MOSENERGO

ANNUAL REPORT 2013

NEW EFFECTIVE CAPACITY

As of the end of 2013, Mosenergo's main assets comprised four steam gas units with a total capacity of 1.75 GW.

The high efficiency rate of these new units (about 54-59%) saves significant levels of natural gas and increases the competitiveness of generated electricity.

14% ⇒ 19%

of JSC Mosenergo's total capacity is accounted for by the new SGU units

of JSC Mosenergo's total capacity is accounted for by the new SGU units

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CONTENT

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http://www.mosenergo.ru/

MOSENERGO[1] TODAY

[1] Hereafter referred to as the Company.

1.1 COMPANY PROFILE

Mosenergo is the largest regional power generating company in the Russian Federation. Mosenergo is a major producer of electricity and heat energy for the Moscow Oblast and unites two constituent territories of the Russian Federation – Moscow and the Moscow Oblast.

15 POWER PLANTS OWNED BY MOSENERGO

35.1 GCAL/H MOSENERGO'S INSTALLED HEAT CAPACITY

6 % OF ELECTRICITY IN RUSSIA PROVIDED BY MOSENERGO

12.3 GW MOSENERGO'S INSTALLED ELECTRIC CAPACITY

- Mosenergo owns 15 power plants with an installed electric capacity of 12.3 GW and a heat capacity of 35.1 thousand Gcal/h.
- Mosenergo produces roughly 6% of the total electricity generated in the Russian Federation (including nuclear power plants).
- Mosenergo supplies approximately 66% of the electricity and 43% of heat energy consumed in the Moscow Oblast.
- Mosenergo's main existing and potential competitors in the wholesale electricity and capacity markets amongst the power plants in the Moscow Oblast include: Kashirskaya GRES-4 (WGC-1), Shaturskaya GRES-5 (WGC-5), and the Zagorskaya Pumped-Storage Hydro Station (RusHydro).
- Mosenergo provides 69% of Moscow's heat energy.
- JSC Moscow Integrated Power Company (MOEK) is Mosenergo's main competitor in the production and sale of heat energy.

MOSENERGO
ANNUAL REPORT

MOSENERGO IN FIGURES

1.1

KEY PERFORMANCE INDICATORS[1]

GROSS ELECTRICITY GENERATION, million kWh

2013	58,642	▼-4.4 %
2012	61,334	
2011	64,649	

ELECTRICITY OUTPUT, million kWh

2013	54,018	▼-4.6 %
2012	56,604	
2011	59,786	

TOTAL ELECTRICITY SALES, million kWh

2013	61,686	▼-6.2 %
2012	65,797	
2011	70,070	

HEAT OUTPUT, thousand Gcal

2013	67,595	▼-1.1 %
2012	68,353	
2011	66,410	

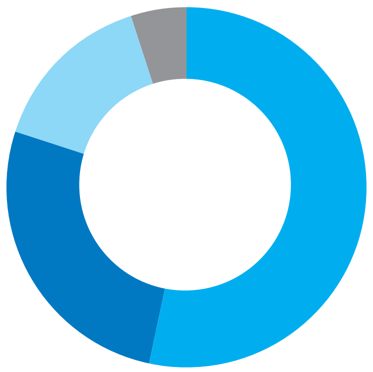
ELECTRICITY GENERATION FUEL RATE, tfe/kWh

2013	240.9	▼-2.8 %
2012	247.9	
2011	248.9	

HEAT GENERATION FUEL RATE, kg/Gcal

2013	165.5	▼-0.3 %
2012	166.0	
2011	166.1	

BREAKDOWN OF MOSENERGO'S SHAREHOLDER CAPITAL[1]



53.50 %
GAZPROM ENERGOHOLDING LLC

26.45 %
MOSCOW CITY GOVERNMENT

15.00 %
OTHER LEGAL ENTITIES AND INDIVIDUALS

5.05 %
CJSC INTER RAO CAPITAL

MOSENERGO'S AUTHORISED CAPITAL AMOUNTS TO

39.75 RUR BILLION

WHICH IS DIVIDED INTO 39,749,359,700 ORDINARY REGISTERED SHARES, EACH WITH A NOMINAL VALUE OF ONE ROUBLE

SECURITIES

Mosenergo shares are listed on the A1 quotation list on the Moscow Exchange.

Stock tickers:

- Main market sector – MSNG
- Classica – MSNG
- Standard – MSNG
- Bloomberg MSNG RU

Mosenergo depositary receipts are traded on the New York Stock Exchange OTC market and in the London Stock Exchange IOB (International Order Book) sector.

[1] As of 1 January 2014.

KEY FINANCIAL INDICATORS[1], RUR million

REVENUE

2013	154,120	▼-0.8 %
2012	155,437	
2011	160,824	

PRIME COST

2013	140,340	▼-4.2 %
2012	146,554	
2011	148,888	

GROSS PROFIT

2013	13,780	▲+55.1 %
2012	8,884	
2011	11,937	

SALES PROFIT

2013	13,521	▲+56.9 %
2012	8,618	
2011	11,657	

NET PROFIT

2013	8,028	▲+3.1 %
2012	7,783	
2011	10,419	

NON-CURRENT ASSETS

2013	189,072	▲+14.8 %
2012	164,680	
2011	160,222	

CURRENT ASSETS[2]

2013	50,860	▼-15,8 %
2012	60,416	
2011	63,088	

LONG-TERM LIABILITIES[2]

2013	29,755	▲+13.1 %
2012	26,320	
2011	19,351	

SHORT-TERM LIABILITIES[2]

2013	18,673	▲+32.3 %
2012	14,114	
2011	24,207	

[1] According to Russian Accounting Standards (RAS).
[2] As of 31 December.

DEPOSITARY RECEIPT PROGRAMMES

LEVEL 1

1:50 SHARES

Receipts can be traded freely on the OTC market in the USA and Europe.

Date of Issue **1997**
Depositary Bank **The Bank of New York Mellon**

144-A

1:50 SHARES

Receipts are intended for private offering to a restricted number of institutional investors, primarily in the USA.

Date of Issue **2008**
Depositary Bank **The Bank of New York Mellon**

REG.S

1:50 SHARES

Receipts are intended for a wider range of private professional investors than 144-A, outside the USA.

Date of Issue **2008**
Depositary Bank **The Bank of New York Mellon**

1.1

1.2 2013 MAJOR CORPORATE EVENTS

FEBRUARY

21 FEBRUARY

Mosenergo paid the 14th coupon yield on the 02 bonds series (state registration number 4-03-00085-A, dated 26 January 2006). The total amount paid out amounted to RUR 2.35 million, equating to RUR 4.99 per bond.

MARCH

4 MARCH

Release of Mosenergo's financial statements for 2012 according to Russian Accounting Standards.

APRIL

1 APRIL

Release of Mosenergo's IFRS statements for 2012.

30 APRIL

Release of Mosenergo's financial statements according to Russian Accounting Standards for Q1 2013.

MAY

31 MAY

The Mosenergo TPP-21 team won the professional skills competition between power plant operating staff of the Gazprom Energoholding Group in St. Petersburg.

31 MAY

Mosenergo paid the seventh coupon yield on the 03 bonds series (state registration number 4-04-00085, dated 12 December 2008). The total amount paid out amounted to RUR 216.90 million, equating to RUR 43.38 per bond.

JUNE

5 JUNE

Mosenergo's General Shareholder Meeting.

28 JUNE

Release of Mosenergo's IFRS financial statements for Q1 2013.

JULY

31 JULY

Release of Mosenergo's financial statements according to Russian Accounting Standards for the first six months of 2013.

AUGUST

23 AUGUST

Mosenergo paid the 15th coupon yield on the 02 bonds series (state registration number 4-03-00085-A dated 26 January 2006). The total amount paid out amounted to RUR 4.33 million, equating to RUR 41.14 per bond.

29 AUGUST

Release of Mosenergo's IFRS financial statements for the first six months of 2013.

SEPTEMBER

10 SEPTEMBER

SGU-420 equipment for Mosenergo TPP-20 was delivered.

16 SEPTEMBER

The Mosenergo TPP's-21 team came third at the All-Russian Competition for Power Plant Operating Staff, held in Essentuki.

OCTOBER

7 OCTOBER

All-Russian Civil Defence Training Programme exercises took place at Mosenergo TPP-21.

NOVEMBER

1 NOVEMBER

Release of Mosenergo's financial statements according to Russian Accounting Standards for the nine months of 2013.

7 NOVEMBER

Mosenergo was awarded a readiness certificate to operate during the 2013-2014 autumn-winter period.

13 NOVEMBER

Vitaly Yakovlev, Mosenergo's General Director, became General Director of JSC Moscow Integrated Power Company (MOEK).

29 NOVEMBER

On 29 November 2013, Mosenergo paid the eighth coupon yield on the 03 bonds series (state registration number 4-04-00085, dated 12 December 2008). The total amount paid out amounted to RUR 216.90 million, equating to RUR 43.38 per bond.

DECEMBER

11 DECEMBER

Release of Mosenergo's IFRS financial statements for the nine months of 2013.

23 DECEMBER

Mosenergo confirmed its compliance with Environmental Management Systems Standard ISO 14001:2004.

ADDRESSES

2.1 CHAIRMAN OF THE BOARD OF DIRECTORS' ADDRESS

Member of the Gazprom Management Board
Chairman of the Mosenergo Board of Directors
KIRILL SELEZNEV

Dear Shareholders,

In 2013, the Gazprom Group significantly strengthened its strategic leadership in the Russian electric power industry. As in previous years, while focusing on the absolute priority of our business – to provide a reliable supply of electricity and heat to consumers – the Company continued to implement its investment projects and took a number of steps to reduce costs, strengthen its financial situation and improve management processes.

At the beginning of last year, the Gazprom Group put the "new energy heart of Sochi" into operation: the Adler TPP. This modern combined heat and power station became a key source of electricity and heat for the main infrastructure of the XII Olympic Winter Games and XI Paralympic Winter Games in Sochi, which were a success for our nation in 2014.

In North-West Russia the long-term and large-scale reconstruction of the Vuoksa HPP Cascade was completed – it is now the largest source of clean electric energy in the Karelian Isthmus.

In 2013 the overall share of revenue from new facilities within the Group's generating companies reached 15.9% (up from 11.1% in 2012) and continues to grow.

The major event of 2013 was the integration of Moscow Integrated Power Company (MOEK) into the Gazprom Group. MOEK is the Russian capital's leading infrastructure company and provides heating and hot water to Moscow and a number of other cities in the Moscow region. With the acquisition of MOEK, Gazprom is now the largest Russian Group in terms of installed heat capacity, alongside its established leadership position in the country in terms of electricity capacity.

MOEK's integration into the Gazprom Group will enable the efficient production and delivery of heat energy to be restored. For JSC Mosenergo, this removes the risk of the Company incurring any heat load losses. A prospective development programme is currently being designed for Mosenergo's Moscow-based TPPs, including MOEK energy sources, for 2024-2017. The programme's objective is to develop economically feasible solutions to improve the financial results of both companies, fulfil the regulatory requirement to provide a reliable supply of heat, ensure efficient fuel consumption, and reduce operating costs.

Increasing energy efficiency and improving environmental performance during production are the most important components of Gazprom Group's strategy, the principles of which highlight the need to conserve resources and to reduce our environmental impact as much as possible.

2013 was the "Year of Ecology" at Gazprom and 2014 is the "Year of Ecological Culture." Safeguarding the environment has traditionally been one of Mosenergo's main priorities. Mosenergo has reconstructed most of the power boilers at the Company's power plants. Measures are also currently in place to reduce emissions and to treat wastewater: low-emission burners have been installed on the boilers, staged combustion is now taking place, a flue gases recycling circuit is in operation and treatment facilities are being upgraded and constructed. As a result of these measures, emissions from JSC Mosenergo's power plants remain significantly below the threshold set by the environment agencies.

Mosenergo's generating capacity from its new facilities is contributing significantly to the improvement of its environmental performance as well as to its production and financial results. The latest power generating units, which consume less fuel during operation, are gradually replacing obsolete and outdated facilities, improving not only the Company's performance but also the capital's environment. In 2013, the new steam gas units produced almost 10% more electricity than in the previous year. The city will soon have new, state-of-the-art energy sources: the construction of the SGU-420 power generating units at TPP-16 and TPP-20, and the SGU-220 at TPP-12 is virtually complete. The commissioning of these facilities is scheduled for 2014-2015.

I am confident that further productive cooperation between the Company's Shareholders, Board of Directors and Mosenergo's management will continue, first and foremost, to contribute to the Company's dynamic development and further improvements in its efficiency.

2.2 GENERAL DIRECTOR'S ADDRESS

General Director
JSC Mosenergo
VITALY YAKOVLEV

Dear Shareholders,
In 2013, JSC Mosenergo, the largest regional power generation company, provided 66% of the Moscow region's total electricity consumption and 43% of its heat energy. The coordinated hard work of the Company's employees has ensured that our equipment has functioned reliably and efficiently, and has also contributed to an increase in the Company's financial results and profitability.

A RELIABLE ENERGY SUPPLY

JSC Mosenergo's power generation equipment functioned steadily throughout 2013, providing a reliable supply of heat and electricity to consumers in Moscow and the Moscow region.

The new steam-gas equipment is increasingly having a positive impact on the Company's reliability and efficiency. Based on the results for this reporting period, the SGU's share of total electricity output increased substantially to 18.9%, compared to 16.4% in 2012. The new capacity has played a significant role in reducing Mosenergo's fuel consumption by almost 5%.

In 2013, the transfer of heat loads from JSC MOEK boilers to Mosenergo TPPs continued. During the 2013-2014 heating season the amount of load transferred amounted to 1,136 Gcal/h. This process will be completed in 2014, helping to balance the operation of Moscow's heating system and to save significant amounts of fuel.

As in previous reporting years, the Company focused heavily on its investment programme and projects to improve the reliability of its equipment. The construction of the SGU power generating units with varying capacities at TPP-12, TPP-16 and TPP-20 continued as part of the strategic project implementation plan.

FINANCIAL STABILITY

In 2013, the Company reported an increase in in net profit of 3.2% to RUR 8 billion and an EBITDA margin, according to Russian Accounting Standards, of 14.7%. JSC Mosenergo's fixed costs increased marginally by 2% during the reporting period, which is significantly lower than the Russian economy's inflation rate of 6.5% in 2013. The monitoring and control of the Company's fixed costs will remain a priority for management in 2014.

JSC Mosenergo's reputation as a reliable borrower was proved once again, both on the currency and fixed income markets. The international ratings agency, Fitch, awarded Mosenergo a BB+ rating and a 'stable' outlook, confirming the Company's high credit rating as a borrower.

CORPORATE SOCIAL RESPONSIBILITY

As part of the Company's efforts to improve its social responsibility, Mosenergo has focused particularly strongly on areas such as: effective employee motivation, staff training and development, occupational health and safety as well as corporate culture. The main achievement in developing Mosenergo's corporate culture was to establish and approve new Company values and to develop internal communications channels.

It is noteworthy that the Company's production and operations personnel won several professional competitions both within the Gazprom Group and nationally.

Respect for the environment continues to be one of Mosenergo's key priorities. Funds allocated during the year to measures to safeguard the environment, have enabled the Company to achieve ever higher environmental standards and, gradually, to reduce the amount of harmful emissions.

In 2014, we will continue to develop Mosenergo's priority business areas, promoting the Company's reliable operations and sustainable development.

MOSENERGO'S OPERATIONS

3.1 GENERATION

In 2013, Mosenergo's generating operations were not subject to any major disruptions, which ensured a stable operation of power plant equipment during the year and a reliable supply of heat and electricity to consumers in Moscow and the Moscow Oblast.

The Company's power plants produced 58.6 billion kWh of electricity in 2013, compared to 61.3 billion kWh in 2012. The decrease in output is a permanent, underlying trend, caused by an increase in the balance of power flow to the "Moscow" free power transfer zone (ZSP), despite the rise in consumption in the Moscow Oblast (+1.2%). At the same time, there was an increase in power plant capacity under repair (+39 MW) and on standby (+261 MW).

In 2013, total electricity output from new facilities (the SGU-420 and SGU-450 power generating facilities at TPPs 21, 26 and 27) increased by 9.9%, reaching 11.1 billion kWh. The share of electricity output from new power generating facilities across the Company's total output for the year reached 18.9%.

The load factor for the SGU generating units reached 72.3% in 2013 (+6.7%). This sharp increase in the Group's load factor was due to a reduction in downtime for planned repairs and plants on standby.

Heat output from Mosenergo's TPP collectors reached 67.6 million Gcal in 2013, 1.1% lower than in 2012. This was due to the higher outdoor air temperature during the 2013 heating season, which was 2.6°C higher than in the previous year, despite the increase in the heating period, from 206 days in 2012 to 221 days in 2013.

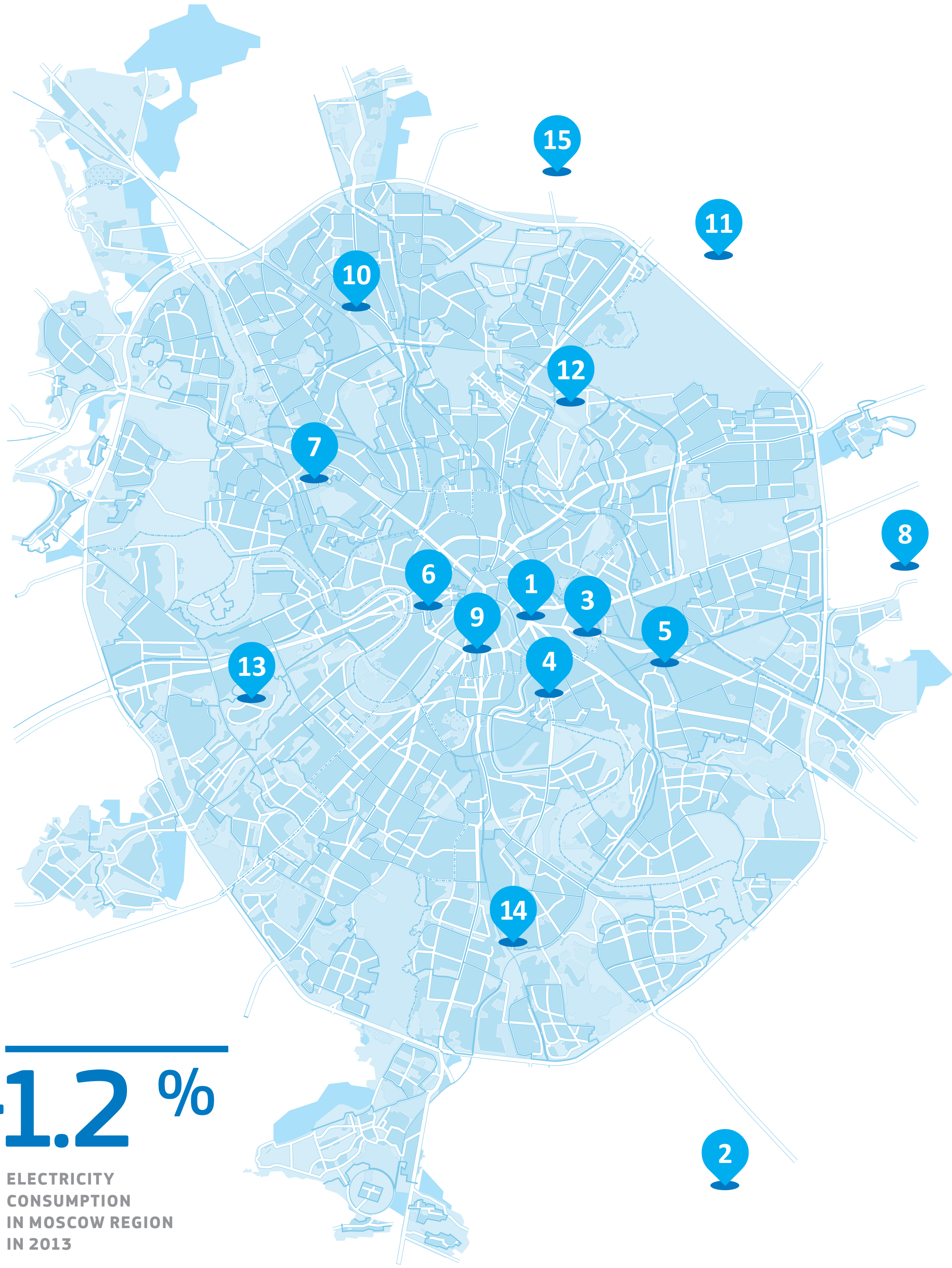
58.6 BILLION KWH PRODUCED BY THE COMPANY'S POWER PLANTS IN 2013

11.1 BILLION KWH TOTAL ELECTRICITY OUTPUT FROM NEW CAPACITY

72.3 % (+6.7 %) LOAD FACTOR FOR SGU GENERATING UNITS

67.6 MILLION GCAL HEAT OUTPUT FROM MOSENERGO'S TPP COLLECTORS

MOSENERGO POWER PLANTS



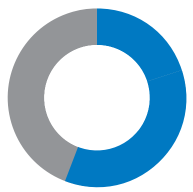
+1.2 %

ELECTRICITY CONSUMPTION IN MOSCOW REGION IN 2013

ELECTRICITY AND HEAT OUTPUT

		ELECTRICITY OUTPUT, million kWh			HEAT OUTPUT FROM COLLECTORS, thousand Gcal			FUEL CONSUMPTION, tfe[1]		
		2012	2013	% +/-	2012	2013	% +/-	2012	2013	% +/-
1	SPP-1	381	335	-12.0	2,027	1,913	-5.6	394,906	363,321	-8.0
2	GRES-3	174	175	+0.7	641	619	-3.4	155,282	153,531	-1.1
3	TPP-8	2,278	2,303	+1.1	2,178	2,356	+8.2	995,158	1,000,567	+0.5
4	TPP-9	1,234	1,243	+0.7	1,469	1,356	-7.7	551,110	540,946	-1.8
5	TPP-11	1,773	1,712	-3.4	2,483	2,437	-1.8	802,538	770,966	-3.9
6	TPP-12	2,522	2,220	-12.0	3,951	3,722	-5.8	1,216,731	1,059,063	-13.0
7	TPP-16	2,156	1,964	-8.9	3,724	3,670	-1.4	1,122,635	1,037,217	-7.6
8	TPP-17	392	291	-25.7	579	545	-5.9	230,800	179,312	-22.3
9	TPP-20	3,429	3,197	-6.8	4,691	4,654	-0.8	1,637,444	1,553,905	-5.1
10	TPP-21	9,068	7,930	-12.6	10,750	10,655	-0.9	3,662,270	3,278,545	-10.5
11	TPP-22	6,913	7,127	+3.1	8,937	8,885	-0.6	3,083,735	3,179,204	+3.1
12	TPP-23	7,243	6,413	-11.5	8,665	8,575	-1.0	3,110,296	2,790,111	-10.3
13	TPP-25	7,410	7,013	-5.4	6,398	6,605	+3.2	2,871,498	2,757,191	-4.0
14	TPP-26	10,298	9,896	-3.9	7,881	7,854	-0.3	3,720,467	3,578,217	-3.8
15	TPP-27	6,064	6,823	+12.5	3,980	3,748	-5.8	1,826,059	1,961,577	+7.4
	TOTAL	**61,334**	**58,642**	**-4.4**	**68,353**	**67,595**	**-1.1**	**25,380,929**	**24,203,673**	**-4.6**

[1] Excluding the boilers at Balabanovo.



