Company pays the forfeit. Amount of forfeit depends on terms of expiration of generating unit entry date, volume of incomplete delivered capacity and price for this capacity according to long-term capacity supply contract. Management of the Company does not expect non-fulfilment or partial fulfilment of obligations under long-term capacity supply contract that can result in significant forfeits.

As at 31 December 2013 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 25,140,241 thousand (as at 31 December 2012: RR 40,036,755 thousand).

As at 31 December 2013 the Group has commitments (including VAT) of RR 169,283 thousand in respect of software implementation costs (as at 31 December 2012 - RR 195,393 thousand).

Note 29. Contingencies

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

Insurance. The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed to those risks for which it does not have insurance.

Legal proceedings. The Group is a party 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 contingency. Russian tax and currency legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting of water tax, deductibility of certain expenses.

As at 31 December 2013 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and currency positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these financial statements.

The transfer pricing rules that became effective from 1 January 2012 appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

Environmental matters. The Group and its predecessor entities have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement position of government authorities is continually being reconsidered.

The Group owns an ash dump on the territory of the Republic of Kazakhstan, and is subject to the environmental regulations in this country in respect of the usage of the ash dump. As such, the Group periodically evaluates its obligations under Kazakhstan environmental regulations and accrues the respective provision.

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 remediation in excess of those amounts for which the provision has been recognised by the Group in these consolidated financial statements.

Note 30. Financial instruments and financial risks factors

Financial risk factors. The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, changes in interest rates, and the collectability of receivables. The Group does not have a risk policy to hedge its financial exposures.

Compliance with covenants. The Group is subject to certain covenants related primarily to its loans and borrowings. The Group was in compliance with covenants at 31 December 2013 and 31 December 2012.

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Credit risk. The Group's financial assets, which are exposed to credit risk, are as follows:

	31 December 2013	31 December 2012
Trade and other receivables (Note 11)	13,670,510	13,986,139
Cash and cash equivalents (Note 10)	5,756,231	3,760,344
Bank deposits (Note 13)	3,100,000	2,127,380
Promissory notes (Note 11)	1,479,532	1,164,346
Loan issued (Note 9)	1,048,344	1,048,344
Available-for-sale investments (Note 9)	582,326	66,358
Interest receivable (Note 11)	45,826	37,886
Total financial assets	25,682,769	22,190,797

The Group's exposure to credit risk mainly depends on each particular counterparty characteristics. Due to absence of independent credit ratings for wholesale electricity market and other buyers, the Group assesses their solvency based on financial condition, reputation, past experience and existence of past due. The existing receivables are monitored and collection measures are taken regularly. Management believes that the majority of customers whose balances are included in trade receivables comprise a single class, as they bear the same characteristics. Those customers belong to the same wholesale electric power market (NOREM), which is regulated by OJSC "Administrator of Trade System" (OJSC "ATS").

Management does not believe that the Group is dependent on any particular customer.

As at 31 December 2013 and 31 December 2012 no trade or other receivables were secured by guarantees. Credit risks related to trade and other receivables are systematically reviewed for necessity of creation of impairment provision against trade and other receivables. Trade and other receivables balance netted with trade and other receivables impairment provision represents maximum exposure to credit risks, relating to receivables. Despite the fact that cash collection is subject to influence of different economic factors, management of the Group believes that there is no significant risk of losses exceeding recognized trade and other receivables impairment provision.

The amount of trade and other receivables impairment provision is assessed by management based on the analysis of particular counterparty's solvency, credit history and cash collection, and analysis of future cash flows. As at 31 December 2013 identification of present value of future cash flows was done utilizing discount rates of 13.27% p.a. – 15.52% p.a. (as at 31 December 2012: 13.27% p.a. – 15.52% p.a.), calculated based on the original effective interest rate. Discounting effect is recognized as part of finance expenses (finance income). The Group estimates that discounted amount of trade and other receivables less recognized impairment provision can be collected in cash or settled against trade and other payables.

As at 31 December 2013 the main part of the provision for impairment related to the receivable from CJSC "Mezhdunarodny promyshlenny bank" in the amount of RR 1,175,993 thousand (as at 31 December 2012: RR 1,178,387 thousand) and receivable from customers in North Caucasus region of Russia in the amount of RR 2,999,634 thousand (as at 31 December 2012: RR 1,907,549 thousand).