66 %

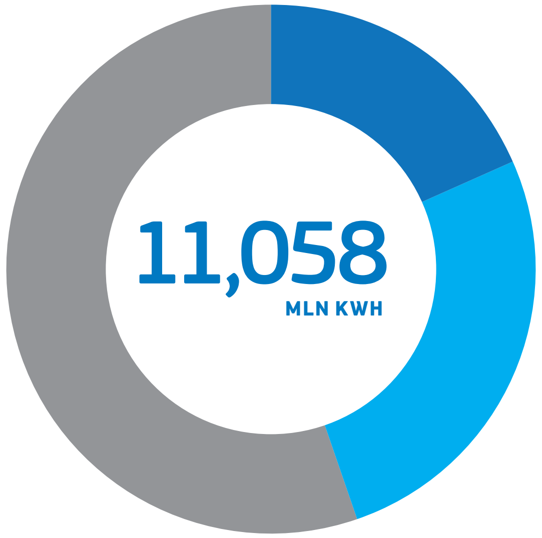
OF TOTAL ELECTRICITY CONSUMPTION IN THE MOSCOW REGION

43 %

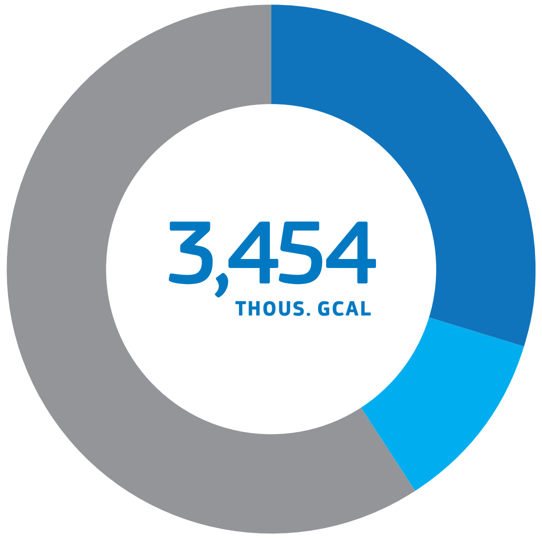
OF TOTAL HEAT CONSUMPTION IN THE MOSCOW REGION

NEW CAPACITY

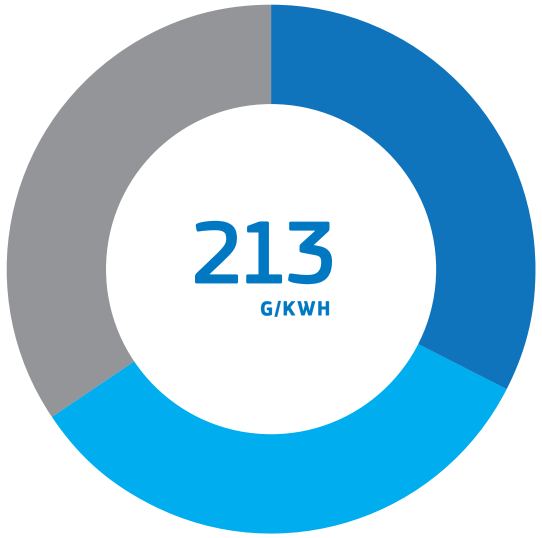
SGU ELECTRICITY GENERATION, mln. kWh +9.8 %



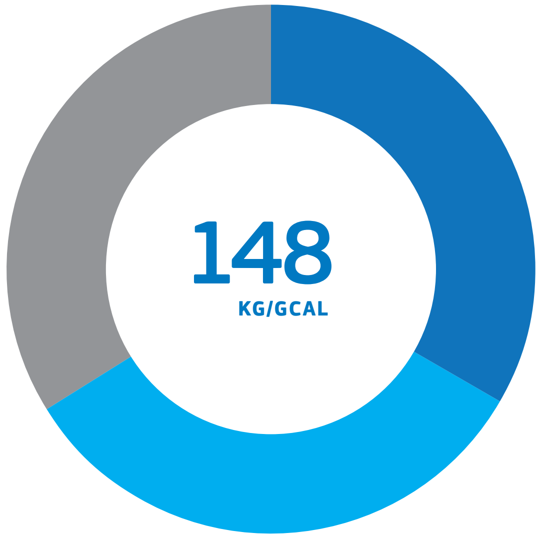
SGU THERMAL OUTPUT, thous. GCal +22.9 %



SRFC OF THE SGU FOR ELECTRICITY, g/kWh – 2.9 %



SRFC OF THE SGU FOR THERMAL ENERGY, kg/GCal – 0.1 %



	SGU electricity generation 2013	2012	Change	SGU thermal output 2013	2012	Change	SRFC electricity 2013	2012	Change	SRFC thermal energy 2013	2012	Change
TPP-21	2,057	2,302	▼ -10.6 %	1,036	468	▲ +121.5 %	206.0	240.5	▼ -14.3 %	147.5	148.0	▼ -0.3 %
TPP-26	2,900	2,556	▲ +13.4 %	379	392	▼ -3.4 %	210.1	208.0	▲ +1.0 %	145.9	145.8	▲ +0.1 %
TPP-27	6,101	5,208	▲ +17.1 %	2,040	1,951	▲ +4.6 %	216.8	213.9	▲ +1.4 %	148.8	148.8	▲ +0.0 %

Heat output during the 2013 heating season amounted to 58.2 million Gcal (a decrease of 2.8% against 2012), and 9.4 million Gcal (+10.96%) during the summer period. In 2013, the planned heat load transfer from JSC MOEK's Regional Heating Plant (PTC) to Mosenergo TPPs continued: the total amount of heat transferred equalled 1961.9 thousand Gcal (2.9% of the total heat output), including 1043.7 thousand Gcal during the summer months and 918.2 thousand Gcal during the heating season.

AMBIENT AIR TEMPERATURE, °C

Year	The average annual temperature, °C	Period: Heating season	Period: Summer period
2012	5.8	-2.9	16.7
2013	6.7	-0.3	17.5

The following changes in Mosenergo's installed capacity occurred in 2013:

- The decommissioning as of 1 January 2013 of TA P-6-65/5M and P-6-35/5M plant № 1.2 at TPP-7 (total capacity: 12 MW and 29 Gcal/h respectively);
- The decommissioning as of 1 January 2013 of TA ST-25/30-90/10M plant №1 at TPP-28 (capacity: 25 MW and 40 Gcal /h respectively);
- The decommissioning of two peak water heating boilers at TPP-27, each with a capacity of 100 Gcal /h.

As a result, the system's installed turbine heat capacity (excluding boiler heat capacity) as of 31 December 2013 amounted to 12,261.98 MW and 17,801.98 Gcal/h.

LOAD FACTOR, %

Load Factor (Electricity)			Load Factor (heat)		
2012	2013	+/-	2012	2013	+/-
56.8	54.6	-2.2	37.5	37.0	-0.5

The average annual electricity load factor from the Mosenergo power plant turbines fell in 2013 by 2.2% compared to the level recorded the previous year, and amounted to 54.6%. The key factors determining this downward trend were as follows: an increase in the balance of power flow to the "Moscow" free power transfer zone, combined with a fall in electricity output during the autumn-winter peak load period, as a result of the higher outdoor air temperature, which was 2.6°C higher during the heating season compared to the previous year.

The consumption of conventional fuel for production and output during the reporting year was 6.8% lower compared to the previous year's reporting period, at 24,140 thousand tonnes of conventional fuel.

The reduction in fuel consumption in 2013 was due to the reduced production of electricity and heat energy during the autumn-winter peak load period.

Actual specific fuel consumption in 2013[1] for electricity output fell by 2.9 % and amounted to 240.9 g/kWh; the actual specific fuel consumption for heat output fell by 0.3%, totalling 165.5 kg/Gcal.

Specific fuel consumption for electricity output, grams of standard fuel/kWh		Specific fuel consumption for heat energy output, kg of standard fuel/Gcal	
2012	2013	2012	2013
247.9	240.9	165.5	165,5

Factors that determined the reduction in the specific fuel consumption for electricity output of 7.0 g/kWh:

- Increased efficiency in the district heating supply from the Group's steam power equipment (- 6.9 g/kWh);
- A 2.1% increase in the output of electricity owing to the increased length of the uneconomical summer season operational modes (+2.1 g/kWh);
- A 2.5% rise in the SGU group's share of Mosenergo's electricity output (- 0.9 g/kWh);
- Increased SGU efficiency (-1.1 g/kWh);
- Reduction in burnouts of primary TPP steam power equipment (- 0.2 g/kWh).

In 2013, the fall in specific fuel consumption for heat energy output was due to the increased efficiency of the district heating supply (0.15 kg/Gcal) and a rise in the share of heat output from peak water boilers and SGU units by 0.6% (0.04 kg/Gcal) and 1.0% (0.16 kg/Gcal) respectively.

[1] Calculated using the physical analysis method.

3.2 SALES

Total electricity sales in 2013 fell by 4,111.21 thousand MWh, or 6.3% compared to the previous reporting period. Total sales of capacity in 2013 were 10,773 MW, a reduction of 12 MW, or 0.1% compared to total sales for the previous year.

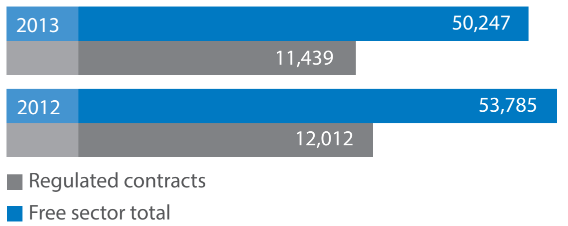
One of the most significant factors contributing to the 4.39% reduction in electricity output in 2013, compared to the similar period for the previous year, was the increase in the balance of power flow into Moscow's power grid. This was the result of the commissioning of a new power generating unit at the Kalininskaya NPP on 25 September 2012, with an installed capacity of 1000 MW – the №4 power generating unit (JSC RosEnergoAtom Concern), and the increase in the aggregate throughput of the power transmission lines, along which the balance of power flow from the "Tsentr" free power transfer zone to the "Moscow" free power transfer zone is conducted. This also included the introduction of a new line (Kalininskaya NPP-Gribovo 750 kV). As a result, the output from power generating unit №4 in 2013 reached 6,865.30 million kWh, an increase of 1,224.84 million kWh (21.72%) on the figure for the previous year.

REVENUE FROM SALES OF ELECTRICITY AND CAPACITY in 2013 amounted to RUR 91,323.69 million, an increase of RUR 5,507.62 million, or 6.42 %, on the figure for 2012.

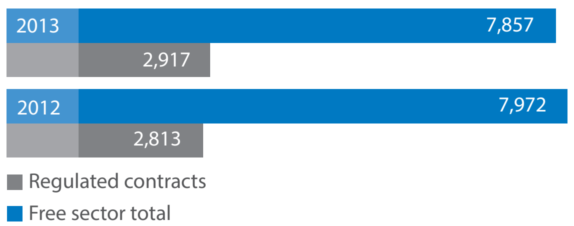
PRICES AND TARIFFS. The sale of Mosenergo electricity in 2013 occurred mainly on the energy and capacity wholesale market (hereafter referred to as OREM), at market prices and regulated tariffs.

An insignificant amount of electricity (0.04%) was sold on the OREM under a sale and purchase agreement concluded between Mosenergo (TPP-29) and LLC EnergoPromSbyt.

ELECTRICITY SALES, thousand MWh



CAPACITY SALES, MW



91.3 RUR BILLION REVENUE FROM SALES OF ELECTRICITY AND CAPACITY IN 2013

The sale of electricity (capacity) at regulated tariffs is conducted:

- Under regulated contracts (RC) to supply public consumers and their equivalent (RC sector);
- Electricity (capacity) supplied by power plants which have been assigned "emergency generator" status.

All heat energy is supplied to the Moscow and Moscow Oblast retail markets at regulated tariffs.

PRICES AND TARIFFS

Description	2012	2013	% +/-
Average weighted sale price of electricity, RUR/MWh, including:	949.97	1,070.82	+13%
Average weighted RC tariff rate, RUR/MWh	769.28	807.37	+5%
Average weighted sale price in the free sector, RUR/MWh	990.32	1,130.77	+14%
Average weighted sale price for new capacity, RUR/MWh/mth	481,841.53	500,666.55	+4%
Average weighted sale price for old capacity, RUR/MWh/mth	127,860.70	140,672.26	+10%
Average weighted tariff for heat energy, RUR/Gcal, including:	970.16	884.39	-9%
Average weighted tariff for heat generation and sales, RUR/Gcal	684.22	771.57	+13%

The key factors influencing the price increases for electricity and capacity are as follows:

- A rise in fuel prices;
- A price-cap increase for Moscow's free power transfer zone;
- An increase in the average yield from 7.4% to 7.9% of long-term state bonds that is included in the price calculations for power delivery contract facilities.

A significant factor contributing to the reduction of the average weighted heat energy tariff is the change in structure of how consumers pay for heat energy, moving away from paying power plant collectors (at the rate of generation) to paying for heat energy at supply points, which also includes additional costs for network services. This change in the heat energy consumer payment structure can be explained by the merger of JSC MTK and JSC MOEK. Following the merger, MOEK became the owner of the heating pipeline network. The heat energy supply points for MOEK consumers were transferred to the collectors of Mosenergo's plants. This resulted in a fall in the amount of heat energy sold at the tariff that was set for consumers who were paying for the production and transfer of heat energy.

TOTAL SALES AND REVENUE FROM THE SALE OF HEAT ENERGY

Indicator	2013, actual	2012, actual	2013 vs 2012
Revenue from the sale of heat energy, RUR million	59,765	66,643	-6,878
Total sales, thousand Gcal	67,578	68,663	-1,085
Average tariff, RUR /Gcal	884	971	-87

The Company experienced a 10% decline in revenue from the sale of heat energy, mainly as a result of a reduction in the applicable tariff, following a revision as of 1 October 2012 of the contractual relationship with MOEK (following the merger with Moscow Heat Network Company).

Under the terms of the new contract, the heat energy supply points were transferred to the plant collectors and a tariff, which excluded the costs incurred for the transfer of services, was applied to those MOEK consumers who were paying for heat energy output. Heat energy from the Moscow Oblast power plants (TPP-27 and TPP-22), purchased by MOEK for consumers in Moscow, is paid at tariffs set by the Moscow Oblast Committee for Pricing. Taking into consideration that the decline in the transmission tariff revenue is slowing down and given the costs for heat energy transport services, the amendment to the contractual relationship with MOEK was not reflected in the Company's financial results.

The 2% fall in the total heat energy sales was due to the higher ambient air temperature during the 2013 heating season.

The Company is implementing the following projects to increase heat energy sales:

TRANSFER OF SUMMER LOAD

Under the list of approved initiatives, consumers of the 20 MOEK HDNs and six district heating plants were supplied with heat energy by the Company's TPPs.

As part of this list of measures, approved by the respective parties, the transfer of 19 HDNs and six district heating plants to TPP-22 was completed, with the exception of Perovo HDN, as a result of the large volume of chloride ions in the heating-system water of TPP-22. A working group has been set up, involving the Company and MOEK, to resolve this issue.

Sales growth reached 1,042 thousand Gcal.

TRANSFER OF WINTER LOAD

The new supply contract with MOEK for the 2012-2013 heating season both envisaged and implemented the transfer of load from district heating plant-44 and the Khimki-Khovrino HDN, with a load of 122 Gcal/h. From the start of the 2012-2013 heating season, the transfer of load from the Matveevskaya and the Krasny Stroitel HDNs with a load of 432 Gcal/h was also completed.

The load transfer schedule from MOEK HDNs and district heating plants to Company TPPs during the 2013-2014 heating season has now been agreed. The amount of transferable heat load amounts to 1,136 Gcal/h.

A joint working group, involving experts from the Company, MOEK and Gazprom Promgaz, has been set up to develop and implement new transfer initiatives from MOEK HDNs (district heating plants) to Company TPPs.

COOPERATION ON HEAT OUTPUT IN THE REGION WITH REGIONAL CITIES AND THE MOSCOW OBLAST GOVERNMENT

GRES-3 (Elektrogorsk)

LLC TSK Mosenergo continues to rent Company property and to provide services for the sale of heat energy to meet the heating requirements of consumers in Elektrogorsk under an agency agreement.

TPP-27 (Mytishchi)

A project is underway to connect the existing and potential load equal to 250 Gcal/h in Mytishchi to the Mytishchinskaya Teploset TPP-27 trunk-pipeline.

The technical specifications for the connection to the grid are currently being agreed.

MOSENERGO CLIENT BASE FOR HEAT ENERGY SALES

Client (client category)	As of 31.12.2013 Share of useful output, %	As of 31.12.2013 Connected contractual heat load, Gcal/h	As of 31.12.2012 Share of useful output, %	As of 31.12.2012 Connected contractual heat load, Gcal/h
MOEK (wholesale reseller)	69.3 %	17,761	67.7 %	17,207
Industrial enterprises (retail)	3.9 %	2,986	4.1 %	2,949
Public sector organisations (retail)	5.8 %	3,198	6.3 %	3,192
Other legal entities (retail)	14.7 %	9,641	15.5 %	9,497
General public, housing partnerships and associations, etc. (retail)	6.3 %	1,772	6.4 %	1,666
Total	**100 %**	**35,358**	**100 %**	**34,511**

The growth in contractual load was 847 Gcal/h, or 2.5%. 554 Gcal/h of this originated from the transfer of winter load from district heating plant-44, and from the Khimki-Khovrino, Matveevskaya and Krasniy Stroitel HDNs, under the supply agreement with MOEK. The increase in the non-transfer load reached 293 Gcal/h, which is in line with the average annual load growth rates.

The increase in MOEK's share of consumption was due to the transfer of winter load from district heating plant-44 and the Khimki-Khovrino, Matveevskaya and Krasniy Stroitel HDNs to Company TPPs.

3.3 FUEL BALANCE

Natural gas continued to be the main fuel in the 2013 fuel balance. Gas accounted for 98.27% of the overall breakdown of the Company's fuel balance. Coal (1.65%) and fuel oil (0.08%) were both used by Mosenergo power plants as back-up fuels.

The fuel balance breakdown for the 12 months of 2013 changed against the comparable period for 2012 as follows:

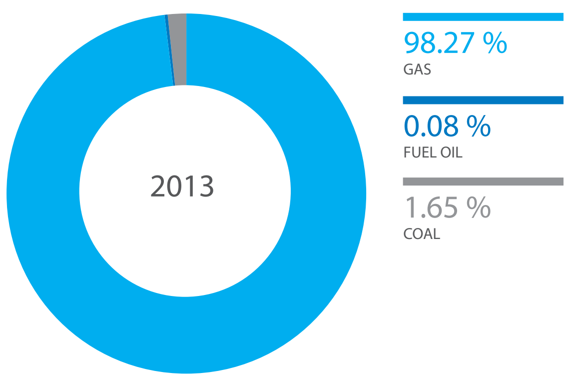
- Gas burning increased by 0.38%;
- Coal combustion increased by 0.66%;
- Oil burning was down by 1.04%.

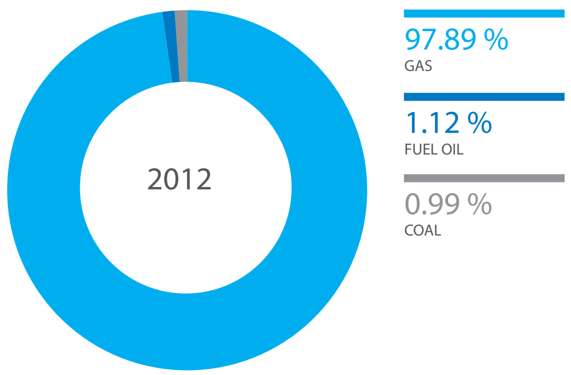
The increase in natural gas burning was due to the lack of gas consumption restrictions at Mosenergo TPPs; the rise in coal combustion was caused by the level of consumption at TPP-17 (a complete drawdown on resources after coal was removed from the TPP fuel management system) and the profitability of coal combustion at TPP-22.

A stable and reliable supply of fuel to all Mosenergo power plants in 2013 was achieved as a result of:

- Supply of gas in full compliance with current agreements;
- Creation of a sufficient stand-by of fuel reserves in accordance with orders and recommendations from the Ministry of Energy of the Russian Federation and the Moscow City Government.

FUEL BALANCE





3.4 INVESTMENT AND MAINTENANCE ACTIVITIES

INVESTMENTS

The Company continued to implement its large-scale investment initiatives in 2013. These initiatives were designed and developed taking into consideration the Company's strategic objectives; they are intended to increase installed capacity, and to maintain a high level of safety, efficiency and reliability in the production of heat and electricity.

INVESTMENT PROGRAMMES IMPLEMENTED IN 2013[1]

Project type	RUR million, excl. VAT
Strategic	26,145
Efficiency	195
Mandatory	696
Reliability	2,544
Other	1,537
Total	**31,117**

[1] JSC Mosenergo's Management accounting data.