Movements in trade and other receivables impairment provision during 2013 were as follows:

Impairment provision as at 31 December 2012	4,357,721
Accrual of impairment provision	2,797,973
Write-off of doubtful trade and other receivables	(60,047)
Reversal of impairment provision	(357,655)
Impairment provision as at 31 December 2013	6,737,992

Movements in trade and other receivables impairment provision during 2012 were as follows:

Impairment provision as at 31 December 2011	3,872,492
Accrual of impairment provision	1,098,176
Write-off of doubtful trade and other receivables	(64,023)
Reversal of impairment provision	(548,924)
Impairment provision as at 31 December 2012	4,357,721

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As at 31 December 2013 total amount of overdue trade and other receivables which were not provided for was RR 6,176,016 thousand (as at 31 December 2012: RR 6,392,326 thousand). The reason impairment provision was not created is the absence of non-payment of respective counterparties in the past. Further, these amounts were collectively assessed for impairment within groups of financial assets with similar credit risk. Collective assessment did not change individual assessment.

The analysis of trade and other receivables by accrual periods is presented below:

	31 December 2013			31 December 2012		
	Nominal value	Impairment	Effect of discounting	Nominal value	Impairment	Effect of discounting
Not overdue	7,660,058	(118,681)	(46,883)	7,837,080	(147,274)	(95,993)
Overdue less than 1 month	334,625	(15,271)	-	72,741	(562)	-
Overdue from 1 to 3 months	4,573,987	(43,523)	-	5,761,479	(69,859)	-
Overdue from 3 months to 1 year	3,048,558	(1,751,309)	-	1,353,872	(760,478)	-
Overdue from 1 year to 3 years	3,971,936	(3,943,455)	-	2,888,402	(2,853,385)	-
Overdue more than 3 years	866,221	(865,753)	-	526,279	(526,163)	-
Total	20,455,385	(6,737,992)	(46,883)	18,439,853	(4,357,721)	(95,993)

Cash is placed in Russian financial institutions which are considered at the time of deposit to have minimal or low risk of default. The Board of Directors of the Company has approved a list of the banks, at which deposits could be placed and rules for such placements. Also the Group continuously considers financial condition, independent agencies ratings, past experience and other factors. The list of the banks with balances and ratings, at which the Group has open current bank accounts and deposits at the reporting date, is presented in Notes 10 and 13.

As at the reporting date maximum Group's exposure to credit risk equals to carrying amount of each class of financial assets. The Group does not hold any collateral.

Liquidity risk. Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. To manage the liquidity risk the Group applies a policy of holding financial assets for which there is a liquid market and that are readily convertible to meet liquidity needs. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2013	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Loans including future principal and interest payments	1,398,411	1,395,768	6,383,251	32,942,591	-	-	-	42,120,021
Finance lease liability	64,228	37,438	59,593	20,704	-	-	-	181,963
Trade payables	6,497,228	1,034,972	597,855	389,720	132	44	-	8,519,951
Other payables (except for advances received and liabilities for employee compensations)	394,155	7,089	723	723	723	723	5,871	410,007
Total future payments	8,354,022	2,475,267	7,041,422	33,353,738	855	767	5,871	51,231,942

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31 December 2012	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Loans including future principal and interest payments	4,093,040	831,200	1,662,400	15,090,580	6,835,978	-	-	28,513,198
Finance lease liability	85,791	77,816	100,462	60,797	20,704	-	-	345,570
Trade payables	5,789,853	48,554	613,917	48,542	41,980	132	44	6,543,022
Other payables (except for advances received and liabilities for employee compensations)	414,777	343	671	671	671	671	6,854	424,658
Total future payments	10,383,461	957,913	2,377,450	15,200,590	6,899,333	803	6,898	35,826,448

The Group has the following unutilized bank credit lines:

	31 December 2013	31 December 2012
Fixed interest rate facility*:		
- expiring within 1 year from the reporting date	-	2,800,000
- expiring more than 1 year from the reporting date	20,779,336	-
Total	20,779,336	2,800,000

*fixed rate is agreed for every tranche withdrawal.

Interest rate risk. Profit and cash flows from operating activities of the Group are mainly independent from changes in market interest rates. The Group is exposed to changes in interest rates risk only in respect of changes in market value of interest bearing loans and borrowings and interest bearing deposits. 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. Significant interest bearing assets of the Group are disclosed in Notes 10 and 13. These assets have fixed interest rate and therefore are not exposed to risk of difference between fixed interest rate and market interest rate.

Currency risk. The electricity and heat produced by the Group are sold domestically at prices denominated in Russian Roubles, currency of Russian Federation. Due to that fact, the Group has low foreign currency exchange risk exposure. The Group's financial position, liquidity, its sources of financing, financial performance are largely independent of changes in foreign exchange rate because the Group's activity is planned in the way that all its assets and liabilities should be denominated in domestic currency. Due to these facts potential effect of changes in exchange rate of national currency to other currencies is estimated by the Group as insignificant.