STRATEGIC INVESTMENT INITIATIVES

As part of the strategic investment initiatives, a significant amount of investment in 2013 was directed into the construction of new steam gas generating units at TPP-12, TPP-16, and TPP-20 and the installation of an Ansaldo AE64.3A-type GTU at TPP-9. These initiatives should generate a significant improvement in the Company's technical and economic performance. The commissioning of facilities is scheduled for 2014 in accordance with heat delivery agreements:

TPP-16

Construction of an SGU-420 MW power generating unit

420 MW INSTALLED ELECTRIC CAPACITY

220 Gcal/h HEAT CAPACITY

Commissioning period
DECEMBER 2014

TPP-12

Construction of an SGU-220 power generating unit

220 MW INSTALLED ELECTRIC CAPACITY

120 Gcal/h HEAT CAPACITY

Commissioning period
DECEMBER 2014

TPP-20

Construction of an SGU-420 power generating unit

420 MW INSTALLED ELECTRIC CAPACITY

220 Gcal/h HEAT CAPACITY

Commissioning period
NOVEMBER 2015

TPP-9

Installation of an Ansaldo AE64.3A-type GTU at TPP-9 with a waste-heat recovery boiler.

65 MW INSTALLED ELECTRIC CAPACITY

35.2 % KPD OF THE POWER GENERATING UNIT

Commissioned
1 APRIL 2014

RELIABILITY INVESTMENT INITIATIVES

As part of the 2013 reliability investment initiatives, work was carried out to ensure and promote the reliable operation of key equipment:

Electrical equipment:

- Replacement of three 110-220 kV circuit-breaker switches (TPP- 23);
- Replacement of 15 current transformers (TPP- 25, 26);
- Replacement of six mains transformers (TPP-20, 21, 22, 26);
- Replacement of one generator (TPP-21)
- Replacement of five generator excitation systems (TPP-21, TPP-23, TPP-25, TPP-26 at turbine generators 3 and 7)

Thermal and Mechanical Equipment

- Replacement of the steam pipelines on 12 turbines and 20 power boilers (TPP-8, 9, 11, 12, 16, 20, 21, 22, 26);
- Replacement of high heating surfaces at ten power boilers (SPP-1, TPP-8, 11, 12, 17, 20, 25, 26).
- As part of the 2013 mandatory investment initiatives, the following were carried out:
- Installation of gas analysis facilities (TPP-8, 9, 16, 17, 21, 23, 26);
- Work on the peak water heating boilers, under the Regulations for the Operation of Gas Pipelines (SPP-1, GRES-3, TPP-12, 17, 21, 22, 26);
- Improved branch facility fire safety (GRES-3, SPP-1, TPP-8, 9, 11, 16, 20, 21, 22, 23, 26);
- Other projects as required by the supervisory authorities.

EFFICIENCY INVESTMENT INITIATIVES

As part of the 2013 efficiency investment initiatives, the installation of hydraulic clutches on the drive pumps at 13 branch facilities was completed. Hydraulic clutches on the drive network and feed pumps will reduce electricity consumption for plant use when in partial load mode.

MANDATORY INVESTMENT PROJECTS

In 2013 the following work was completed:

- Installation of gas analysis facilities (TPP-8, 9, 16, 17, 21, 23,26);
- Reducing peak water heating boiler operations in line with the Regulations of Gas Pipeline Operation (SPP-1, GRES-3, TPP – 12,17,21, 22, 26);
- Improved branch facility fire safety (GRES-3, SPP-1, TPP-8, 9, 11, 16, 20, 21, 22, 23, 26).

OTHER INVESTMENT PROJECTS

In 2013 the following work was carried out:

- Replacement of 2,820 linear metres of heating network trunk pipelines;
- Reconstruction of consumer technological connection units (TPP-9, 12, 16, 17, 20, 23, 26, 27);
- Reconstruction of technical security equipment at nine branch facilities;
- Other various projects.

The refurbishment and reconstruction of equipment at the Company's branch facilities will enable outdated and obsolete machinery, equipment and processes to be updated and renewed; this, in turn, will ensure a high level of operating efficiency, staff safety and the reliable output of heat energy and electricity.

MAINTENANCE AND REPAIR

In 2013, all maintenance and service programmes on all thermal mechanical and electrical equipment were fully carried out in line with the approved repairs schedule, on time and within budget.

Additional repair work on electrical equipment included:

- Repair of generator station №6 type TVV-320-2, raising the stator section and replacing the stator's Moscow Oblastber sealing end piece at TPP-23;
- At 15 generators, the rotors were repaired with removable retaining rings and then tested for defects: TG-29 at SPP-1; TG-1 and TG-4 at GRES-3; TG-6 and TG-9 at TPP-8; TG-5 at TPP-9; TG-10 at TPP-11; TG-3 at TPP-16; TG-6 at TPP-17; TG-9 at TPP-20; TG-2 and TG-7 at TPP-21; TG-2 at TPP-23; TG-1 at TPP-25; TG-7 at TPP-26;
- Contact ring replacement at four generators: TG-4 at TPP-21, TG-6 and TG-9 at TPP-8, TG-9 at TPP-20.

The total number of days spent on repairing the Company's key equipment in 2013 amounted to 7,767 days (compared to 9,432 days in 2012).

MAINTENANCE AND REPAIR OF EQUIPMENT, units

Equipment	Major overhaul	Medium-level repair	Routine maintenance
(Power generation), Units	3	3	13
Boilers	14	8	82
Turbines	19	4	59
Gas turbines	0	0	12
Steam and water pipelines	9	2	76
Boilers (SGU)	0	2	6
Gas turbines (SGU)	0	2	6
Turbine generators (SGU)	1	0	4
Generators	23	10	71
Transformers	5	-	87
Circuit breaker switches 110-500 kV	6	4	-

ADDITIONAL REPAIR WORK ON THERMAL MECHANICAL EQUIPMENT, units

Description of work	2012	2013
Industrial repair of turbine rotors	36	26
Replacement of turbine rotary blades / disks	22	9
Replacement of components in the flow-through section of the turbine cylinder	5	3
Implementation of the forced steam cooling system for medium-pressure rotors (RSD-1) of T-250/300-240 turbines	0	0
Bearings replacement in the lower supports of the regenerative air heaters	2	2

BUILDINGS AND FACILITIES REPAIR, units

Facility under repair	No. owned by Mosenergo	Description of work	2012	2013
Cooling tower	56	Repair	38	34
		Inspection	5	4
Smoke stacks	91	Repair	30	11
		Inspection with Industrial Safety Expertise	12	24
Fuel oil storage tanks	80	Repair	2	4
		Inspection with Industrial Safety Expertise	9	19
Buildings & Structures	1,242	Inspection and Examination, Industrial Safety Expertise	100	192

ANALYSIS OF FINANCIAL PERFORMANCE[1]

[1] According to RAS.

4.1 REVENUES

In 2013, revenue from the sales of commercial output (before VAT) amounted to RUR 154.1 billion, including RUR 151.1 billion from electrical and heat energy, and RUR 3.0 billion from the sales of other goods, work and services.

In comparison with 2012, the revenue from the sales of commercial output decreased by 1%, and the revenue from energy sales fell by 1%. The main factors influencing the fall in revenue from electrical and heat energy from 2012 levels is the increase of the average electrical energy tariff by 13%, a reduction in the applicable tariff on the provision of heat energy by 9% related to the renegotiation of contractual relations with MOEK from 1 October 2012, a reduction in the volume of electricity sales by 6% and a reduction in the volume of sales of heat energy by 2%.

154.1 RUR BILLION REVENUE FROM THE SALES OF COMMERCIAL OUTPUT (BEFORE VAT) IN 2013

4.2 PRIME COST

The prime cost of Mosenergo's commercial output in 2013 was RUR 140.3 billion, including energy at RUR 137.6 billion and other products at RUR 2.7 billion. The prime cost of the production of core products decreased by 1.6%. The prime cost indicator, before fixed asset depreciation, decreased by 4.95%.

The increase in material costs in 2013 in comparison with the preceding period was primarily caused by the increased cost of fuel. The main factor in the increase in expenditure on fuel was the growth of the weighted average price by 12% accompanied by a decrease in the fuel rate for electricity output of 7 g/kWh.

The total maintenance costs of the power plants in 2013, including in-house maintenance, was reduced by 5% in comparison with 2012 and amounted to RUR 5.1 billion, or 3.7% of the total energy generation cost.

Labour costs increased by 7.7% to RUR 8.2 billion in 2013. The main factors behind this increase were the rise in salaries of lower paid employees to market levels and the recruitment of highly qualified specialists to build SGUs at our plants.

The decrease in the cost of heat energy provision by 61% is related to the exclusion of the amount of heat energy purchased by MOEK from the output volume to the network from the 1 October 2012. This is related to the renegotiation of contractual relations after the merger of MOEK with the Moscow Heating Network Company.

In 2013, expenditure on PR services was reduced by 8%, on fire services and contracted security services by 3% and on legal services by 32%.

By the end of 2013, EBITDA was RUR 22.7 billion, which is RUR 1.5 billion higher than in 2012 (+7%).

4.3 OTHER INCOME AND EXPENSES

Other income and expenses for 2013 decreased in comparison with 2012 by RUR 5 billion. The main cause of this was a decrease in income from: differences in the exchange rate, surcharges and penalties, interest and sales of shares. In 2013, the provision for doubtful debts increased by RUR 1.6 billion (including to the "Energostream" group of companies by RUR 1.3 billion, due to a significant reduction in the prospects for debt recovery; most of the companies of the "Energostream" group have been stripped of their status as guaranteed supplier by OREM (the wholesale market for electricity and capacity).

During 2013, a detailed analysis was carried out on fixed assets for the purpose of reviewing the list of property subject to tax benefits. The total economic impact of the revision of property tax amounted to RUR 1.3 billion.

4.4 NET PROFIT

The net profit of the Company after income tax and other compulsory payments totalled RUR 8 billion. Compared with 2012 net profit increased by 3%. The main reason for the increase in net profit is the higher growth rate of prices on the day-ahead market compared to the average rise in fuel prices.

In accordance with Article 8 of the Company's Charter the amount of mandatory annual allocations to the Reserve Fund is 5.0% of net profit until the specified amount is reached (5.0% of Mosenergo's share capital).

4.5 LIQUIDITY AND LOAN PORTFOLIO MANAGEMENT

Cash inflow from operations in 2013 was 2.61% lower than in 2012. In 2013, there was an increase in borrowed capital primarily due to taking out overdrafts. The loan portfolio of the Company increased in 2013 by RUR 6.734 million and, as of 31 December 2013, amounted to RUR 24.582 million. The weighted interest rate for leverage was 5.54% in 2013, which is 2.89% lower than in the previous year.

The average interest rate on borrowings for the 12 months of 2013 was 4.32% per annum, which is 1.22% lower than the weighted average interest rate for the 12 months of 2012. The rate in 2013 decreased due to the fact that in July 2013 commercial lines of credit on a framework loan agreement with Credit Agricole were repaid early, as well as due to the change, from 31 May 2013, in the coupon rate on the bond issue series 3 from 10.25% to 8.7%.

There are no arrears on debt or credit repayment.

The Company fully complies with the covenants written in the loan agreements: the ratio of debt to profits before depreciation, interest and income tax is less than 1.

4.6 BALANCE SHEET ANALYSIS

On 31 December 2013 fixed assets had decreased by RUR 6.8 billion compared to 31 December 2012 (from RUR 119.6 billion to RUR 112.8 billion) or by 5.7%. The current assets structure is dominated by receivables which account for 80.7%, reserves 13.4%, cash 3.2% and cash and short-term investments 1.1%.

In 2013 there was a reduction in Mosenergo's current assets of RUR 9.6 million compared with the beginning of the year, mainly due to a decrease in monetary assets.

The increase in reserves of 4.7% was mainly due to the increase in the central emergency stockpile.

The increase in the level of receivables from RUR 36 billion to RUR 41 billion (RUR 5 billion or 13.7%) is mainly due to the rise in trade receivables.

The Company is constantly working to strengthen consumers' payment discipline and the collection of overdue debt for supplied energy.

Mosenergo's shareholders' equity increased by RUR 6.8 billion, mainly due to an increase in the undistributed net income of the current year.

Payables decreased compared with 2012 to RUR 0.195 billion, or 1.7%, primarily due to lower debt and fuel advances received, with a simultaneous increase in debt on investment.

The share of payables in the Company's balance sheet was 5% at the end of the year. All debts are current, incurred under the terms of payment of the contracts.

4.7 FINANCIAL POSITION INDICATORS

The current liquidity ratio decreased by 1.17 points compared to the end of 2012 to 2.59, due to an increase in current liabilities of 32%.

The net asset value of the Company in 2013 increased by 3.7% compared with 2012, mainly due to the increase of investments in fixed assets. The average total value of Mosenergo's balance sheet compared with 2012 figures shows an increase of 4%.

The receivables turnover indicator decreased by 0.75 points in comparison with 2012. This is due to an increase in overdue receivables.

Sales profitability increased as the percentage decrease in revenue in 2013 was lower than the rate of reduction of prime cost.

CORPORATE GOVERNANCE

5.1 MAIN PRINCIPLES

The underlying principles of the Company's corporate governance are stated in the Mosenergo's Corporate Governance Code and are based on the legislative regulations of the Russian Federation, the Company's Charter, the Corporate Governance Code, which is recommended for use by FCSM's decree No. 412/r dated 4 April 2002, as well as on internationally recognised corporate governance principles.

THE COMPANY'S CORPORATE GOVERNANCE IS BASED ON THE FOLLOWING:

- The Board of Directors' accountability to shareholders and the accountability of the Company's executive bodies to the Company's management bodies, as well as a sense of trust in relations between all participants of corporate governance;
- The safeguarding of stock ownership rights and the possibility of an unrestricted and fast carve-out of stock owned by shareholders, as well as the provision of shareholder access to effective protection in the event of any breach of rights;
- The transparency of activities, disclosure of accurate information on significant facts and information about the Company's activities; providing required access to information, as well as maintaining a reasonable balance between the Company's transparency and the pursuit of its commercial interests;
- The Company's social responsibility, including adherence to quality standards, environmental regulations and creating the most progressive working conditions;
- The adherence to ethical norms preventing staff abuse of official positions, which could damage both the Company and third parties, including the illegal use of confidential and insider information.

Mosenergo's Strategy to improve corporate governance is to develop the activities of the Company's Board of Directors, to improve the quality of materials prepared for Board of Directors' meetings, including the preliminary discussion of topics to be considered at the Board of Directors' meetings by committees, and through interaction between the Company's departments and subdivisions with shareholder representatives.

MOSENERGO'S MOST IMPORTANT CORPORATE GOVERNANCE OBJECTIVES CONTINUE TO BE THE FOLLOWING:

- Maintaining the balance of all shareholders' interests as well as those of other persons interested in the continued development of the Company;
- Maintaining the required level of transparency and access to Company information;
- Organising the operations of the Board of Directors' Committees with the participation of major shareholder representatives, Company specialists and independent experts;
- Ensuring the Company's participation in the management of its affiliate structures, the participation of the Company's representatives in assemblies, meetings of the executive bodies and other corporate events of the Company's affiliates, non-profit and other organisations where the Company acts as a member.

The management bodies of the Company are the General Shareholder Meeting and the Board of Directors. The executive bodies of the Company are the General Director and the Executive Board. The supervision of the Company's financial and business activities is the responsibility of the Mosenergo Auditing Commission.

5.2 GENERAL SHAREHOLDER MEETING

The General Shareholder Meeting is the supreme governing body of Mosenergo that makes it possible for shareholders to exercise their right to take part in the Company's management, as well as giving them access to the information about the Company's activities, achievements and plans.

The procedure for the preparation and holding of general shareholder meetings complies with the legislation of the Russian Federation. This procedure is defined in the Company's Charter and in the Provisions for Mosenergo's General Shareholder Meeting, which is believed to follow best corporate governance practice. The established procedure guarantees the equal treatment of all Company shareholders.

The General Shareholder Meeting relating to the results of the Company's operations in 2012 was held on 5 June 2013. This meeting approved Mosenergo's Annual Report for 2012 and its financial statements, including the profit and loss statement, as well as distribution of the Company's profits from 2012. At this General Shareholder Meeting, it was decided to pay dividends on ordinary shares of the Company for 2012 in the amount of RUR 0.03 per ordinary inscribed share of the Company in the form of cash.

The shareholders also elected the new Board of Directors and Auditing Commission of the Company and approved the Company's Auditor; a resolution was adopted concerning remuneration for members of the Board of Directors.

The meeting approved a new version of the Mosenergo Charter as well as changes and additions to the regulations of the Mosenergo General Shareholder Meeting and the position of Mosenergo's General Director. It also made decisions to approve a number of related-party transactions, which Mosenergo may act on in the future during the normal course of Mosenergo business operations.

In addition, an extraordinary shareholder meeting was held on 21 October 2013 in which in absentia voting determined a number of related-party transactions.

5.3 BOARD OF DIRECTORS AND ITS COMMITTEES

Mosenergo's Board of Directors is the Company's governing body. According to the Federal Law "On Joint Stock Companies" and the Company's Charter, the Board of Directors is the general supervisor of the Company's activities, with the exclusion of resolving issues under the authority of the General Shareholder Meeting.

On 5 June 2013, an Annual General Shareholder Meeting was held in which a new Board of Directors of the Company was elected. Members of the Mosenergo Board of Directors are:

Petr BIRYUKOV

Anatoly GAVRILENKO

Valery GOLUBEV

Alexander DUSHKO

Pavel LIVINSKY

Ilnar MIRSIYAPOV

Elena MIKHAILOVA

Vladimir POGREBENKO

Andrey RYUMIN

Kirill SELEZNEV (Chairman)

Denis FEDOROV

Damir SHAVALEEV

Vitaly YAKOVLEV

The Mosenergo Board of Directors met 15 times in 2013. The most important topics examined by the Board of Directors in 2013 included the following:

- The approval of the Company's Annual Report for 2012;
- The approval of the Company's 2013 Business Plan and Business Plan target indicators for 2013–2014;
- The approval of the 2013 Mosenergo investment programme and basic indicators for the 2014–2015 investment programme;
- The approval of the Mosenergo annual integrated procurement programme for 2013;
- Preparation for the Annual General Shareholder Meeting relating to 2012 results;
- Convocation of and preparation for the extraordinary meeting of shareholders of the Company;
- The Company's membership in other organisations;
- The expansion of the powers of the General Director and Chairman of the Executive Board;
- The approval of policies regarding the management of financial risks;
- The approval of the Status and Programme of insurance safeguards and the Company's insurer;
- The approval of the Mosenergo Union Contract for 2013;
- Mosenergo's membership in other organisations and decision-making relating to the competence of the management bodies of Mosenergo's affiliates and subsidiaries;
- The approval of plans and reports on cash flow investment regarding Mosenergo's investment projects, namely the construction of new power units at the Company's affiliates;
- The expansion of the Company's credit policies.

In 2013, the most important agenda items for which the Board of Directors was responsible were examined, preliminarily, by the Board of Directors' Committees. The Company's current Committees are: The Audit Committee, the Strategy and Investment Committee, the Human Resources and Remuneration Committee, and the Reliability Committee.

During the reporting year, the Board of Directors' Committees presented to the Board of Directors their recommendations on the following matters:

- The approval of the Mosenergo Business Plan for 2013-2015;
- The approval of the Mosenergo Investment Programme for 2013-2015;
- The approval of the Mosenergo Integrated Procurement Programme for 2013;
- The preliminary review of the Company's financial statements and the 2012 Annual Report;
- Preparations for the General Shareholder Meeting, including recommendations to the Shareholder Meeting regarding profit allocation and the approval of the Company's 2012 Performance Report;
- Other important Company matters.

MEMBERS OF THE BOARD OF DIRECTORS

KIRILL SELEZNEV
Chairman
Year of Birth: 1974
Education: Higher
Other recent and current positions:
2008 to date: JSC Gazprom, Head of the Marketing Department, Gas and Liquid Hydrocarbons Processing, Member of the Executive Board.
2008 to date: LLC Gazprom Mezhregiongaz, General Director (part-time).
The above Board Member does not own any charter capital or ordinary shares.

PETR BIRYUKOV
Member of the Board of Directors
Year of Birth: 1951
Education: Higher
Other recent and current positions:
2008-2010: Moscow Government, First Deputy Mayor of Moscow in the Moscow Government, Head of the Municipal Economic Complex of Moscow.
2010 г. – June 2013: Moscow Government, Deputy Mayor of Moscow in the Moscow Government
June 2013 – September 2013: Moscow Government, Acting Deputy Mayor of Moscow in the Moscow.
September 2013 to date: Moscow Government, Deputy Mayor of Moscow in the Moscow Government on Housing and Communal Services and Improvement.
The above Board Member does not own any charter capital or ordinary shares.

ANATOLY GAVRILENKO
Member of the Board of Directors
Year of Birth: 1972
Education: Higher
Other recent and current positions:
2008 to date: Anatoly Gavrilenko, General Director, Member of the Board of Directors.
The above Board Member does not own any charter capital of ordinary shares.

VALERY GOLUBEV
Member of the Board of Directors
Year of Birth: 1952
Education: Higher
Other recent and current positions:
2008 to date: JSC Gazprom, Deputy Chairman of the Executive Board.
The above Board Member does not own any charter capital or ordinary shares.

ALEXANDER DUSHKO
Member of the Board of Directors
Year of Birth: 1964
Education: Higher
Other recent and current positions:
2008 to date: JSC Gazprom, Deputy Head of the Finance and Economics Department.
The above Board Member does not own any charter capital or ordinary shares.

PAVEL LIVINSKY
Member of the Board of Directors
Year of Birth: 1980
Education: Higher
Other recent and current positions:
2008-2011: JSC Moscow Power Grid Company, JSC Moscow Integrated Electric Grid Company, Deputy General Director of Development and Services, Deputy General Director of Customer Relations and Technological Connections.
2011-2013: JSC United Energy Company, General Director.
2013 г. – June 2013: The City of Moscow Department of Fuel and Energy, Director.
June 2013 – September 2013: The City of Moscow Department of Fuel and Energy, Acting Director.
September 2013 to date: The City of Moscow Department of Fuel and Energy, Director.
The above Board Member does not own any charter capital of ordinary shares.

ILNAR MIRSIYAPOV
Member of the Board of Directors
Year of Birth: 1982
Education: Higher
Other recent and current positions:
2008-2010: Rosatom State Atomic Energy Corporation, Deputy Director of the Department of Corporate Governance and Development, Department of Corporate Governance, Acting Director of the Department, Deputy Director of the Department of Legal and Corporate Activities.
2009 to date: JSC INTER RAO, Board Member - Head of the Block of Strategy and Investment, Advisor to the Chairman of the Board of Administration, Acting Head of the Block of Corporate and Property Relations.
The above Board Member does not own any charter capital or ordinary shares.

ELENA MIKHAILOVA
Member of the Board of Directors
Year of Birth: 1977
Education: Higher
Other recent and current positions:
2008 to date: LLC Gazprom Mezhregiongaz, Deputy General Director of Corporate and Property Relations.
2012 to date: JSC Gazprom, Board Member, Head of the Department of Management and Corporate Relations.
The above Board Member does not own any charter capital or ordinary shares.

VLADIMIR POGREBENKO
Member of the Board of Directors
Year of Birth: 1978
Education: Higher
Other recent and current positions:
2011-2012: Department of Property of Moscow, Head of the Division of Corporate Relations and Financial Assets.
2012 – February 2013: Moscow Department of Property, Deputy Head.
February 2013 to date: Moscow City Property Department, Deputy Head.
The above Board Member does not own any charter capital or ordinary shares.

ANDREY RYUMIN
Member of the Board of Directors
Year of Birth: 1980
Education: Higher
Other recent and current positions:
June 2011 – January 2013: JSC United Energy Company, First Deputy General Director.
January 2013 to date: JSC United Energy Company, General Director.
The above Board Member does not own any charter capital or ordinary shares.

DENIS FEDOROV
Member of the Board of Directors
Year of Birth: 1978
Education: Higher
Other recent and current positions:
2008 to date: JSC Gazprom, Head of the Department of Electric Energy Sector Development and Marketing.
2009 to date: LLC Gazprom Energoholding, General Director.
2009 to date: LLC Tsentrenergoholding, General Director.
Share in the issuer's authorised capital, %: 0.000637.
Ordinary shares of the issuer's authorised capital, %: 0.000637.

DAMIR SHAVALEEV
Member of the Board of Directors
Year of Birth: 1975
Education: Higher
Other recent and current positions:
December 2008 to date: JSC Gazprom Neftekhim Salavat, General Director.
September 2008 to date: LLC Salavat Oil and Chemical Complex, General Director.
Share in the issuer's authorised capital, %: 0.00000018.
Ordinary shares of the issuer's authorised capital, %: 0.00000018.

VITALY YAKOVLEV
Member of the Board of Directors
Year of Birth: 1972
Education: Higher
Other recent and current positions:
April 2008 to date: JSC Mosenergo, General Director.
November 2013 to date: JSC Moscow Integrated Power Company (MOEK), General Director.
The above Board Member does not own any charter capital or ordinary shares.

BOARD OF DIRECTORS' COMMITTEES

AUDIT COMMITTEE

The members of the Audit Committee were approved by a resolution of the Board of Directors on 9 July 2013, Minutes of Meeting No. 2 from 15 July 2013.

Chairman of the Committee:
Alexander DUSHKO – Deputy Head of the Finance and Economics Department of JSC Gazprom, Member of the Mosenergo Board of Directors.

Members of the Committee:
Elena MIKHAILOVNA – Executive Board Member, Head of the JSC Gazprom Department of Property Management and Corporate Relations, Member of the Mosenergo Board of Directors.
Andrey RYUMIN – General Director of United Energy Company JSC, Member of the Mosenergo Board of Directors.

Former composition of the Committee: Chairman – A. Dushko; Members: A. Mityushov, E. Mikhailova.

STRATEGY AND INVESTMENT COMMITTEE

The members of the Strategy and Investment Committee were approved by a resolution of the Board of Directors on 9 July 2013, Minutes of Meeting No. 2 from 15 July 15, 2013.

Chairman of the Committee:
Valery GOLUBEV – Deputy Chairman of the JSC Gazprom Executive Board, Member of the Mosenergo Board of Directors.

Deputy Chairman of the Committee:
Denis FEDOROV – Head of the JSC Gazprom Department of the Development of the Electricity and Power Sector and Marketing in the Power Industry, Member of the Mosenergo Board of Directors..

Members of the Committee:
Ilnar Mirsiyapov – Member of the JSC INTER RAO Executive Board and Head of the Block of Strategy and Investment, Member of the Mosenergo Board of Directors;
Vladimir Pogrebenko – Head of the Division of Corporate Relations and Financial Assets of the Moscow Department of Property, Member of the Mosenergo Board of Directors;
Elena Andreeva – Mosenergo Deputy General Director of Sales;
Andrey Berezin – Head of the Moscow Property Department Division of Corporate Relations and Financial Assets;
Andrey Bogatenkov – Deputy Head of the City of Moscow Department of Fuel and Energy;
Yury Dolin – JSC Gazprom Energoholding Deputy General Director of Capital Construction;
Irina Dubova – Chief Economist of the JSC Gazprom Department of Financial Plans for Core Business Subsidiaries;
Anna Efimova – Mosenergo Deputy General Director of Legal Issues, Member of the Mosenergo Executive Board;
Konstantin Kravchenko – Head of the Gazprom Division of Long-term Investment;
Roman Panyushkin – Head of the JSC Gazprom Division of Energy Sector Development and Marketing, and the Department of Gas and Liquid Hydrocarbons Processing and Marketing;
Mikhail Khodursky – Deputy General Director of Finance at Mosenergo;
Pavel Shatsky – First Deputy General Director at JSC Gazprom Energoholding.

Former composition of the Committee: Chairman – V. Golubev; Members: I. Mirsiyapov, V. Pogrebenko, D. Fedorov, E. Andreeva, A. Berezin, Yu. Dolin, I. Dubova, A. Efimova, I. Korobkina, K. Kravchenko, M. Khodursky and P. Shatsky.

HR AND REMUNERATION COMMITTEE

The members of the HR and Remuneration Committee were approved by a resolution of the Board of Directors on 9 July 2013, Minutes of Meeting No. 2 from 15 July 2013.

Chairman of the Committee:
Valery Golubev – Deputy Chairman of the JSC Gazprom Executive Board, Member of the Mosenergo Board of Directors..

Members of the Committee:
Ilnar Mirsiyapov – Member of the JSC INTER RAO Executive Board and Head of the Strategy and Investment Department, Member of the Mosenergo Board of Directors;
Denis Fedorov – Head of the JSC Gazprom Department of the Development of the Electricity and Power Sector and Marketing in the Power Industry, Member of the Mosenergo Board of Directors.

Former composition of the Committee: Chairman – V. Golubev, Members: I. Mirsiyapov, D. Fedorov.

RELIABILITY COMMITTEE

The members of the Reliability Committee were approved by a resolution of the Board of Directors on 9 July 2013, Minutes of Meeting No. 2 from 15 July 2013.

Chairman of the Committee:
Mikhail Fedorov – Director for Production, JSC Gazprom Energoholding.

Members of the Committee:
Petr Biryukov – Deputy Mayor of Moscow in the Government of Moscow in charge of Municipal Service and Facilities, Member of the Mosenergo Board of Directors;
Pavel Livinsky – Head of the City of Moscow Department of Fuel and Energy, Member of the Mosenergo Board of Directors;
Ivan Kosarev – Mosenergo Deputy General Director of Mosenergo;
Alexander Osyka – Mosenergo Deputy Chief Engineer for Upgrading and Maintenance;
Sergey Radchenko – Head of JSC Gazprom Energoholding Department of Technical Inspection and Auditing;
Alexander Rogov – Head of the JSC Gazprom Energy Sector Development Section, the Division of Energy Sector Development and Marketing, and the Department of Gas and Liquid Hydrocarbons Processing and Marketing;
Dmitry Rozhkov – JSC Gazprom Energoholding Deputy Director of Production, Head of the Production and Technology Division;
Mikhail Sorokin – JSC Gazprom Deputy Head of Energy Engineering, the Division of Energy Sector Development and Marketing.

Former composition of the Committee: Chairman – D. Bashuk; Members: P. Biryukov, E. Sklyarov, I. Kosarev, A. Osyka, S. Radchenko, A. Rogov, D. Rozhkov, M. Sorokin.

5.4 EXECUTIVE BOARD

The management of Mosenergo's current operations is carried out by a single executive body, the General Director, and a collegiate executive body, the Executive Board.

The General Director is elected by the Board of Directors. The determining of the number of members on the Board and their election is also the responsibility of the Board of Directors.

According to the Company's Charter, the General Director performs the functions of Chairman of the Company's Executive Board.

The rights and obligations of the General Director and members of the Executive Board pertaining to the management of the Company's current operations are determined by the legislation of the Russian Federation, the Company's Charter, the Provisions for the Company's General Director and the Provisions for the Company's Executive Board.

Members of Executive Board of Mosenergo (as of 31 December 2013):

Vitaly YAKOVLEV (Chairman)
Elena ANDREEVA
Anna EFIMOVA
Dmitry KATIYEV
Ivan KOSAREV
Alexander OSYKA
Mikhail KHODURSKY

The major objectives of Mosenergo's Executive Board are as follows:

- Safeguarding the rights and legitimate interests of the Company's shareholders;
- Developing proposals for the Company's development strategy;
- Implementing the financial and business policies of the Company, making decisions on the most topical issues of the Company's current business operations and coordinating the work of the Company's divisions;
- Improving the efficiency of the systems of internal control and risk monitoring;
- Ensuring the achievement of a high level of return on the Company's assets and maximum return on the Company's operations.

5.4

EXECUTIVE BOARD MEMBERS

VITALY YAKOVLEV
Chairman of the Executive Board
Year of Birth: 1972
Education: Higher
Other recent and current positions:
April 2008 to date: JSC Mosenergo, General Director.
November 2013 to date: OJSC Moscow Integrated Power Company (MOEK), General Director
The above Board Member does not own any charter capital or ordinary shares.

ELENA ANDREEVA
Member of the Executive Board
Year of Birth: 1974
Education: Higher
Other recent and current positions:
2008 to date: JSC Mosenergo, Deputy General Director of Sales.
January 2011 to date: LLC Gazprom Energoholding, Director of Operations in the Energy Market
December 2013 to date: JSC Moscow Integrated Power Company (MOEK), Deputy General Director of Sales.
The above Board Member does not own any charter capital or ordinary shares.

ANNA EFIMOVA
Member of the Executive Board
Year of Birth: 1975
Education: Higher
Other recent and current positions:
2008-2009: JSC Mosenergo, Chief Specialist in the Department of Contracts, Head of the Department of Contracts.
2009-2012: JSC Mosenergo, Management of Legal Work, Deputy Head of Contract Work.
March 2012 to date: JSC Mosenergo, Deputy General Director for Legal Issues.
The above Board Member does not own any charter capital or ordinary shares.

ALEXANDER OSYKA
Member of the Executive Board
Year of Birth: 1953
Education: Higher
Other recent and current positions:
2008-2010: JSC Mosenergo, Deputy Chief Engineer of Upgrading and Maintenance.
May 2010 – February 2012: JSC Mosenergo, Deputy Head Engineer of Upgrading and Maintenance, Head of the Equipment Division.
February 2012 – October 2012: JSC Mosenergo Deputy Chief Engineer, Head of the Engineering Division
October 2012 to date: JSC Mosenergo, Chief Engineer
The above Board Member does not own any charter capital or ordinary shares.

5.4

DMITRY KATIYEV
Member of the Executive Board
Year of Birth: 1976
Education: Higher
Other recent and current positions:
2008-2009: JSC Wholesale Generating Company-3, Financial Director
June 2009 – November 2009: JSC Mosenergo, Head of the Project Office
November 2009 – April 2010: JSC Mosenergo, Head of the Programme Office
April 2010 to date: JSC Mosenergo, Deputy General Director for Efficiency and Control.
The above Board Member does not own any charter capital or ordinary shares.

IVAN KOSAREV
Member of the Executive Board
Year of Birth: 1974
Education: Higher
Other recent and current positions:
2007-2010: McKinsey & Company, Inc. Russia, Consultant.
2010-2012: McKinsey & Company, Inc. Russia, Project Manager.
January 2012 – April 2012: JSC Mosenergo, Deputy General Director of Project Management
April 2012 to date: JSC Mosenergo, Deputy General Director of Production
The above Board Member does not own any charter capital or ordinary shares.

MIKHAIL KHODURSKY
Member of the Executive Board
Year of Birth: 1971
Education: Higher
Other recent and current positions:
2008-2010: JSC Gazenergoprombank, Advisor on Regional Issues to the Chairman of the Board, Deputy Chairman of the Board, Chairman of the Board
2010 to date: LLC Gazprom Energoholding, Deputy General Director of Economics and Finances.
2010 to date: JSC Mosenergo, Deputy General Director of Finances.
December 2013 to date: JSC Moscow Integrated Power Company (MOEK), Deputy General Director of Economics and Finances.
The above Board Member does not own any charter capital or ordinary shares.

5.5 AUDITING COMMISSION

In order to exercise control over the Company's financial and business activities, the General Shareholder Meeting elects five members of the Auditing Commission.

The Company's Auditing Commission operates according to the legislation of the Russian Federation, the Company's Charter and the Regulations of the Company's Auditing Commission.

The Auditing Commission performed a documentary inspection (audit) of the Company's financial and business activities in 2013. Based on the findings of this audit, the Auditing Commission confirmed the reliability of data and information contained in the Company's reports and other financial documents for 2013.

Auditing Commission Members:
Dmitry Arkhipov – First Deputy to the Head of Executive Board Administration, Head of the Internal Auditing Department of the Executive Board Administration of JSC Gazprom;
Andrey Belobrov – Deputy Head of Department, Head of the Organisational Division of the Internal Audit Department of the Executive Board Administration of JSC Gazprom;
Evgeny Zemlyanoy – Head of Department for Marketing in the Electric Power Industry, Division for Energy Sector Development and Marketing, Department of Marketing and Processing of Gas and Other Liquid Carbohydrates of JSC Gazprom;
Vitaly Kovalev – Deputy Head of Division, Head of the Organisational Management Section, Internal Audit Department of Executive Board Administration of JSC Gazprom;
Yury Linovitsky – Head of the Internal Auditing Department of Gazprom Energy Holding LLC - Internal Audit Project of Gazprom Personnel LLC.

5.6 REMUNERATION

According to the Company's Charter and the decision of the General Shareholder Meeting, members of the Company's Board of Directors are entitled to remuneration and/or compensation of expenses incurred while performing their functions as members of the Company's Board of Directors.

The amount, type and procedure for payment of remuneration and compensation to the members of Mosenergo's Board of Directors are defined by the Regulations on Determination of the Amount of Remuneration and Compensation to Members of the Board of Directors of Mosenergo, approved by the General Shareholder Meeting on 30 June 2009. According to these Regulations, the remuneration for members of the Board of Directors consists of basic and additional elements.

The basic remuneration element constitutes the remuneration paid to members of the Company's Board of Directors for their participation in the meetings of the Board of Directors. The amount of the remuneration paid is equivalent to four minimal monthly rates of a first grade worker, set by the industry-wide tariff agreement of the power sector of the Russian Federation.

The additional remuneration element is paid to members of the Company's Board of Directors according to the results of the financial year, in the event of the Company generating a net profit. The total amount of the additional remuneration element based on the Company's performance shall not exceed five per cent of the Company's net profit earned during the fiscal year when the current members of the Board of Directors were elected into office.

The additional remuneration element based on the Company's performance is not paid to members of the Board of Directors who attended fewer than half of all meetings of the Board of Directors (from the date of their election until the termination of their authority).

The payment of remuneration and compensation to members of the Auditing Commission is carried out according to the Regulations on Payment of Remuneration and Compensation to Members of the Auditing Commission of Mosenergo, approved at the General Shareholder Meeting on 19 June 2012.

Members of the Auditing Commission receive a one-off payment for their participation in the audit of the Company's financial and business activities. The amount paid equals twenty-five minimum monthly wages of a first grade worker; the amount of minimum monthly wages is established by an industry-wide tariff agreement of the power sector of the Russian Federation (hereinafter, the Agreement) for the period of inspection (audit), taking into account the indexation stipulated by the Agreement.

Members of the Auditing Commission are reimbursed for their traveling expenses when they participate in Auditing Commission meetings related to inspections, according to the Company's regulations on business travel expenses reimbursement in force at the time of such meetings or such inspections.

The amount of remuneration of the Company's General Director is determined according to the System of Incentives for the General Director of Mosenergo (approved by resolution of the Company's Board of Directors on 24 December 2010). This System includes official salary and quarterly bonuses based on KPIs.

REMUNERATION PAID TO KEY MANAGEMENT PERSONNEL,
RUR thousand

	2013	2012	2011
Short-term remuneration (salary, bonuses and surplus dividends)	135,548	95,732	146,270
Total	**135,548**	**95,732**	**146,270**

The Company's key management includes Members of the Board of Directors and the Executive Board.

The data displayed in the above table excludes the accrual of non-appropriated funds.

As of 31 December 2013, 31 December 2012 and 31 December 2011, none of the key management is owed any payments.

RISK MANAGEMENT

Mosenergo's risk management aims to prevent risks in its production and financial activities as well as minimising the possible negative outcomes of such risks.

The Company has adopted the Regulations on Risk Management at Mosenergo. These Regulations contain a Risk Map, which includes major types of risks that have an impact on Mosenergo's activities as well as a risk management programme.

Risk management is carried out within the Company by functional divisions according to the type of activities.

RISKS DUE TO REGULATION OF TARIFFS

These risks relate to an unreasonable state regulation of tariffs, related to the possibility of an artificial containment or directive to lower tariffs, or an approval of tariffs that are insufficient in relation to the Company's costs.

The Company's experts cooperate on an ongoing basis with the FTS of Russia, the Regional Energy Complex of Moscow and the Fuel and Energy Committee of the Moscow Oblast. The purpose of this cooperation is to ensure the approval of a reasonable level of tariffs.

In addition, in order to mitigate this particular risk, the Company implements projects, such as the Lean Production Project, to help lower its operational costs.

MARKET RISKS

Significant risks connected to operations on the wholesale electricity market include:

- Unstable market prices and seasonal fluctuations in demand for electricity and heat;
- A controlling influence of the SO UES JSC upon the operating schedules of Mosenergo, which could lead to the transfer of equipment to cold reserve or the creation of surplus capacity;
- The risk of the introduction of a special procedure to calculate electricity prices on the wholesale market, including the transition to state regulation of prices. In order to prevent significant increases in electricity prices for the end consumer, relevant infrastructure organisations monitor prices on the wholesale market continuously. If the acceptable price growth rate is exceeded, the wholesale market can be transferred to a special pricing procedure, including the enforcement of governmental price regulation, which might result in a considerable downturn in the Company's revenue and losses from sales of electricity and capacity.

In order to reduce these risks, Mosenergo is involved in the development of the regulatory base for the wholesale electricity market, monitors the current situation at a regional level and at the UES level, and analyses the actions of SO UES.

Risks connected to the heating market

- The main risks in this area relate to the seasonal fluctuations in demand for heat and the correlation between demand and climatic conditions;

In order to mitigate these risks, Mosenergo is taking the following actions:

- Expanding the corporate department for heat sales and heat business development in order to increase competitive advantage;
- Interacting actively with municipal units in nearby Podmoskovye to recruit new heat consumers

Inflation risk may lead to increases in Mosenergo's costs and decreases in profits. Inflation growth might also result in losses in real terms of the Company's accounts receivable in the event of significant deferred or delayed payments.

The effects of inflation on the Company's financial stability are taken into consideration during the development of the Company's financial plans. In order to mitigate inflation risks, Mosenergo signs long-term fixed annual price contracts for the supply and transportation of gas to its power plants.

Risks of losses due to unforeseen fluctuations in fuel prices

The price of purchased fuel may undergo significant fluctuations. It is not unlikely that the cost of fuel forecast in the business plan could be exceeded, calling for an allocation of additional funds for fuel supply.

In order to minimise such risks, the Company's power plants create reserve supplies of fuel (coal and fuel oil) to cover urgent demand and to eliminate the need for one-off purchases of large quantities of fuel. The Company also works together with Gazprom JSC to sign mutually beneficial contracts.

Risks of losses from unforeseen fluctuations in currency and interest rates

The power industry operates in a capital-intensive economy and the Company's operations require substantial investments. In the second and third quarters of 2009 the Company opened credit lines at several banks: Calyon (renamed the Credit Agricole Corporate and Investment Bank Deutschland on 2 June 2010), Nord LB for a sum of up to Euro 415 million for a period of 16.5 years and BNP Paribas for a sum of up to Euro 186 million for a period of 13.5 years. The interest rates of the aforementioned loan agreements are pegged to the floating EURIBOR rate. Because of this, the Company is subject to the risks of negative changes in interest rates on interest-bearing securities as well as the risk of cash flow changes due to fluctuations in foreign currency exchange rates. However, the Company's financial status, its liquidity, sources of financing and results are not currently significantly dependent on exchange rate shifts.

Mosenergo responds to these risks by:

- Planning its budget carefully in order to minimise demand for loans.
- Assessing and monitoring risks associated with currency exchange and interest rates.
- Working to insure against interest-related risks in order to mitigate potential losses due to rises in interest rates.

Liquidity risk

Liquidity risk is managed via the careful planning of finance streams, taking into account the schedules of cash inflow and the Company's necessary payments.

Credit risk

When working with clients, Mosenergo adopts a tailored approach that takes into account the specifics of each client's financial and business activities.

For the purpose of credit risk monitoring, business partners are grouped according to their credit profiles, industry affiliation, and loan structure by date and contractual terms of the loan repayment.

In order to manage credit risks, the Company is setting up a valuation reserve for the depreciation of receivables, files claims and lawsuits and uses banking guarantees for the repayment of advances.

Tax risks

Management believes that the Company fully abides by the taxation laws, which regulate its activities. However, potential risks may arise owing to differences of opinion with supervision authorities in areas that are open to interpretation.