Capital risk management. The following capital requirements have been established for joint stock companies by the legislation of Russian Federation:

- Share capital cannot be lower than 1,000 minimum salaries on the date of company registration;
- If the share capital of the entity is greater than statutory net assets of the entity, such entity must make a decision on the decrease of its share capital to the value not exceeding its net assets or liquidation value;
- If the minimum allowed share capital is greater than statutory net assets of the entity, such entity is subject to liquidation.

As at 31 December 2013, the Group has been in compliance with the above share capital requirements. The Group's objectives when managing capital are to safeguard the Group's ability as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The amount of capital defined on the basis of Company's statutory financial statements that the Group managed as at 31 December 2013 was RR 107,135,229 thousand (as at 31 December 2012: RR 79,651,125 thousand).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated based on the statutory financial statements as total liabilities divided by total equity multiplied by 1.4. According to the Company's internal regulation the Company's total liabilities / (equity * 1.4) ratio should not exceed 1. The Company satisfied this ratio.

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The gearing ratios, calculated on the basis of the Company's statutory financial statements at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Total liabilities	43,585,375	31,028,549
Equity * 1.4	149,989,321	111,511,575
Gearing ratio, %	0.29	0.28

Fair values. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(i) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

Financial instruments carried at fair value. Available-for-sale investments are carried on the consolidated statement of financial position at their fair value.

Fair values of available-for-sale investments (shares of OJSC "RusHydro") were determined based on quoted market prices and were included in level 1. Fair values of available-for-sale investments (LLC "OGK-Investproekt") as at 31 December 2013 were determined based on comparative market prices from recent transactions and were included in level 2.

(ii) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2013				31 December 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Promissory notes (Note 11)	-	-	1,479,532	1,479,532	-	-	1,164,346	1,164,346
Trade and other receivables (Note 11)	-	-	13,670,510	13,670,510	-	-	13,986,139	13,986,139
Interest receivable (Note 11)	-	-	45,826	45,826	-	-	37,886	37,886
Loan issued (Note 9)	-	-	1,048,344	1,048,344	-	-	1,048,344	1,048,344
Cash and cash equivalents (Note 10)	2,288,331	3,467,861	39	5,756,231	228,742	3,531,520	82	3,760,344
Bank deposits (Note 13)	-	3,100,000	-	3,100,000	-	2,127,380	-	2,127,380
Total financial assets	2,288,331	6,567,861	16,244,251	25,100,443	228,742	5,658,900	16,236,797	22,124,439
Financial liabilities								
Debt (including finance lease liabilities) (Note 16, 18)	-	(34,721,291)	-	(34,721,291)	-	(23,564,999)	-	(23,564,999)
Trade and other payables (Note 17, 19)	-	-	(8,932,601)	(8,932,601)	-	-	(6,967,680)	(6,967,680)
Total financial liabilities	-	(34,721,291)	(8,932,601)	(43,653,892)	-	(23,564,999)	(6,967,680)	(30,532,679)

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of

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the counterparty. The carrying amounts of trade and other receivables approximates their fair values. Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

Liabilities carried at amortised cost. Fair values of financial liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Note 31. Segment information

The Management Board of the Company controls and allocates economic resources of the Group between segments and evaluates segments' operating efficiency. Primary activity of the Group is production of electric and heat power and capacity which covers 98.9% of the Group revenue. The Group operates in Russian Federation.

The technology of electricity and heat production does not allow segregation of electricity and heat segments. The Company's branches are managed separately due to significant decentralization and distances between them, as a result the Group discloses seven reporting segments: Surgutskaya GRES-1, Troitskaya GRES, Stavropolskaya GRES, Serovskaya GRES, Kirishskaya GRES, Novochoerkasskaya GRES, Ryazanskaya GRES. All reporting segments are located on the territory of Russian Federation. In the process of evaluation of segments, results and allocation of economic resources of the Group the Management Board uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management Board and IFRS financial information are caused by different approaches applied in IFRS and RAR. The main differences relate to the respective carrying values of the value of property, plant and equipment. The Group does not have inter-segment revenue. The main contractor of the Group is OJSC "CFR" which generates 57% of the Group revenue for the year ended 31 December 2013 (for the year ended 31 December 2012: 60%).