The taxation law of the Russian Federation is subject to frequent changes and sometimes contains ambiguities and uncertainties. As a result, several tax risks arise, including:

- Amendments to legislation on taxes and duties in connection with tax increases;
- The introduction of new taxes;
- Incorrect calculations or payments of taxes due to differences in interpretation of ambiguous laws and regulations.

In order to minimise tax risks, the Company continuously monitors changes to tax legislation and legal and administrative practices in order to ensure consistent approaches to tax calculation within the current interpretation of law. It also evaluates planned transactions from the point of view of tax risk mitigation, and carries out training and qualification upgrade courses for staff responsible for the calculation and payment of taxes.

Risks of loss of assets due to damage of property

These risks include the risks of the Company's facilities being rendered inoperable or property being damaged as a result of terrorist activity, misappropriations and theft, or natural disasters in the region.

In order to mitigate these risks, the Company organises regular inspections of anti-terrorist protection of staff and production facilities, implements protection against various possible after-effects of accidents, natural disasters, and catastrophes, conducts emergency response and fire safety drills for its personnel and insures its property.

RISKS OF CIVIL LIABILITY

This type of risk includes the risk of liability for polluting the environment in the region, damaging property owned by third parties, liability for the quality of goods supplied to the domestic market and to the wholesale electricity market, as well as risks of management's liability for damage caused to life and health of Company employees.

In order to mitigate these risks the Company strives to:

- Decrease emissions of pollutants into the environment;
- Continuously maintain equipment availability and capacity reserves;
- Develop an automated system for the commercial accounting of power;
- Conduct regular certification of work places, verify the availability of the means of individual and collective protection at workplaces and to worker crews;
- Undertake integrated measures to guarantee industrial safety at the Company's hazardous production facilities;
- Insure civil liability for harm inflicted to health, life or property to third parties.

CORPORATE GOVERNANCE RISKS

Current risks related to the Company's corporate governance are as follows:

- The risk of the decisions made by the General Shareholder Meeting and/or the Board of Directors being appealed against in court;
- The risk of the Company's executive and management bodies failing to approve Company transactions as provided for by current legislation and, consequentially, of such transactions being declared invalid following lawsuits of interested parties;
- Risks related to the Company's information disclosure procedures, according to legislative requirements of the Russian Federation.

In order to minimise these risks, the Company ensures there is a strict delineation of responsibilities of the Company's managing bodies (in compliance with the Company's Charter), that proper work of the Committees of the Board of Directors is carried out, that the management of the Company's organisation is improved and amendments to documents regulating corporate governance are introduced. The Company's structural subdivisions continuously monitor compliance with legal requirements and constituent documents in all of Mosenergo's business processes and with the decisions made by the Company's executive bodies.

TECHNICAL AND PRODUCTION RISKS

The Company mitigates technical and production risks by creating reserves of fuel, spare parts and materials, as well as by implementing activities aimed to increase the reliability of the grid system.

The Company's power plants may face a risk of equipment failure due to human error both in normal and emergency operation.

Advanced staff training is provided at the Company's educational centres and directly at its TPPs.

Risks related to bringing new equipment into operation are mitigated by purchasing equipment which is made according to technical specifications from suppliers with a solid reputation in the market for such equipment and who guarantee the testing of established parameters during operational trial periods.

Mitigation of the risks related to the shortage of qualified personnel required to operate the equipment is achieved by retaining the employees of the Company's subsidiaries through career planning, monetary incentives and social guarantees.

Mosenergo analyses possible risk scenarios while implementing its production programme. The key organisational instrument for risk mitigation and compensation of damages is insurance. The Company insures property, hazardous production facilities, transport vehicles, civil liabilities, risks of occupational injuries and diseases, and also provides general medical insurance to its employees.

ORGANISATIONAL RISKS

Organisational risks include the risk of losses resulting from inadequate management procedures in the Company and the incorrect selection of market strategy.

In order to minimise these risks the Company facilitates the improvement of its management structure. This involves implementing the Lean Production Project and activities related to the assessment, analysis and improvement of business processes.

In order to improve the quality of the Company's strategic decisions, the Company provides training to management and specialists and offers the opportunity to upgrade qualifications in relevant institutions.

INVESTMENT RISKS

While implementing its investment programme, Mosenergo is exposed to investment risks, i.e. risks associated with the deterioration of key project parameters due to changes in external factors.

The Company optimises its investment management for new construction projects by introducing project management systems based on the latest methods and investment control practices.

LEGAL RISKS

These risks include: risks of losses caused by not keeping up to date with existing legislation or with legislative amendments introduced during a transaction; and the risk of improperly produced documentation.

Legal risks are controlled through the ongoing formalisation of document production procedures. The minimisation of legal risks is underpinned by the use of standard forms of documents and the continuous monitoring of changes in relevant legislation.

Documents supporting Company business processes are subject to verification by the legal department, which facilitates the minimisation of legal risks and risks associated with improperly produced documentation.

HR AND CORPORATE SOCIAL RESPONSIBILITY

7.1 STAFF: NUMBERS AND STRUCTURE

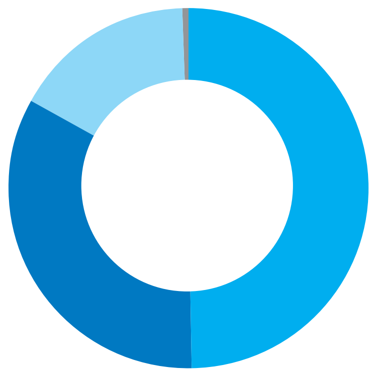
AS OF DECEMBER 31 2013, THE NUMBER OF PEOPLE ON MOSENERGO'S PAYROLL WAS 7,479 (COMPARED TO 7,485 AS OF 31 DECEMBER 2012).

STAFF TURNOVER

In 2013, staff turnover remained almost unchanged against the figure for 2012, at 5.2%. During this period, 612 employees left:

- 393 of their own volition;
- 76 following mutual party agreement;
- 110 due to staff reduction measures or reducing the number of Company employees;
- 33 due to other reasons.

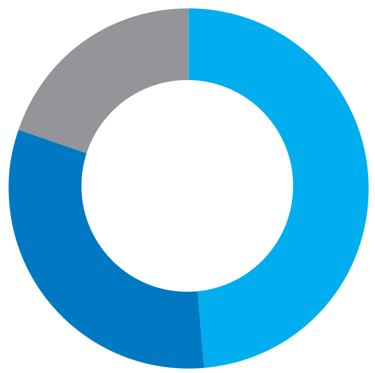
JSC MOSENERGO EMPLOYEE BREAKDOWN[1]



EMPLOYEE LENGTH OF SERVICE IN JSC MOSENERGO [1]

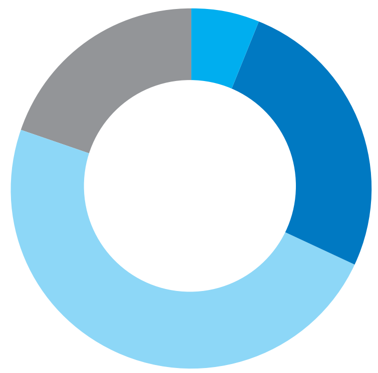
Of the 7,479 Mosenergo employees, 2,113 are women (28.25%).

EDUCATIONAL LEVEL OF JSC MOSENERGO STAFF[1]



48.7% of Company staff have higher education qualifications and 31.6 % have primary and secondary vocational education qualifications.

JSC MOSENERGO EMPLOYEE PROFILE BY AGE[1]



The average staff age in 2012 and 2013 was 43 years.

[1] as of 31.12.2013.

7.2 STAFF MOTIVATION INITIATIVES AND SOCIAL PROGRAMMES

Mosenergo pays considerable attention to effective staff motivation and the encouragement of staff members to achieve their various objectives.

In 2013, work continued on improving policies and procedures for staff remuneration and social programmes. Staff remuneration and salaries are now based on a grading system.

The Company's incentive scheme applies to all employees and is based on staff fulfilling objectives as measured by the Company's Key Performance Indicators (KPIs).

Social policy: this is Mosenergo's responsibility to its staff as a reliable employer.

The following allowances and benefits are potentially available under the Company's social policy:

- Voluntary staff medical insurance;
- Accident insurance;
- Organised leisure and holiday activity schemes for children of Company employees;
- Private pension provision;
- Mosenergo "Olympics";
- Work and activities with veterans and workers of the home front of the Great Patriotic War (former Mosenergo employees).

Voluntary staff medical insurance

After completing their probationary period, every employee is entitled to benefit from the medical services provided under the Company's voluntary medical insurance programme. Medical assistance at a wide selection of medical institutions is potentially available under the voluntary medical insurance scheme.
7,210 members of staff were insured as of December 2013.

Accident insurance

All Company employees are insured against accidents whilst at work. Payments made under the accident insurance contract are intended to provide support and adjustment after an accident. By the end of 2013, 7,365 employees were insured.

The cost of the voluntary medical and accident insurance remained unchanged compared to 2012, at RUR 98 million for voluntary medical insurance and RUR 8.75 million for accident insurance.

Organised leisure and holiday activity scheme for the children of Company employees

Mosenergo provides the opportunity for staff members' children to spend summer holidays at children's camps based in the South of Russia and in the Moscow Oblast. In 2013, 194 children aged from 7 to 15 enjoyed a holiday funded by Mosenergo.

Private pension provision

The Company operates a private pension programme for its employees; the scheme was developed with the Gazfond non-state pension fund. 75 employees are currently participating in the scheme.

Mosenergo "Olympics"

In 2013, over 700 Company staff took part in the Mosenergo "Olympics". Competitions were organised for the following sports: skiing, weight lifting, volleyball, street ball, swimming, cross-country running, football, indoor football, table tennis and shooting.

Work and activities with veterans and workers of the home front of the Great Patriotic War (former Mosenergo employees)

As part of the Company's social policy, every year the Company provides charity aid to the veterans and workers of the home front of the Great Patriotic War. As of 31 December 2013, aid amounting to RUR 4,480,000 had been provided to 112 veterans of the Great Patriotic War and RUR 14,300,000 to 572 members of the home labour front during the war years.

7.3 STAFF TRAINING AND DEVELOPMENT

Mosenergo focuses heavily on the development of its staff, in accordance with its business objectives and the mandatory legislative requirements of the Russian Federation.

In 2013, the planning and budgeting for Mosenergo's staff training and development was transferred to an automated information and control PGK operating system. A uniform method and approach has now been introduced for the planning of costs related to staff training and development.

2,822 operational staff, 2,854 managers and 1,780 specialist staff benefitted from training and staff development on a day-release basis.

The Mosenergo Central Appraisal Board was set up to improve the appraisal system (knowledge tests) for managers and industrial safety expert staff; as of 31 December 2013, 2,700 people had been appraised.

As part of the implementation of the targeted adaptation schemes for young expert professionals and operational staff, the following training took place for entry-level staff:

- 49 were trained as auxiliary boiler equipment operators;
- 45 were trained as auxiliary turbine equipment operators;
- 13 were trained as maintenance electricians for the power plants.

In 2013, the Education and Training Centre was awarded a licence to conduct education and training activities. Mosenergo devised and implemented 31 targeted training programmes that focused on key areas of the Company's operations in the Education and Training Centre.

78 Mosenergo operational employees received training.

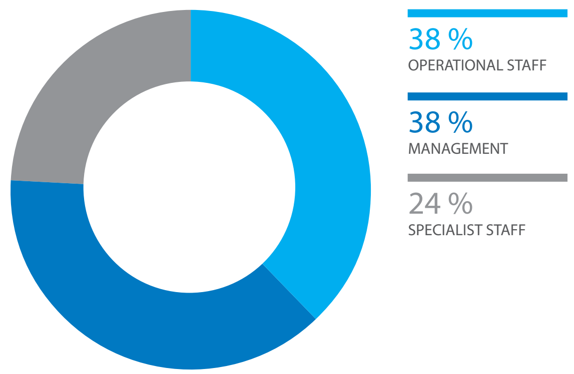
Company staff participated in the following events to enhance the level of training for TPP operational personnel, in order to strengthen their ability to prevent accidents and to ensure the reliability of the power grid and power plants:

- In May 2013, two teams from Mosenergo (TPP-8 team and TPP-21 team) participated in competitions for operating personnel from TPPs in St. Petersburg, organised by JSC Gazprom Energoholding. TPP-21 team took first place and TPP-8 team came second;
- In September 2013, the TPP-21 team participated in the All-Russian Competition for TPP Operating Staff in Essentuki. The team came second.

Professional retraining was organised at the Federal State Budgetary Institution of Higher Vocational Education, the MPEI National Research University, specifically for managers and specialist staff who did not have a background in higher energy-related education. In 2012-2013, 76 employees were retrained as part of the "Thermal Power Plants" and "Power Plants" scheme.

In the Company, considerable attention has been directed towards the study and implementation of

2013 STAFF TRAINING



best operational practice in power plants based outside Russia that are similar in terms of equipment and performance. The Company organises overseas internships for its employees for this purpose.

Following the commissioning of the new SGU and GTU units, Mosenergo is conducting a comprehensive training programme for employees who are to work on the new equipment.

One of Mosenergo's key values is caring for the life and health of its staff. As a result, the Company has introduced the "Development of a safe behaviour culture" project for Mosenergo staff. Staff from branch facilities receive training in key targeted areas: 50 managers completed the training course "A Conscious Attitude to Safety"; 350 employees completed the training course "Behavioural Safety Audits", and 250 received training at the Corporate Safety School, where they completed the course "Safety in the Workplace".

Innovative development is one of the Company's key strategic long-term objectives. Young expert professionals and development engineers employed by Mosenergo have won various competitions with their innovative designs, which have now been adopted and recommended for implementation in various energy companies within JSC Gazprom Energoholding. Of 23 designs and ideas, six have already been commissioned and eight are scheduled for submission to the Innovation and Design Committee.

Mosenergo also operates an accelerated development programme, which is intended for TPP staff. The programme's objective is to fill operational shift and service vacancies. The scheme is unique in that it accelerates career progression, moving employees one to two positions up the career ladder in just three years. 199 employees are currently on this scheme and in 2013, 23 of the participants reached their target position and 60 reached their first target position and are currently receiving training for their second.

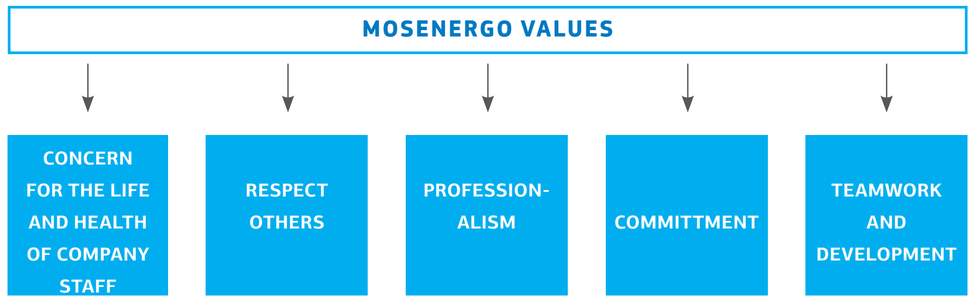
A development programme for Mosenergo management is also underway to train and prepare managers for higher management positions in the Company. Participation in the scheme increases employee opportunities for rapid professional development and career progression. Under the scheme, 21 employees have received training and nine were promoted to higher positions in 2013.

Mosenergo also operates an effective staff appraisal system, using modern technology. The system is used in to select external and internal candidates, determine the need for staff training, create development plans and identify the most promising employees, assess staff performance and set up a reserve pool of staff.

In 2013, the staff competency appraisal was automated using SAP HCM, enabling complete and full appraisals to be carried as quickly as possible. 1,001 staff in total have been assessed (from line managers to senior executives).

7.4 CORPORATE CULTURE

The main achievement in the development and shaping of Mosenergo's corporate culture has been the devising and approval of new Company values.



One of Mosenergo's most important HR achievements in this reporting period, was the development of the Company's internal channels of communication. A cascade and feedback system has been set up to broadcast important Company decisions that have been made, as well as tasks and objectives. Staff can learn about the most important events at Mosenergo by reading the corporate newspaper "Mosenergo News", using the improved intranet-portal information system and other communication channels. A 24-hour staff hotline is in operation to provide staff with feedback.

In addition, plant managers have received staff communications training to ensure effective staff engagement and communication at all levels.

It has also now become traditional for Mosenergo to organise sporting and creative events and competitions for Company staff and their children.

7.5 LABOUR PROTECTION

The total expenditure on various measures to improve working conditions and health and safety and to prevent occupational illness (across the Company) amounted to RUR 490,648,000 in 2013, representing 0.36% of the total production costs.

HEALTH AND SAFETY EXPENDITURE 2013, RUR thousa nd

Serial No.	Cost description	2012, RUR thousand	2013, RUR thousand
1.	Industrial safety		
1.1.	Work on licensing and industrial safety	167,013	54,031
1.2.	Hazardous facility (OPO) insurance	14,755	19,583
2.	Insurance		
2.1.	Voluntary medical insurance, insurance premium	100,057	102,229
2.2.	Insurance against accidents at work, insurance premium	8,838	8,932
3.	Workplace certification	1,231	419
4.	Healthy meals, milk	2,975	6,367
5.	Operation of the medical centre, medicines, first-aid kits	43,645	43,734
6.	Medical examinations	10,642	11,106
7.	Overalls, protective equipment, electrical safety devices, etc.	45,783	62,340
8.	Plant supervision	1,960	1,570
9.	Laundry (dry cleaning), repair of special clothing	246	351
10.	Development of PPE standards	1,250	1,250
11.	Cleaning of premises and production area	177,817	178,737
	TOTAL:	**576,212**	**490,649**

AVAILABILITY OF HEALTH AND INDUSTRIAL SAFETY SERVICES AND EXPERT STAFF IN THE ADMINISTRATION OFFICES AND AT AFFILIATED COMPANY POWER PLANTS

Major structural changes have been introduced by the Company's management to enhance measures in the area of staff occupational health and safety and to reduce health and safety risks: the health and safety department and the production auditing department have been combined into a single unit – the occupational health and safety and production auditing department (28 staff). One of the 15 occupational health and safety managers oversees each power plant (branch facility). In addition, seven independent inspectors have now been brought in to detect any potential occupational health and safety breaches at any of the facilities that have been earmarked for major construction and building work, as well as to identify any employee demonstrating any signs of alcohol intoxication, under civil law-type contracts. This has considerably improved the responsibility of branch facility managers and contractors in their performance of various work-based objectives and to comply with occupational health and safety requirements.

STATUS OF COMPULSORY PRELIMINARY, PERIODIC AND EXTRAORDINARY MEDICAL CHECKS (EXAMINATIONS)

Compulsory preliminary, periodic and extraordinary medical checks (examinations) in the Company are carried out in accordance with Article 213 of the Labour Code of the Russian Federation, and the Order of the Russian Ministry of Health Care and Social Development No. 302n dated 12 April 2011 "On the approval of lists of adverse and(or) hazardous production factors and works for which preliminary, periodic and extraordinary medical checks (examinations) are mandatory, and the Procedure for the conduct of preliminary, periodic and extraordinary medical checks (examination) of employees engaged in hard labour and work under adverse and(or) hazardous conditions".

Mandatory preliminary health checks are performed when new employees join the Company. Periodic medical checks are carried out, based on a named list of employees who are subject to periodic checks. These named lists are submitted to the territorial authorities of the Federal Service for Consumer Rights and Human Welfare Protection (Rospotrebnadzor). Should employees complain about deteriorating health and request a medical check, these employees are sent for an extraordinary medical check. The Company has signed a medical checks contract with "Gazprommedservis", which issues a medical report on the state of the employee's health, restrictions and recommendations against performing certain jobs. These medical reports are taken into account when signing labour agreements, and when assigning or refusing work.

Psychophysiological testing at all the Company's branch facilities has been conducted to assess staff's operational readiness (reaction speed, ability to concentrate and remain focused, the ability to make operational decisions and the ability to carry out precise instructions in stressful situations); approximately 500 (192) members of staff participated.

WORKPLACE ASSESSMENT

In accordance with the Order of the Russian Ministry of Health Care and Social Development No. 342n, dated 26 April 2011, "On the approval of employment conditions certification procedure in the workplace", all Mosenergo workplaces were subject to an assessment of employment conditions. In 2013, workplace assessments were carried out at 356 work places.

As a result of this assessment, action plans were developed, aimed to improve employment conditions, and the following measures were stipulated:

- Noise protection – purchase of ear defenders and ear plugs, and their use in areas with high noise levels;
- Improved artificial lighting – replacement of lamps in work places with poor lighting levels;

- Purchase of masks to ensure respiratory protection against harmful substances;
- Improved microclimate – repairing and maintaining ventilation in good order, repair and overhaul of air conditioning system equipment, repair of heat insulation equipment, maintenance of a water intake schedule and keeping aeration facilities in good order;
- Upgrade of electric socket network to reduce electromagnetic irradiation;
- Improvement of working conditions – repair of sanitary facilities and amenities, equipping relaxation rooms;
- Providing hand cream is to protect skin from hazardous substances.

In addition, summary spreadsheets were drawn up, measurement protocols were issued and workplace certificates were developed with recommendations on mitigating the impact of occupational hazards.

PROVISION OF PERSONAL PROTECTIVE EQUIPMENT, PROTECTIVE CLOTHING AND FOOTWEAR, THERAPEUTIC AND PREVENTIVE NUTRITION, MILK OR OTHER EQUIVALENT PRODUCTS

Mosenergo staff are provided with personal protective equipment, protective clothing and footwear, in compliance with the “Standard norms of provision of protective clothing, protective footwear and other personal protective equipment (PPE) according to inter-department rules for the provision of protective clothing, protective footwear and other personal protective equipment (Order of the Russian Ministry of Health Care and Social Development No. 290n dated 1 June 2009)” and the Appendix to the Mosenergo Collective Agreement. Employees working in adverse and(or) hazardous conditions, as well as those working in hot workplace conditions or in work associated with pollution, receive the PPE free of charge. All PPE has a certificate of conformity, and is purchased from leading Russian PPE manufacturers. A centralised laundry, dry cleaning and repair service for personal protective clothing is in place, under a services agreement with Servisno-Tekstilnaya Company LLC.

The provision of Company staff with detergents and decontaminants is carried out in accordance with Russian Federation Ministry for Health and Social Development Order №1122n, dated 17 December 2010 “On the approval of standard regulations for the free issue to staff of detergents and decontaminants, the occupational health and safety standard ”Providing staff with detergents and decontaminants” and the Appendix to the Mosenergo Collective Agreement. The selection and issue of detergents and decontaminants is provided free of charge in accordance with the workplace employment conditions certification scheme.

Company employees are provided with healthy meals, milk or other equivalent products, in accordance with Article 222 of the Russian Federation Labour Code, and Russian Federation Ministry for Health and Social Development Order N 45n, dated 16 February 2009 “On the approval of terms and conditions for the free issue to staff working in hazardous conditions, of milk or other equivalent food items, or compensatory payments that are equal to the equivalent of the cost of milk or other food items of equal value, and a list of harmful workplace factors where the use of milk or other equivalent food items is recommended as a preventative measure”.

Company staff receive free milk, or other food items of equivalent value, on days when the staff member is physically working in harmful conditions, due to the presence in the workplace of harmful conditions, as set out in the list of harmful workplace conditions and where milk or other food items of equivalent value are prescribed as a preventative measure (hereafter referred to as the List) and when the level of harmful conditions exceeds the standards established following the results of the workplace assessment. The supply and delivery of milk to Company branch facilities is centralised under a services agreement with APK Shatursky LLC.

SANITARY AND HEALTHCARE SERVICES FOR EMPLOYEES. AVAILABILITY AND EQUIPPING OF SANITARY FACILITIES, REST-ROOMS, PROVISION OF MEDICAL AID, AND STAFF RECREATION AND RELAXATION

In accordance with Article 223 of the Labour Code of the Russian Federation, each branch facility has fully equipped sanitary rooms (cloakrooms, changing rooms, shower cubicles, wash-rooms, lavatories, rooms for the storage and handout of protective clothing), rest-rooms, medical aid facilities, and staff recreation and relaxation rooms. All these facilities are cleaned and aired. Relevant occupancy space requirements are observed. The workplace facilities are fully equipped with first-aid kits, water coolers and in hot workplace environments, carbonated soda water dispensing units have been installed. Staff are provided with washing agents and detergents.

WORKPLACE BRIEFINGS (INTRODUCTORY, INITIAL, SECONDARY AND UNSCHEDULED)

The Company organises workplace briefings (introductory, initial, secondary and unscheduled) in accordance with the requirements of Russian Federation LC Article 225 and Russian Federation Ministry of Labour and Social Protection and Russian Federation Ministry of Education and Science Order № 1/29, dated 13 January 2003 “On the approval of occupational health and safety training procedure and the assessment of health and safety knowledge requirements for Company employees”, GOST 12.0.004-90, “H&S Standard. Organising occupational health and safety training. General provisions” and Russian Federation Ministry of Fuel and Energy Order №49, dated 19 February 2000 “Guidelines for work with personnel in Russian Federation electricity facilities”. Instructions and briefing programmes have been compiled and approved and standard logbooks are kept for each briefing.

Introductory health and safety briefings at Mosenergo are run for all new entry-level staff regardless of their skills and qualifications, experience in the industry or job title, for temporary and seconded staff, students, trainees and visitors.

Initial workplace briefings at Mosenergo are conducted for:

- All new entry-level staff, regardless of their skills and qualifications, industry experience or job title;
- Staff members about to start a new work task or discipline, seconded staff, temporary and contracted staff working in designated areas;
- Construction workers carrying out construction, assembly and installation work within an operational area of the Company;
- Students from educational institutions at the relevant level who have come to the Company to gain work experience and other individuals involved in the Company's production activity.

Secondary or repeat briefings are conducted for all staff members at least once every six months regardless of their skills and qualifications, experience and type of work they have been assigned, with the exception of those who are not involved with the maintenance, testing, setting up and repair of equipment, the use of tools and machinery, or the storage and use of raw materials and substances.

These briefings are conducted on an individual or group basis for those staff members who operate or work on the same equipment, within the workplace area.

Unscheduled briefings are conducted on an individual or group basis for staff members with the same job description. The scope and content of the briefing is determined in each specific case, depending on the reasons and circumstances behind the briefing session including, as follows:

- Changes in production procedure, upgrading or replacement of equipment, tools and apparatus, changes in raw material sources and substances;
- A violation of operating instructions, guidelines and standards, or the use of incorrect techniques and working methods, which may result in accident or injury;
- The introduction of new health and safety guidelines and recommendations, H&S standards, newsletters and accident reports and orders on health and safety matters;
- As required by the state supervisory authorities or the Company's (branch facility) administration or management;
- In the event of a work interruption of 30 days or longer for tasks with additional (stricter) occupational safety requirements; and for other tasks in the event of a work interruption of 60 day or longer.

INVESTIGATION PROCEDURE FOR WORKPLACE ACCIDENTS (PROCEDURE AND TIMEFRAME)

Investigation of workplace accidents at Mosenergo is conducted in accordance with the stipulations of Articles 227–231 of the Russian Federation Labour Code and Decree issued by the Russian Ministry of Labour No. 73 dated 24 October 2002 "On approval of document forms required for the investigation and record of industrial accidents, and approval of Regulations on specific features of industrial accident investigation in individual industries and organisations".

INDUSTRIAL ACCIDENT ANALYSIS, number

Description	2013
Number of fatal accidents or group accidents, if there is a seriously injured person	0
Number of workplace accidents	3
N_{HA} = (number of accidents × 1,000,000 hours) **:** average number of staff **:** Hours of work as per time sheet	0.2

OCCUPATIONAL HEALTH AND SAFETY SUPERVISION

In 2013, 64 health and safety audits were conducted at branch facilities including: 60 audits at branch facilities and four audits in departments of the General Directorate.

During the audit, 2,828 violations were identified, the majority of which have now been corrected.

Measures implemented to oversee compliance with health and safety requirements amongst contractors working at Mosenergo facilities discovered 1,349 violations of health and safety standards by contractors; according to the Legal Department, claims submitted for violations amounted to over RUR 5 million.

The development and implementation of the Appendix to the Mosenergo Collective Agreement, relating to the new health and safety standards and standard guidelines for the issue of personal protection equipment, detergents and decontaminants, is now a base requirement. A "Health and Safety Day" and a "Safety Hour" are held regularly; managers and General Directorate specialist staff were involved in the work of the TPP committees.

The Company has also implemented a "Risk Management" project, intended to develop a system to identify, assess and eliminate any risks relating to occupational health and safety and fire safety. As part of this project, over 29,000 risks were identified and classified at branch facilities and approximately 90% were corrected. Following the completion of this project, work to identify and correct risk is continuing on a permanent basis.

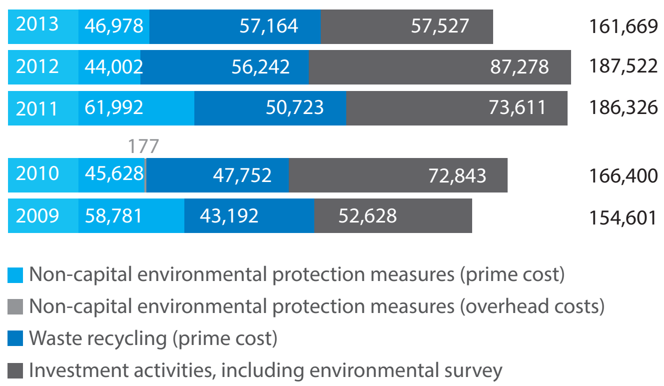
The Company also initiated the project "Development of a safe behavioural culture", with the support of Dupont, a leading world consultant in occupational health and safety, to ensure that the Company attained a zero injury level. The project trained line management and personnel under the programme "A conscious attitude to safety" and implemented the practice of behavioural safety audits, aimed at preventing occupational health and safety violations amongst Company staff and contractors.

7.6 ENVIRONMENTAL PROTECTION

Mosenergo maintains active and productive cooperation with Russian organisations, and scientific and academic institutions with a successful track record in environmental protection and ecological safety.

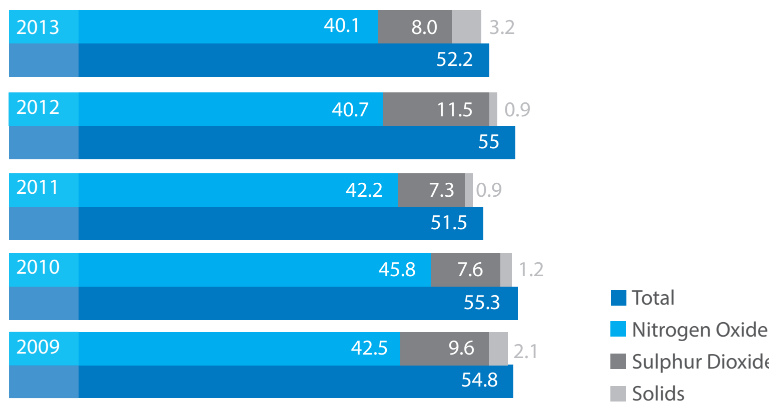
161.7 **RUR MILLION MOSENERGO'S EXPENDITURE ON ENVIRONMENTAL PROTECTION MEASURES AND INITIATIVES IN 2013**

MOSENERGO'S ENVIRONMENTAL PROTECTION EXPENDITURE,[1] RUR thousand



[1] Management accounting data.

MOSENERGO POLLUTANT EMISSIONS, thousand tonnes



The Company resolves environmental protection issues in close cooperation with the relevant state authorities, who monitor the environmental activity and performance of companies in the Moscow Oblast.

Pollutant emissions from Mosenergo power plants fell compared to 2012 levels, from 55.0 thousand tonnes to 52.2 thousand tonnes, i.e. by 2.8 thousand tonnes (5%), as follows:

- Nitrogen oxide emissions reduced from 40.7 thousand tonnes to 40.1 thousand tonnes, i.e. by 0.6 thousand tonnes (1.5%);
- Sulphur dioxide emissions fell from 11.5 thousand tonnes to 8.0 thousand tonnes, i.e. by 3.5 thousand tonnes (1.4 times);
- Solids emissions increased from 0.9 thousand tonnes to 3.2 thousand tonnes, i.e. by 2.3 thousand tonnes (3.5 times).

The decrease in pollutant emissions was due to a reduction in the total consumption of fuel burned. Nitrogen oxide emissions fell, due to lower overall fuel consumption. Sulphur dioxide emissions fell as a result of the reduced fuel oil consumption. Solids emissions increased due to increased coal consumption.

Power generating boilers at the power plants are fitted with an automated environmental monitoring system, which allows the concentration of flue gas pollutants to be monitored in real time and, if necessary, enabling plant performance activities to be changed to reduce emissions. Following work carried out on the boilers, boiler emissions did not exceed any permitted pollutant emission standards.

The Central Laboratory for Environmental Protection at the Mosenergo Department for Ecology (certification accreditation № ROOS RU.001.511836, valid until 11 June 2018) took 360 measurements at the power plant boilers to determine the flue gas concentrations of nitric oxide, nitrogen dioxide and carbon dioxide and to monitor the temperature of the flue gases, as part of industrial environmental monitoring.

Throughout the year, the condition of the atmospheric air in residential areas near the TPP was also monitored. In 2013, 12,660 atmospheric air samples were taken in the immediate area near the TPP and analysed for nitrogen oxide, carbon monoxide, sulphur dioxide and dust.

In 2013, Mosenergo conducted a compliance audit of the Mosenergo Environmental Management System against ISO 14001:2004. The audit was conducted by CJSC Buro Veritas Certification Rus and took place in the structural subdivisions and departments of the General Directorate as well as at Mosenergo's branch facilities SPP-1 and TPP-25. The auditors concluded, on the basis of the audit of the subdivisions mentioned above, that Mosenergo is complying with its Environmental Policy and environmental objectives, and is monitoring their attainment. The audit demonstrated effective implementation, maintenance and improvement of the Company's environmental management system.

The compliance audit did not reveal any inconsistencies and the Company, as a whole, demonstrated compliance with the regulatory requirements. It was recommended that Mosenergo extend the validity period of the certificate of compliance with the international standard ISO 14001:2004.

2013 in Russia was officially declared the "Year of the Environment".

As part of JSC Gazprom's "Year of the Environment", Mosenergo staged a children's drawing competition "Mosenergo cares about the environment" and a photo competition "Sun, Air and Water". Children who took part in the competition were shown around TPP-20 and presented with memorable gifts.

40.5 **MILLION TONNES ACTUAL GREENHOUSE GAS EMISSIONS.**

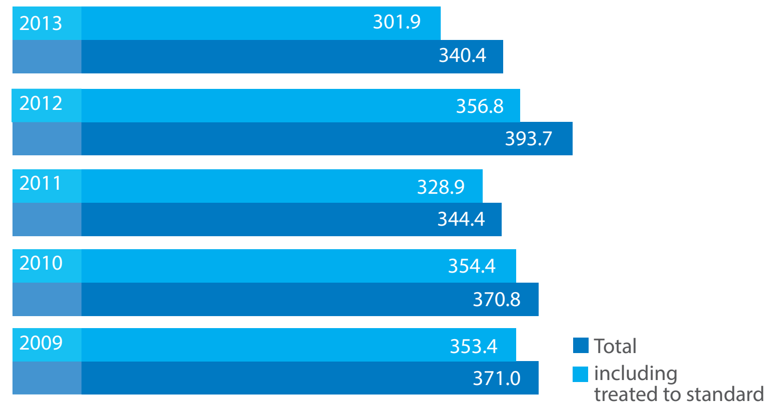
THE FALL IN GREENHOUSE GAS EMISSIONS AGAINST 2012 LEVELS WAS 0.988 MILLION TONNES, AS A RESULT OF A REDUCTION IN THE AMOUNT OF FUEL COMBUSTED.

340.4 **MILLION M³ TOTAL WASTEWATER DISCHARGE INTO SURFACE WATER SOURCES**

OF WHICH, 301.9 MILLION M³ HAD BEEN TREATED TO STANDARD. THE DECREASE IN TOTAL WASTEWATER DISCHARGE AGAINST 2012 LEVELS IS 53.3 MILLION M³;

171.1 **THOUSAND TONNES TOTAL WASTE INCREASED BY 52.2 THOUSAND TONNES**

MOSENERGO WASTEWATER DISCHARGE, million m³



SECURITIES

8
SECURITIES

Mosenergo shares are listed on the A1 quotation list on the Moscow Exchange.

Stock tickers:
- Main market sector – MSNG
- Classica – MSNG
- Standard – MSNG
- Bloomberg MSNG RU

Mosenergo's depository receipts are listed in the over-the-counter (OTC) market of the New York Stock Exchange and in the IOB (International Order Book) sector of the London Stock Exchange.

DEPOSITARY RECEIPT PROGRAMMES

	Level 1	144-A	Reg. S
Ratio	1:50 shares	1:50 shares	1:50 shares
Brief description	Receipts can be traded freely on the OTC market in the USA and Europe.	Receipts are intended for private offering to a restricted number of institutional investors, primarily in the USA.	Receipts are intended for a wider range of private professional investors than 144-A, outside the USA.
Date of issue	1997	2008	2008
Depository bank	The Bank of New York Mellon		

BONDS IN CIRCULATION

CORPORATE BONDS

Series	State identification number	Face value, RUR	Total amount, RUR	Date of issue	Maturity term, days
02	4-03-00085-A	1,000	5,000,000,000 (as of 31.12.2013, the issue was repaid in the amount of RUR 4,894,709)	02.03.2006	3640
03	4-04-00085-A	1,000	5,000,000,000	04.12.2009	1820

DIVIDEND POLICY

9
DIVIDEND POLICY

Mosenergo's dividend policy was approved by the Board of Directors on 24 December 2010.

Mosenergo's dividend policy was developed in compliance with the applicable legislation of the Russian Federation, the Code of Corporate Behaviour recommended by the FCXM of Russia, and Mosenergo's internal documents. The dividend policy sets out the principles used by the Mosenergo Board of Directors when drafting recommendations to the General Shareholder Meeting for decision-making on profit distribution options, including dividend payments.

The amount of dividends is calculated from the Company's net profit as reflected in the annual financial statements produced in accordance with the requirements of the laws of the Russian Federation.

The following principles are observed when calculating the amount of dividends:

- The transparency of the mechanism for defining the dividend payment;
- A balance between short-term (immediate income) and long-term (Company development) shareholder interests;
- A focus on increasing the Company's investment appeal and market capitalisation.

The established procedure for the calculation of the amount of dividends allows for the distribution of 5% to 35% of the Company's net profit under the condition that a reserve fund is fully created, as stipulated by the Company's Charter.

The calculation of dividends is carried out as follows:

- Part of the net profit is allocated to the reserve fund as stipulated by the Company's Charter. The allocation of funds from net profit to the reserve fund ceases when the fund reaches the amount required by the Company's Charter;
- Up to 5% of the net profit is used for paying dividends;
- Up to 95% but no less than 35% of the net profit is reserved for the Company's investment goals;
- The remaining part of the net profits after deductions is evenly distributed between dividends and reserves to be used for the Company's investment goals.

In order to make decisions about the payment of dividends, the Board of Directors presents the General Shareholder Meeting with its recommendations concerning the amount to be paid. After the decision has been made by the General Shareholder Meeting, the dividends are paid out.

ADDITIONAL INFORMATION AND APPENDICES

10.1 INFORMATION POLICY

Mosenergo has an open information policy. The Company's operations are regulated by corporate governance principles, which are expected in respected business, as well as by principles of social responsibility and a reliable partnership with government authorities.

Mosenergo's Information Policy aims to enable the prompt and comprehensive presentation of accurate information about the Company's activities, as well as to provide open access to such information to all interested parties, such as shareholders, investors, government officials, the mass media, etc.

Within its information policy framework, in 2013 Mosenergo organised 18 press tours, taking journalists around the Company's power plants. The Company published 30 press releases, more than 500 printed publications were issued, and 36 TV broadcasts were shown on federal and regional channels. In addition, Mosenergo participated in major industry exhibitions and conferences.

Mosenergo's official website (http://www.mosenergo.ru) is the Company's key information resource. This website provides full information about the Company's activities and allows Mosenergo to respond in a timely manner to inquiries submitted by shareholders, investors, government officials and the media. The site displays quarterly and annual reports for shareholders, quarterly issuer's reports, financial statements compliant with RAS and IFRS standards and information that may have a significant impact on the value of securities. Mosenergo also has a presence on social media networks: since July 2011, Mosenergo has been maintaining a corporate page on Facebook: http://www.facebook.com/pages/OAO-Mosenergo/122390031176582.

10.2 MOSENERGO'S HISTORY

Mosenergo's history is closely interrelated to the development of Russia's economics, society and culture.

The Joint Stock Company of Electric Lighting was founded **in 1886** by Carl Siemens, a Saint-Petersburg merchant of the First Guild who was the Head of the Siemens & Halske Representative Office. The Company was founded in Saint-Petersburg; however, at its very first Board of Directors' meeting, a proposal was made to prepare grounds for the Company's operations in Moscow.

On 31 July 1887, the executive board of the "1886 Society" approved the contract to install electric lighting in the Postnikova Passage on Tverskaya Street in Moscow. This date is acknowledged as the founding date of the electrical power grid in the Moscow Oblast.

At the end of 1888, the Company successfully completed the construction of the first centralised power plant, with electric power supplied by the Georgievskaya power plant. **On 28 November 1897** the Company hosted a festive celebration for the opening of the Moscow Municipal Power Station (MMPS-1) Raushskaya (now SPP-1), and on 15 February 1907 the Company launched the second station – MMPS-2 Tramvaynaya.

The next important stage of development for Moscow's electrical power grid was the decision to construct a large power plant fired with local fuel in the vicinity of Moscow. This decision was implemented by Robert Klasson, managing director of the Moscow Office of the "1886 Company". The construction of the plant, which envisioned the use a new type of fuel, was a major project involving the development of new technologies and the creation of the entire peat extraction industry.

In 1912, the Company started building the world's first peat-fired district power plant in the Bogorodsk district. **In April 1913**, a new company, the Moscow Joint Stock Company "Elektroperedacha", was founded to utilise the capacity generated by the new station. The plant itself began operations **in 1914** and, **in 1915**, started to work in parallel with the Raushskaya station.

The joint stock companies "Electric Lighting 1886 Company" and "Elektroperedacha" successfully operated until **October 1917**. After the October Revolution, the stations were nationalised and ceased operations under their previous ownership **in December 1917**.

The management of state power stations was delegated to the Power Department of the Supreme Council of Public Property. At the same time, **in December 1917**, Ivan Radchenko and Alexander Vinter proposed further developments of the Moscow power industry. These proposals became the basis for the first State Plan for the Electrification of the whole country, GOELRO.

In December 1920, the GOELRO plan was ratified by the eighth All-Russia Soviet Congress. According to the plan, the volume of capacity of the Moscow power system was intended to increase by a factor of almost four within 10 to 15 years. The installed capacity was to increase from 93 thousand to 340 thousand kW.

Pursuant to the GOELRO plan, several stations were built in the Moscow Oblast, namely Kashirskaya TPP (now TPP-4), Shaturskaya TPP (now TPP-5), Krasnopresnenskaya TPP (now a subsidiary of TPP-12), TPP-6 and TPP-8. One of the key events in this period was the completion of Russia's first 110 kV voltage power line between Kashira and Moscow, as well as a two-circuit ring of power lines and transformers around Moscow with a voltage of 115 kV. The commissioning of the power ring provided Moscow with a reliable power supply system.

In the 1930s, the workers of the Moscow power supply system, known until 1932 as MOGES (Unified Management of Power Plants of the Moscow Oblast), started work to provide centralised district heating to the Soviet capital. In March 1931 the first heating mains from MMPS-1 was launched and a specialised enterprise for the maintenance and development of the Moscow district heating network was founded.

The start of World War II put the development of the power system on hold. Part of the equipment was destroyed, some was redeployed and the total capacity of Mosenergo dropped twofold. Nevertheless, Moscow power engineers managed to maintain a continuous supply of power to the city's defence facilities; they constructed high-voltage obstacles to defend against enemy troops and assembled power-generating trains for the liberated regions of the country. The restoration of the power industry started immediately after the successful counter-offensive campaign of the Soviet Army in the winter of **1941-1942**. As early as 1945, Mosenergo had already managed to achieve a pre-war level of installed capacity.