Year ended 31 December 2013	Surgutskaya GRES-1	Stavropolskaya GRES	Troitskaya GRES	Serovskaya GRES	Kirishskaya GRES
Revenue	23,903,764	13,331,300	5,772,119	2,899,749	20,068,404
Depreciation of property, plant, equipment	(217,803)	(117,015)	(686,324)	(95,355)	(1,194,823)
Segment operating profit / (loss)	4,900,061	907,737	(1,168,867)	(225,308)	4,257,939
Capital expenditure*	134,211	2,645,792	8,165,957	5,463,553	62,387

Year ended 31 December 2013	Novochoerkasskaya GRES	Ryazanskaya GRES	Other operating segments	Total operating segments
Revenue	14,175,703	14,732,840	17,091,714	111,975,593
Depreciation of property, plant, equipment	(260,437)	(773,204)	(423,840)	(3,768,801)
Segment operating profit / (loss)	1,110,662	1,245,678	627,540	11,655,442
Capital expenditure*	6,141,074	1,248,381	261,424	24,122,779

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Year ended 31 December 2012	Surgutskaya GRES-1	Stavropolskaya GRES	Troitskaya GRES	Serovskaya GRES	Kirishskaya GRES
Revenue	23,718,914	15,027,373	6,510,542	3,262,520	15,550,495
Depreciation of property, plant, equipment	(205,470)	(94,176)	(507,795)	(74,777)	(1,027,052)
Segment operating profit / (loss) before income tax	5,409,057	870,988	(921,546)	(192,697)	2,537,340
Capital expenditure*	266,310	207,294	4,819,631	11,387,873	1,640,823

Year ended 31 December 2012	Novocherkasskaya GRES	Ryazanskaya GRES	Other operating segments	Total operating segments
Revenue	12,606,325	14,107,030	13,430,188	104,213,387
Depreciation of property, plant, equipment	(234,514)	(503,261)	(420,762)	(3,067,807)
Segment operating profit / (loss) before income tax	815,614	571,972	573,734	9,664,462
Capital expenditure*	8,534,004	2,370,536	547,574	29,774,045

*Capital expenditure represents additions to property, plant and equipment under RAR, including advances to construction companies and suppliers of property, plant and equipment.

A reconciliation of management financial information prepared in accordance with RAR to IFRS financial information is provided below:

	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
Segment operating profit	11,655,442	9,664,462
Adjustments, arising from different accounting policy:		
Provision for impairment of trade and other receivables	2,276	2,975
Depreciation adjustment	(946,107)	(917,501)
Gain on disposal of assets	(21,914)	(13,206)
Finance lease	165,589	165,592
Other adjustments	343,367	260,128
Unallocated (expenses) / income:	(4,324,863)	(2,659,927)
Provision for impairment of trade and other receivables	(2,442,094)	(681,237)
Employee benefit	(598,230)	(611,604)
Rent	(250,127)	(280,449)
Consulting, legal and audit services	(104,560)	(206,608)
Share of net income of equity accounted investees	-	38
Other corporate expenses	(929,852)	(880,067)
Operating profit (IFRS)	6,873,790	6,502,523

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Stavropolskaya GRES	Troitskaya GRES	Serovskaya GRES	Kirishskaya GRES
31 December 2013	4,163,632	5,866,484	35,580,191	14,692,145	21,626,144
31 December 2012	4,159,131	3,021,520	29,612,156	11,844,433	22,093,417

	Novocherkasskaya GRES	Ryazanskaya GRES	Other operating segments	Total assets
31 December 2013	22,779,257	13,140,852	9,252,974	127,101,679
31 December 2012	18,923,033	12,694,606	9,481,565	111,829,861

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A reconciliation of management financial information to IFRS financial information is provided below:

	Year ended 31 December 2013	Year ended 31 December 2012 (Restated)
Total assets for reportable segment	127,101,679	111,829,861
Adjustments, arisen from different accounting policy:		
Property, plant and equipment adjustment	13,188,849	13,906,147
Deposits for pensions (Note 9)	683,208	833,531
Discounting of promissory notes	(378,883)	(412,860)
Discounting of long-term trade and other receivables	(46,883)	(95,993)
Impairment of trade and other receivables	(9,348)	(11,624)
Writes-down of inventories (Note 12)	(47,343)	(45,734)
Deferred tax	(440,337)	(616,291)
Other adjustments	(343,627)	(191,927)
Unallocated assets:		
Equity accounted investees	-	1,570,187
Other	27,578,853	23,220,914
Total assets (IFRS)	167,286,168	149,986,211

The unallocated assets are the assets which cannot be directly related to the certain operating segment and are also out of the operating segment control for decision making purposes. These assets include intangible assets, short – term and long - term trade receivables, cash in bank, deposits, inventories and items of property, plant and equipment which are subject to the headquarters control.

Management of the Group does not review the information in respect of operating segment's liabilities in order to make a decision about allocation of resources, because of centralisation of significant part of payment transactions.

Director of closed joint stock company
PricewaterhouseCoopers Audit
T.S. Medvedeva
7 April 2014



51 (fifty one) pages are numbered, bound and sealed.