In 1946, Mosenergo began to utilise a new type of fuel: SPP-1 started burning natural gas. In the same year, the Moscow power system was connected to the Ivanovo, Yaroslavl and Gorky power systems. **In 1956**, the first section of the Unified Power System in the European part of Russia was created with the introduction of high-voltage power lines from Kuibyshev to Moscow.

Within the Unified Power System framework **in 1960**, the country brought into operation the first units of TPP-22, and for the first time in the USSR a 1,000 mm-diameter heat pipeline was installed at TPP-11. **On 22 October 1963** Mosenergo launched TPP-21, shortly followed by TPP-23, TPP-25 and TPP-26.

In the 1970s, Mosenergo successfully implemented 250-MW thermal power generating units with supercritical steam parameters. This kind of unit was first constructed at TPP-22 and became the base for other heat and power plants: TPP-21, 23, 25 and 26.

The development of the district heating system remained a pending issue for Mosenergo, especially during the mass construction of residential apartments in the city when district heating pipelines with the length of 20-30 kilometres and pipeline diameters of 1,200-1,400 mm started to be built from the new, powerful TPPs. At the same time, intensive grid development was in progress with the extensive construction of 750 kV power transmission lines. The total length of the high voltage power transmission lines increased dramatically. Two high-voltage 220 kV rings were completed around Moscow, soon followed by 50 kV rings.

On 30 December 1987, Mosenergo brought the first hydroelectric generating set of the Zagorsk Pumped-storage HydroPlant into operation – a unique power unit regulating peak loads in the grid system. **In 1990**, the Moscow Grid absorbed Ryazan TPP-24 and **in 1992** it acquired TPP-28 in Moscow.

In 1993, the production association, Mosenergo, was transformed into an open joint stock company.

In 2005, Mosenergo developed and started the implementation of the Programme for Development and Technical Upgrading, including the planning, construction and commissioning of new generating facilities on the sites of operational power plants in energy-deficient regions and heat and electricity demand nodes with developed infrastructure.

On 22 November 2007, less than two years after the start of construction, TPP-27 launched a combined cycle steam-gas power unit with an electric power rating of 450 MW and heat output of 300 Gcal. In June 2008, a unit of the same type was put into operation at TPP-21, and in December of the same year the Company installed yet another 450-MW steam-gas power unit at TPP-27.

On 30 June 2011, a new 420-MWe combined-cycle power unit was put into operation at TPP-26. This unit has the highest efficiency rate among Russian power plants – up to 59%. The general contractors in its construction were the Alstom Consortium (France) and EMAlliance JSC.

10.3 COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE FEDERAL FINANCIAL MARKETS SERVICE (FFMS)

No.	Item of the Corporate Governance Code	Compliance assessment	Notes
GENERAL SHAREHOLDER MEETING			
1.	Notification of shareholders about shareholder meetings at least 30 days before the meeting date regardless of the issues on its agenda unless the law requires a longer period.	Partial compliance	Mosenergo's Charter, article 17, item 17.12. Notification about the Annual General Shareholder Meeting of the Company or about a General Shareholder Meeting of the Company with items about Company reorganisation on the agenda is to be sent (or handed personally) to each individual listed among the people having the right to participate in General Shareholder Meetings of the Company or is published in the newspapers Izvestiya and (or) Rossiyskaya Gazeta as well as published on the Company website no later than 30 days before the date of the meeting, and notification about an Extraordinary General Shareholder Meeting is to be provided no later than 20 days before the meeting.
2.	Provision of shareholder access to the list of persons entitled to attend the General Shareholder Meeting, starting from the date of announcement of the General Shareholder Meeting until the closing of the General Shareholder Meeting held in person, and in the case of a General Shareholder Meeting held in the form of voting in absentia – until the deadline for the collection of ballots.	Full compliance	According to existing legislation, the list of persons authorised to participate in the General Shareholder Meeting shall be made available by the Company at the request of persons included in said list and holding at least 1% of the voting rights.
3.	Provision of shareholder access to information (materials) provided during the preparation for the General Shareholder Meeting through electronic media, including the Internet.	Full compliance	Mosenergo Charter, article 17, item 17.16.
4.	The possibility for a shareholder to put an item on the agenda of the General Shareholder Meeting or require a General Shareholder Meeting to be called without presenting proof of shareholding in the case where the shareholder's ownership right is recorded in the share registry system, and by presenting only a statement from the deposit account in the case where the shareholder's ownership right is recorded in a deposit account.	Full compliance	The procedure for entering an item on the General Shareholder Meeting agenda, as well as the procedure for holding a General Shareholder Meeting shall be set by existing legislation.
5.	Presence in the company's charter or internal documents of the requirement for the compulsory presence of the General Director, members of the Executive Board, members of the Board of Directors, members of the Auditing Commission and the company's Auditor at the General Shareholder Meeting.	Non-compliance	Members of the Board of Directors, the Executive Board, Auditing Commission, as well as representatives of the Company's Auditor are invited to participate in the General Shareholder Meeting.
6.	Obligatory presence of nominees for members of the Board of Directors, the General Director, members of the Executive Board, members of the Auditing Commission and the company's Auditor during consideration by the General Shareholder Meeting of their election and appointment.	Non-compliance	Nominees are invited to participate in the General Shareholder Meeting during the consideration and discussion of the election of the Board of Directors members, Auditing Commission members, as well as the appointment of the external auditor for the Company.
7.	The internal documents of the company establish a registration procedure for the participants of the General Shareholder Meeting.	Full compliance	Mosenergo's Regulations on General Shareholder Meeting, article 8, item 8.6.; article 9, item 9.1., 9.2.
BOARD OF DIRECTORS			
8.	The company's charter ensures the authority of the Board of Directors to approve the annual financial and business plan of the company.	Full compliance	Mosenergo's Charter, article 20, item 20.1., paragraph 64): the Board of Directors is authorised to approve a business plan (or amended business plan), including programmes for technical upgrades, reconstruction and development, as well as the investment programme and performance reports.
9.	Existence of the company's risk management procedure approved by the Board of Directors.	Full compliance	The corporate Provisions for Risk Management of Mosenergo were approved by the Company's Board of Directors; Minutes 9 as of 18. 11. 2004
10.	The company's charter ensures the right of the Board of Directors to make a decision to suspend the authorities of the General Director appointed by the General Shareholder Meeting.	Full compliance	Mosenergo Charter, article 20, item 20.1, paragraph 25.
11.	The company's charter ensures the right of the Board of Directors to establish requirements for the conditions and the amount of remuneration of the General Director, members of the Executive Board, and managers of the key structural divisions of the company.	Partial compliance	Mosenergo's Charter, article 25, item 25.6. The agreement between the Company's General Director and members of the Company's Executive Board and the Company is signed by the Chairman of the Board of Directors or by a person authorised to do so by the Company's Board of Directors.
12.	The company's charter ensures the right of the Board of Directors to approve the conditions of the contractual agreements with the General Director and Executive Board members.	Full compliance	Mosenergo's Charter, article 25, item 25.6.

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No.	Item of the Corporate Governance Code	Compliance assessment	Notes
13.	The company's charter or internal documents contain a requirement that votes of the members of the Board of Directors who act as the General Director and members of the Executive Board should not be taken into account when the terms of the contracts with the General Director (managing entity, manager) and members of the Executive Board are approved.	Non-compliance	The General Shareholder Meeting has not approved any changes to the Company's Charter or Mosenergo's internal documents to incorporate these provisions.
14.	The Board of Directors includes at least three independent directors who meet the requirements of the Corporate Conduct Code.	Full compliance	
15.	The Board of Directors does not include individuals convicted of committing economic crimes; offences against the government, against the interests of the federal, regional and local government service; or that have been subjected to administrative penalties for offences related to business activities or in the area of finance, taxes and levies and the security market.	Full compliance	
16.	The Board of Directors does not include any individual who is a shareholder, the General Director (manager), or member of the management body or employee of any competitor to the company.	Full compliance	
17.	The company's Charter should contain a requirement that the Board of Directors be elected by cumulative vote.	Full compliance	Mosenergo's Charter, article 18, item 18.1.
18.	The company's internal documents include the obligation of the members of the Board of Directors to refrain from actions that shall or potentially could result in a conflict of interests between them and the company, or in the event of such a conflict occurring, to disclose the information about the conflict to the Board of Directors.	Full compliance	Article 8, item 8.1. of the Mosenergo Regulations on the information policy require that the members of the Board of Directors should notify the Board of Directors in writing about the actual or potential conflict of interests between them and the Company. Regulations on the Mosenergo's Board of Directors, article 4, item 4.3., paragraph 1-3, 8.
19.	The company's internal documents require members of the Board of Directors to give written notice to the Board of Directors on their intention to buy or sell Company's securities and disclose information about these transactions. These rules should also apply to the members of the Board of Directors of the company's subsidiaries (affiliated companies).	Full compliance	Regulations on the Mosenergo's Board of Directors, article 4, item 4.3., paragraph 4.3.10. Mosenergo Regulations on the information policy, article 8, item 8.2.
20.	The company's internal documents contain a requirement to hold Board of Directors' meetings at least once every six weeks.	Partial compliance	Regulations on Mosenergo's Board of Directors, article 8, item 8.3. The Board of Directors meetings are to be held as necessary, but no fewer than once in each quarter of the year.
21.	Meetings of the company's Board of Directors in the course of a year reported in the company's annual report are held at least once every six weeks.	Partial compliance	In 2013, Board of Directors' meetings were held as was deemed necessary. A total of 15 BoD meetings were held in 2013.

No.	Item of the Corporate Governance Code	Compliance assessment	Notes
22.	The company's internal documents establish a procedure for the meetings of the company Board of Directors.	Full compliance	Mosenergo's Charter, article 22, Regulations on Mosenergo's Board of Directors, articles 8–10.
23.	The company's internal documents stipulate the need for approval by the Board of Directors for company transactions amounting to 10% and over of the company's asset value, with the exception of transactions performed in the ordinary course of business.	Full compliance	Mosenergo's Charter, article 20, item 20.1., paragraph 49).
24.	The company's internal documents ensure the right of the members of the Board of Directors to receive the information necessary for the performance of their functions from the executive bodies and managers of the key organisational divisions, and liability of the latter for failure to provide such information.	Full compliance	Regulations relating to Mosenergo's Board of Directors, article 4, item 4.2., paragraph 2.
25.	There is a strategic planning committee of the Board of Directors or the functions of this committee are delegated to another committee (other than the Audit Committee or the HR and Remuneration Committee).	Full compliance	
26.	There is a committee (Audit Committee) of the Board of Directors that recommends an external auditor to the Board of Directors and communicates with the external auditor and the internal Audit Committee.	Full compliance	
27.	Only independent and non-executive directors are members of the Audit Committee.	Full compliance	
28.	The Audit Committee is chaired by an independent director.	Full compliance	
29.	The internal documents of the joint stock company provide for the access of all the members of the Audit Committee to any documents and information of the company conditional on non-disclosure of confidential information.	Full compliance	Regulations on the Board of Directors' Audit Committee of Mosenergo, article 4, item 4.1, paragraph 2).
30.	There is a committee (Resources and Remuneration Committee) of the Board of Directors that is responsible for the determination of the criteria for the selection of candidates to the Board of Directors and the development of the company's remuneration policies.	Full compliance	
31.	The HR and Remuneration Committee is chaired by an independent director.	Full compliance	
32.	The company's executives are not members of the HR and Remuneration Committee.	Full compliance	
33.	There is a risk committee of the Board of Directors or functions of such a committee are assigned to another committee (other than the Audit Committee or the HR and Remuneration Committee).	Partial compliance	The functions of Mosenergo's Board of Directors' Committees for reliability and for strategy and investments include the obligation to inform the Board of Directors in a timely manner about the risks the Company is exposed to, within their competence.

No.	Item of the Corporate Governance Code	Compliance assessment	Notes
34.	There is a committee for the settlement of corporate conflicts of the Board of Directors or functions of such a committee are assigned to another committee (other than the Audit Committee or the HR and Remuneration Committee).	Non-compliance	Mosenergo's Charter, article 19, item 19.9. In order to enable balanced and effective decision-making, the Board of Directors can set up permanent or temporary committees (to address specific issues) within the structure of the Board of Directors.
35.	The company's executives are not members of the committee for the settlement of corporate conflicts.	Non-compliance	The Committee has not been formed. See item 34.
36.	The committee for the settlement of corporate conflicts is headed by an independent director.	Non-compliance	The Committee has not been formed. See item 34.
37.	The company has internal documents approved by the Board of Directors stipulating the procedure of the formation and operation of the committees of the Board of Directors.	Full compliance	
38.	The company's Charter provides for a procedure to determine the quorum of the Board of Directors that would ensure obligatory participation of independent directors in the Board meetings.	Partial compliance	Mosenergo's Charter, article 22, item 22.9., 22.10. The quorum of the Board of Directors is defined in the Company's Charter and applicable legislation.
EXECUTIVE BODIES			
39.	There is a collegial executive body (Executive Board) of the company.	Full compliance	Mosenergo's Charter, article 25, item 25.1., paragraph 27.
40.	The company's Charter or internal documents stipulate the need for approval by the Executive Board of real estate transactions and loans received by the company unless such transactions are major deals and are performed in the ordinary course of business.	Partial compliance	The Company's Charter stipulates that approval of transactions in certain cases is determined by the Board of Directors and/or the Company Executive Board. Mosenergo's Charter, article 20, item 20.1., paragraph 50-53), 57), article 27, item 27.4., paragraph 7, 9.
41.	The company's internal documents establish procedures for the approval of transactions which are not part of the company's financial and operational plan.	Full compliance	
42.	No members of the executive bodies of the company simultaneously hold the position of the General Director (manager), or member of the management body or employee of any competitor of the company.	Full compliance	
43.	No members of the management bodies of the company are convicted of committing economic crimes; offences against the government, against the interests of the federal, regional and local government service; or that have been subjected to administrative penalties for offences related to business activities or in the area of finance, taxes and levies and the security market. If the functions of the sole executive body are performed by a managing entity or a manager, the General Director and members of the Executive Board of the managing entity or manager should meet the requirements established for the General Director and members of the Executive Board of the Company.	Full compliance	

No.	Item of the Corporate Governance Code	Compliance assessment	Notes
44.	The company's charter or internal documents prohibit the managing body (manager) from performing similar functions for a competitor or having any other proprietary relations with the company other than the provision of management services.	Partial compliance	Mosenergo's Charter, article 26, item 26.7. The decision to delegate responsibilities of the Company's General Director to a managing organisation or a manager is to be made by a General Shareholder Meeting acting on a proposal from the Company's Board of Directors. The conditions of the contract shall be approved by the Company's Board of Directors.
45.	The company's internal documents include the obligation of members of the executive bodies to refrain from actions that shall or potentially could result in a conflict of interests between them and the company, or in the event of such a conflict occurring, to disclose the information about the conflict to the Board of Directors.	Full compliance	Regulations on Mosenergo's information policy, article 8, item 8.1. Members of the Executive Board, as well as the Company's Director General shall be obliged to submit a written notification to the Board of Directors about the existence of a conflict or the possibility of such a conflict of their interests and the interests of the Company. Regulations on Mosenergo's Executive Board, article 4, item 4.2. When exercising their rights or fulfilling their obligations, the members of the Executive Board shall pursue the interests of the Company, exercise their rights and fulfil their obligations to the Company in a reasonable and honest manner.
46.	The company's charter or internal documents contain criteria for the selection of the managing body (manager).	Partial compliance	Mosenergo's Charter, article 26, item 26.7. The decision to delegate responsibilities of the Company's General Director to a managing organisation or a manager is to be made by a General Shareholder Meeting acting on a proposal from the Company's Board of Directors. The conditions of the contract shall be approved by the Company's Board of Directors.
47.	Executive bodies provide monthly reports on their activities to the Board of Directors.	Partial compliance	Mosenergo's Charter, article 20, item 20.1., paragraph 26)
48.	The contracts made by the company with the General Director (managing entity, manager) and members of the Executive Board stipulate liability for violation of the provisions on the use of confidential and insider information.	Full compliance	
SECRETARY OF THE COMPANY			
49.	There is a special official in the company (company Secretary) whose function is to ensure that the company's bodies and officials comply with procedural requirements guaranteeing the exercise of the legal rights and interests of the company's shareholders.	Full compliance	Mosenergo's Charter, article 20, item 20.1., paragraph 14); article 24. Regulations on the Mosenergo's Board of Directors, article 7.
50.	The company's charter or internal documents prescribe a procedure for the appointment (election) of the company Secretary and detail the responsibilities of the company Secretary.	Full compliance	Mosenergo's Charter, article 20, item 20.1., paragraph 13); article 24. Regulations on Mosenergo's Board of Directors, article 7.

No.	Item of the Corporate Governance Code	Compliance assessment	Notes
51.	The company's charter contains requirements expected of the candidate for the position of the company Secretary.	Partial compliance	Mosenergo Charter, article 20, item 20.1., paragraph 13). Regulations on Mosenergo's Board of Directors, article 7, item 7.2.
MAJOR CORPORATE ACTIONS			
52.	The company's charter or internal documents contain a requirement to approve any major transaction before it is completed.	Full compliance	Mosenergo's Charter, article 15, item 15.1., paragraph 17); Article 20, item 20.1., paragraph 48).)
53.	The company's charter requires the mandatory engagement of an independent appraiser to assess the market value of any property that is subject to major transactions.	Full compliance	Mosenergo's Charter, article 20, item 20.1., paragraph 37), 48).
54.	In the event of an acquisition of any large stakes in the company (takeover), the charter of the company prohibits taking any actions aimed to protect the interests of the executive bodies (members of such bodies) and members of the Board of Directors, and also such actions that make the position of shareholders worse than their current position (in particular, prohibition of a decision by the Board of Directors to issue additional shares, securities convertible into shares or securities granting the right to acquire shares in the company before the end of the expected time of the acquisition of shares, even if the right to take such a decision is granted by the charter).	Non-compliance	The General Shareholder Meeting has not yet considered the issue of introducing such provisions in the Company's Charter.
55.	The company's charter requires the mandatory engagement of an independent appraiser to determine the current market value of shares and potential changes in their market value as a result of a takeover.	Full compliance	Mosenergo's Charter, article 20, item 20.1., paragraph 37).
56.	The company's Charter contains no exemption of the buyer from the obligation to offer a buyout of the company's ordinary shares (or other securities convertible into ordinary shares) to the shareholders upon takeover.	Full compliance	
57.	The company's charter or by-laws contain a mandatory requirement to involve independent appraisers to determine the ratio for the conversion of shares in the event of a reorganisation.	Full compliance	Mosenergo's Charter, article 20, item 20.1., paragraph 37).
INFORMATION DISCLOSURE			
58.	There is an internal document approved by the Board of Directors determining the policies and procedures used by the company for the disclosure of information (Regulation on Information Policy).	Full compliance	Mosenergo's Regulations on the information policy were approved by the Board of Directors on 01.11.2004, Minutes No. 8.
59.	The internal documents of the company contain a requirement to disclose information about the purposes of placement of shares, persons that intend to acquire placed shares, including large stakes, and participation of officials of the company in the acquisition of the shares placed.	Non-compliance	The Company shall disclose all required information in compliance with the legislation of the Russian Federation, the Charter and by-laws of the Company.
60.	The company's internal documents contain a list of information, documents and materials that should be provided to shareholders related to decisions on items considered by the General Shareholder Meeting.	Full compliance	Mosenergo's Charter, article 17, item 17.17. Regulations on Mosenergo's General Shareholder Meeting, article 5, item 5.6. Regulations on the information policy of Mosenergo, article 5, item 5.9.5.
61.	The company has a website and regularly discloses information about the company on this website.	Full compliance	Regulations on Mosenergo's information policy article 4, item. 4.7. www.mosenergo.ru http://www.e-disclosure.ru/portal/company.aspx?id=936
62.	The company's internal documents contain a requirement to disclose information on transactions of the company with persons that are senior executives of the company in accordance with the charter, and transactions of the company with entities where senior executives of the company directly or indirectly hold 20 percent or more of the share capital or on which such persons may otherwise exercise significant influence.	Full compliance	Mosenergo's regulations on the information policy, article 4, item. 4.4, paragraph 4.4.4.
63.	The company's internal documents contain a requirement to disclose information on all transactions that may affect the market value of the company's shares.	Full compliance	Mosenergo's Charter, article 32, item 32.4.
64.	There is an internal document approved by the Board of Directors on the use of significant information on the activity, shares and other securities of the company and transactions with such shares and other securities, which is not publicly available and the disclosure of which may have a material impact on the market value of shares and other securities of the Company.	Full compliance	Mosenergo's Regulations on the information policy were approved by the Board of Directors on 01.11.2004, Minutes No. 8. Mosenergo's Regulations on access to insider information were approved by the Board of Directors on 26.12. 2011, Minutes No. 6 (3).
CONTROL OF FINANCIAL AND BUSINESS OPERATIONS			
65.	There are internal control procedures for the financial and operational activities of the company approved by the Board of Directors.	Full compliance	Mosenergo's Regulations on internal audits were approved by the Board of Directors on 05.09.2005, Minutes 7, item 5.
66.	There is a special subdivision of the company responsible for the implementation of the internal control procedures (internal audit department).	Full compliance	
67.	The company's internal documents contain a requirement for the structure and composition of the internal audit department to be defined by the Board of Directors.	Partial compliance	Mosenergo's Regulations on internal audits were approved by the Board of Directors on 05.09.2005, Minutes 7, item 8.
68.	No members of the Company's internal control service have been convicted of committing economic crimes; offences against the government, against the interests of the federal, regional and local government service; or that have been subjected to administrative penalties for offences related to business activities or in the area of finance, taxes and levies and the security market.	Full compliance	

No.	Item of the Corporate Governance Code	Compliance assessment	Notes
69.	No members of the company's internal audit service simultaneously hold the position of members of the executive bodies of the Company, the General Director (manager), members of the management bodies or employees of any competitor of the company.	Full compliance	
70.	The company's internal documents establish dates for the submission of documents and materials to the internal control service for the assessment of financial and operational transactions performed, and liability of officials and employees of the company for failure to provide them in time.	Partial compliance	It is indicated in the inspection plan and compliance check procedure according to the regulations of Mosenergo's internal audit.
71.	The company by-laws provide for the obligation of the internal control service to communicate any detected violations to the Audit Committee, and where there is no such committee to the Board of Directors.	Full compliance	Regulations on internal audit of Mosenergo, article 7, item 7.1., paragraph 7.1.4.
72.	The company's charter contains a requirement for the preliminary assessment of the practicality of transactions not foreseen in the company's financial and operational plan (non-standard transactions) by the internal control service.	Non-compliance	General Shareholder Meeting has not yet considered the issue of introducing such provisions in the Company's Charter.
73.	The company's internal documents establish a procedure for the agreement of any non-standard transactions with the Board of Directors.	Partial compliance	Mosenergo's Charter, article 20.
74.	There is an internal document, approved by the Board of Directors, that determines the procedure of audits of the financial and operating activities of the company by the internal auditing commission.	Partial compliance	Regulations on the Auditing Commission of Mosenergo were approved by the General Shareholder Meeting of Mosenergo, Minutes No. 1 of 18.06.2010.
75.	The Audit Committee performs an assessment of the auditor's report before it is presented to the shareholders in the General Shareholder Meeting.	Full compliance	Regulations on the Board of Directors' Audit Committee of Mosenergo, article 3, item 3.1, paragraph 2).
DIVIDENDS			
76.	There is an internal document, approved by the Board of Directors, used as guidance by the Board of Directors in developing recommendations as to the amount of dividends (Regulation on Dividend Policies).	Full compliance	Mosenergo's dividend policy was approved by the decision of the Board of Directors as of 24.12.2010, Minutes No. 10.
77.	The Regulation on Dividend Policies contains a procedure for the determination of the minimum share of the net profit of the company used for the payment of dividends, and conditions under which dividends are not paid or are not paid in full on preference shares for which the size of dividends is determined in the company's charter.	Partial compliance	Mosenergo has not issued any preference shares.
78.	It is stipulated in the company's charter that the publication of information on the company's dividend policies and any amendments thereto and the publication of announcements about the General Shareholder Meeting is made in a periodical and on the company's website.	Partial compliance	The dividend policy or any changes thereto are posted on the Mosenergo's website at www.mosenergo.ru.

10.3

10.4
INFORMATION ABOUT RELATED-PARTY TRANSACTIONS

List of transactions involving related parties completed by the Company in 2013, and approved by the governing bodies of Mosenergo.

10.4

No.	Transaction	Parties involved	Subject of transaction	Transaction cost	Period of fulfilment of responsibilities	Resolution of the Company's governing bodies on approval of the transaction
1	Property insurance contract No.13 PT 0023	JSC Mosenergo is the insured; JSC SOGAZ is the insurer.	Insurance of Mosenergo property.	RUR 165,977,174.96	The insurance contract is valid for one year.	TRANSACTION APPROVED by the Board of Directors 05.03.13 (Meeting minutes no.10 as of 11.03.13, item 5.1.)
2	Contract no. 13LM0754 as of 31.01.2013 Voluntary medical insurance of employees	JSC Mosenergo is the insured; JSC SOGAZ is the insurer.	Voluntary medical insurance of Mosenergo employees.	RUR 98,009,850.00	The insurance contract is valid for one year.	TRANSACTION APPROVED by the Board of Directors 21.02.13 (Meeting minutes no. 9 as of 25.02.13, item 11.2.)
3	Addendum no. 1 as of 26.03.2013 To loan agreement (unnumbered) as of 03.09.2012	JSC Mosenergo is the lender; LLC WGC-Investproekt is the lendee.	The lender gives the lendee money and the lendee is obliged to repay the sum back to the lender plus the interest accrued on it within the period and terms prescribed by the contract.	RUR 1,250,000,000	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 26.12.12 (Meeting minutes no. 8 as of 29.12.12, item 8.4.)
4	Addendum to the contract to supply heat energy and heat transfer medium No.100\100000 4255\017 as of 29.06.2012	JSC Mosenergo is the customer; JSC Moscow heat network company (as of 01.10.2012 – JSC MOEK) is the supplier.	Delivery of heat energy and heat transfer medium via the MOEK heat distribution network in Q1 of 2013.	RUR 4,514,314,455.00 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Annual General Shareholder Meeting 19.06.2012 Meeting minutes no. 1 as of 22.06.2012, item 9.12
5	Addendum No. 2 as of 05.03.2013 to agreement no. 100/10000010196 as of 20.04.2011	JSC Mosenergo is the customer; JSC Tekon-Engineering is the supplier.	Adjustment of the cost of the contract to provide equipment and carry out work on the Modernisation of the automatic control system of "DKS TPP-27" at TPP-27.	RUR 22,646,194.93 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 25.05.2012 meeting minutes no. 15 (12) as of 30.05.2012, article 10.2
6	Agreement No.4/1000018189/000 as of 24 June 2013	JSC Mosenergo is the customer; JSC SP- DRAGa is the executor.	On the procedure for the calculation and payment of dividends, based on the results of Mosenergo's business activity in 2012.	No more than RUR 21,000,000.00 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 22.04.13 (Meeting minutes no.12 as of 23.04.13, item 9.1.)
7.	Contracts and addenda to 48 contracts	JSC Mosenergo is the customer; LLC TER-Moscow is the supplier.	The repair and technical maintenance of turbine and boiler units, auxiliary turbine equipment and general boiler equipment, thermal insulation and plating equipment, water treatment and purification of water, control and measuring instruments and automatic systems, cleaning and supply of equipment for the completion of installation and stationary commission work at the sites of JSC Mosenergo.	RUR 2,280,387,242 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 28.03.13 (Meeting minutes no.11 as of 29.03.13 item 4), 29.04.2013 (Meeting minutes no.14 as of 06.05.2013 item 14).
8	Agreement No.100/1000017176/000 as of 16 April 2013	JSC Mosenergo is the customer; LLC TsRMZ is the contractor.	Repair work and technical service: Industrial repair of rotational thermo-mechanical and electro-technical apparatus of JSC Mosenergo as of 2013 -2015, necessary for the sites.	RUR 135,186,544.37 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 29.04.13 (Meeting minutes no.14 as of 06.05.13, item 14.5.)
9	Agreement No.100/1000016635/000 as of 28 May 2013	JSC Mosenergo is the buyer; LLC TsRMZ is the supplier.	The provision by the supplier of equipment entitled Replacement of the heating surfaces on PVK-7.	RUR 28,187,958.00 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 29.04.13 (Meeting minutes no.14 as of 06.05.13, item 14.2.)

No.	Transaction	Parties involved	Subject of transaction	Transaction cost	Period of fulfilment of responsibilities	Resolution of the Company's governing bodies on approval of the transaction
10	Addendum No. 10 to the contract No.100/1000002872/000 as of 23 January 2009	JSC Mosenergo is the issuer; JSC SR-DRAGa is the registrar.	Change in the cost of service.	RUR 10,880,000.00	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 03.06.13 (Meeting minutes no.15 as of 06.06.13, item 6.3.)
11	Addendum to the contract for the provision of heat energy and heat-transfer medium No.100\100000 4255\017 as of 29.06.2012	JSC Mosenergo is the customer; JSC Moscow heat network company (as of 01.10.2012 – JSC MOEK) is the supplier.	Delivery of heat energy and heat transfer medium via the MOEK heat distribution network in Q2 of 2013.	RUR 1,156,633,515.00 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Annual General Shareholder Meeting 19.06.2012 (Meeting minutes no. 1 as of 22.06.2012, item 9.12)
12	Addendum No. 100\1000016668\003 as of 30.04.2013 to contract No. 13LM0754 as of 31.01.2013 Voluntary medical insurance for employees	JSC Mosenergo is the insured; JSC SOGAZ is the insurer.	Implementation of changes in the list of insured persons and insurance premiums.	RUR 98,963,094.74	The insurance contract is valid for one year.	TRANSACTION APPROVED by the Board of Directors 03.06.13 (Meeting minutes no.15 as of 06.06.13, item 6.6.)
13	Addendum to the contract for the provision of heat energy and heat-transfer medium No.100\100000 4255\017 as of 29.06.2012	JSC Mosenergo is the customer; JSC Moscow heat network company (as of 01.10.2012 – JSC MOEK) is the supplier.	Delivery of heat energy and heat transfer medium via the MOEK heat distribution network in Q3 of 2013.	RUR 417,660,302.00 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Annual General Shareholder Meeting 19.06.2012 (Meeting minutes no. 1 as of 22.06.2012, item 9.12)
14	General agreement as of 10.08.2011 No.7233 18.09.2013	GPB (JSC) is the creditor; JSC Mosenergo is the lendee.	Credit loan of RUR 500,000,000.	RUR 500,000,000.00	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Annual General Shareholder Meeting 05.06.13 (Meeting minutes No.1 as of 07.06.13, item 12.1.)
15	General agreement as of 10.08.2011 No.7233 18.09.2013	GPB (JSC) is the creditor; JSC Mosenergo is the lendee.	Credit loan of RUR 3,000,000,000.	RUR 3,000,000,000.00	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Annual General Shareholder Meeting 05.06.13 (Meeting minutes no.1 as of 07.06.13, item 12.1.)
16	Contract No. 100\1000006457\000 as of 13.06.2010 7 transactions 25.07.2013	JSB Rossiya is the bank; JSC Mosenergo is the client.	Placement of monetary funds into a deposit account, minimum required balance.	RUR 5,544,629,235.00	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Annual General Shareholder Meeting 16.06.2010 (Meeting minutes no.1), AGSM 05.06.13 (Meeting minutes no.1 as of 07.06.13, item 12.6.)
17	General agreement as of 30.05.2007 10.07.2013	GPB (JSC) is the bank; JSC Mosenergo is the client.	Minimum required balance of funds.	RUR 1,944,287,321.00	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Annual General Shareholder Meeting 05.06.13 (Meeting minutes no.1 as of 07.06.13, item 12.3.)
18	Contract No.100\1000006458\000 as of 18.10.2010 Contract No.100\1000011827\000 as of 22.08.2011 9 transactions 05.07.2013	JSC Bank VTB is the bank; JSC Mosenergo is the client.	Placement of monetary funds into deposit accounts.	RUR 21,856,090,000.00	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Annual General Shareholder Meeting 05.06.13 (Meeting minutes no.1 as of 07.06.13, item 12.10.)
19	Addendum No.3 to the rent agreement as of 07.07.2009 No.13977-2/21991-1	JSC MOESK	Changes in floor-space and rental fee.	RUR 1,021,095.00 including VAT paid monthly	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors Board of Directors 29.04.13 (Meeting minutes no. 14 as of 06.05.13, item 14.1.)

No.	Transaction	Parties involved	Subject of transaction	Transaction cost	Period of fulfilment of responsibilities	Resolution of the Company's governing bodies on approval of the transaction
20	Contract No. 1*31033 as of 30.11.2013	JSC Mosenergo is the customer; JSC Tekon-Engineering is the supplier.	Technical re-equipping of the internal gas supply system of PVK station No.1-3 TPP-21.	RUR 71,266,907.42 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 26.12.13 (Meeting minutes no. 9 as of 30.12.13, item 4.3.)
21	Contract No. 1*31124 as of 10.12.2013	JSC Mosenergo is the customer; JSC Tekon-Engineering is the supplier.	Technical re-equipping of the internal gas supply system of EK station No.4 TPP-21.	RUR 50,490,910.85 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 26.12.13 (Meeting minutes no. 9 as of 30.12.13, item 4.3.)
22	Contract No. 1*28316 as of 19.12.2013	JSC Mosenergo is the customer; JSC Tekon-Engineering is the supplier.	Bringing the gas operation of PVK station No. 6 "V" into compliance with the regulations of the BSGG for TPP-12.	RUR 29,027,099.66 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 29.11.13 (Meeting minutes no. 8 as of 02.12.13, item 3.2.)
23	Contract No. 1*27202 as of 08.11.2013	JSC Mosenergo is the customer; JSC Tekon-Engineering is the supplier.	Replacement of differential bus protection and breaker fail protection ORU-220 kV № 1 (Replacement of panels and control cables) TPP-21.	RUR 24,473,613.00 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 17.10.13 (Meeting minutes no. 7 as of 21.10.13, item 7.1.)
24	Contract No. 1*30767 as of 30.11.2013	JSC Mosenergo is the customer; JSC Tekon-Engineering is the supplier.	Modernisation of technological protection based on microprocessor technology for EK-10 TPP-21.	RUR 22,708,596.53 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 26.12.13 (Meeting minutes no. 9 as of 30.12.13, item 4.3.)
25	Contract No. 1*33509 as of 18.12.2013	JSC Mosenergo is the lender; LLC WGC-Investproekt is the lendee.	The lender loans funds to the lendee amounting to not more than RUR 2,600,000,000.00 (two billion, six hundred million roubles); (hereinafter, the loan amount) and the lendee agrees to return the loan amount to the lender and pay interest to the sum of not more than RUR 1,884,875,000.00 (one billion eight hundred and eighty-four million eight hundred and seventy-five thousand roubles) for the use of the loan within the period and terms prescribed by the agreement.	RUR 2,600,000,000.00	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 29.11.13 (Meeting minutes no. 8 as of 02.12.13 item 3.5.)
26	Addendum No.1*30982 as of 18.12.2013 to agreement No. 19903-1 as of 11.03.2009	JSC Mosenergo is the principal; LLC PPTK is the agent.	Provision of agent services.	RUR 59,100,300.00 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 03.06.13 (Meeting minutes no. 15 as of 06.06.13 item 6.2.)
27	Additional contribution to the equity capital of a subsidiary	JSC Mosenergo is a participant, LLC TSK Mosenergo.	Additional contribution to the equity capital of the subsidiary LLC TSK Mosenergo.	RUR 958,000,000.00		TRANSACTION APPROVED by the Board of Directors 29.11.13 (Meeting minutes no.8 as of 02.12.13 item 3.4.)
28	Contract No.1*27125 as of 07.08.2013	JSC Mosenergo is the seller; LLC TSK Mosenergo is the buyer.	Compensation for the provision by the supplier to the customer of heat energy and heat transfer medium (feedwater make-up).	RUR 101,480,000.00 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 29.07.13 (Meeting minutes no. 3 as of 01.08.13 item 4.1.)
29	Contract No.1*25496 as of 07.08.2013	JSC Mosenergo is the seller; LLC TSK Mosenergo is the buyer.	Purchase and sale of heat energy to compensate for heat losses arising from the relationship of the parties in the transfer of heat energy of the buyer via the heat supply networks of the seller.	RUR 103,840,000.00 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 29.07.13 (Meeting minutes no.3 as of 01.08.13 item 4.1.)
30	Contract No.1*27126 as of 07.08.2013	JSC Mosenergo is the seller; LLC TSK Mosenergo is the buyer.	Purchase and sale of heat transfer medium to compensate for losses in the heat supply network arising from the relationship of the parties in the transfer of heat energy of the buyer via the heat supply networks of the seller.	RUR 31,860,000.00 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 29.07.13 (Meeting minutes no.3 as of 01.08.13 item 4.1.)
31	Agreement No. 1*24602 as of 26.11.2013	JSC Mosenergo is the buyer; JSC MOEK is the supplier.	The seller (supplier) agrees to serve (deliver) the buyer with heat energy and heat transfer medium, via the heat supply network and the buyer shall pay for the received heat and heat transfer medium. The acquisition by the buyer of the heat energy and heat transfer medium from the seller (supplier) is made with a view to their subsequent sale to customers who have signed heat energy contracts with the buyer.	RUR 826,000,000.00 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Board of Directors 29.07.13 (Meeting minutes no. 3 as of 01.08.13 item 4.2.)
32	Property insurance contract No. 13 PT 0671 No.1*33417 as of 20.12.2013	JSC Mosenergo is the insured; JSC SOGAZ is the insurer.	Property insurance.	Not more than RUR 187,215,329.64	The insurance contract is valid for one year	TRANSACTION APPROVED by the Board of Directors 03.06.13 (Meeting minutes no.15 as of 06.06.13 item 6.5.)

No.	Transaction	Parties involved	Subject of transaction	Transaction cost	Period of fulfilment of responsibilities	Resolution of the Company's governing bodies on approval of the transaction
33	General agreement as of 10.08.2011 No.7231 18.12.2013 3 transactions	GPB (JSC) is the bank; JSC Mosenergo is the client.	Credit loan of RUR 3,950,000,000.	RUR 3,950,000,000.00	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by an Extraordinary General Shareholder Meeting 21.10.13 (Meeting minutes no.2 as of 23.10.13 item 1.1.)
34	Credit agreement No.3329 as of 28.10.2013 (1*26263) 1 18.11.2013	JSC Bank VTB is the creditor; JSC Mosenergo is the client.	The opening of a limited credit line with a limit of RUR 10,000,000,000.	RUR 3,750,000,000.00	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by an Extraordinary General Shareholder Meeting 21.10.13 (Meeting minutes no.2 as of 23.10.13 item 1.2.)
35	Addendum to the contract for the provision of heat energy and heat-transfer medium No.100\100000 4255\017 as of 29.06.2012	JSC Mosenergo is the customer; JSC MTK (as of 01.10.2012 JSC MOEK) is the supplier.	Delivery of heat energy and heat transfer medium via the MOEK heat distribution network in Q4 of 2013.	RUR2,921,466,518.13 including VAT	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Annual General Shareholder Meeting 19.06.2012 (Meeting minutes no.1 as of 22.06.2012, item 9.12)
36	Contract No.100\1000006458\000 as of 18.10.2010, Contract No.100\1000011827\000 as of 22.08.2011 2 transactions 06.12.2013	JSC Bank VTB is the bank; JSC Mosenergo is the client.	Placement of monetary funds in deposit accounts.	RUR 4,946,000,000.00	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Annual General Shareholder Meeting 05.06.13 (Meeting minutes no.1 as of 07.06.13, item 12.10)
37	Contract No.100\1000006457\000 as of 18.06.2010 22.11.2013	JSC "Rossiya" is the bank; JSC Mosenergo is the client.	Placement of monetary funds in deposit accounts.	RUR 4,221,000,000.00	Until the obligations undertaken by both parties are completely fulfilled.	TRANSACTION APPROVED by the Annual General Shareholder Meeting 16.06.2010 (Meeting minutes no.1), AGSM 05.06.13 (Meeting minutes no.1 as of 07.06.13, item 12.6)

10.4

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Independent Auditor's Report

To the Shareholders and Board of Directors of Open Joint Stock Company Mosenergo

We have audited the accompanying consolidated financial statements of OJSC Mosenergo (OAO MOSENERGO) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of comprehensive income, changes in shareholders' 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.

ZAO PricewaterhouseCoopers Audit, 10 Butyrsky Val, Moscow, Russian Federation, 125047
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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

17 March 2014

Moscow, Russian Federation

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

Audited entity: OJSC Mosenergo

State registration certificate № 012.473, issued by Moscow city registration chamber on 6 April 1993

Certificate of inclusion in the Unified State Register of Legal Entities № 1027700302420 issued on 11 October 2002

119526, Russian Federation, Moscow, Vernadskogo pr., 101, bld.3

Independent auditor: ZAO PricewaterhouseCoopers Audit

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Russian Roubles)

	Note	31 December 2013	31 December 2012 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7	273,766	190,387
Investment property	8	800	792
Goodwill	4	2,059	-
Advances for acquisition of property, plant and equipment		10,700	15,895
Trade and other receivables	12	704	1,399
Other non-current assets	13	4,286	1,251
Total non-current assets		**292,315**	**209,724**
Current assets			
Cash and cash equivalents	14	2,871	12,632
Investments	11	541	4,833
Trade and other receivables	12	34,689	29,259
Inventories	10	7,136	6,536
Income tax receivable		384	4
Other current assets	13	457	677
		46,078	**53,941**
Assets classified as held for sale	9	563	1,576
Total current assets		**46,641**	**55,517**
Total assets		**338,956**	**265,241**
EQUITY AND LIABILITIES			
Equity	15		
Share capital		166,124	166,124
Treasury stock		(871)	(871)
Share premium		49,213	49,213
Reserves		130,779	83,687
Accumulated loss		(86,860)	(93,145)
Total equity attributable to equity holders of the Group		**258,385**	**205,008**
Non-controlling interest	1	737	531
Total equity		**259,122**	**205,539**
Non-current liabilities			
Non-current borrowings	16	19,202	16,616
Deferred tax liabilities	28	37,791	25,911
Employee benefits	17	374	364
Trade and other payables	18	919	1,085
Total non-current liabilities		**58,286**	**43,976**
Current liabilities			
Trade and other payables	18	13,288	12,257
Income tax payable		4	116
Other taxes payable	19	861	1,120
Current borrowings and current portion of non-current borrowings	16	7,275	1,898
Provisions	20	50	67
		21,478	**15,458**
Liabilities classified as held for sale	9	70	268
Total current liabilities		**21,548**	**15,726**
Total liabilities		**79,834**	**59,702**
Total equity and liabilities		**338,956**	**265,241**

General Director — V.G. Yakovlev

Chief Accountant — E.Y. Novenkova

«17» March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Russian Roubles)

	Note	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Revenue	21	156,663	157,139
Other operating income	26	1,168	1,893
Cost of materials	22	(100,770)	(95,542)
Heat transmission		(7,641)	(19,647)
Depreciation of property, plant and equipment	7	(13,972)	(13,716)
Personnel expenses	24	(9,902)	(8,594)
Maintenance and repairs expenses		(4,549)	(5,421)
Other external supplies	23	(4,236)	(3,936)
Taxes other than income tax		(391)	(1,511)
Impairment loss on property, plant and equipment	7	(902)	(575)
Other operating expenses	25	(5,590)	(3,556)
Results from operating activities		**9,878**	**6,534**
Financial income	27	614	1,608
Financial expenses	27	(1,303)	(132)
Profit before income tax		**9,189**	**8,010**
Income tax expense	28	(1,705)	(1,697)
Profit for the year		**7,484**	**6,313**
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Remeasurement of post employee benefit obligation	28	35	(3)
Reversal of impairment loss/(impairment loss) on property, plant and equipment	28	290	(56)
Revaluation of property, plant and equipment	28	46,771	-
Other comprehensive income/(loss) for the year, net of tax		**47,096**	**(59)**
Total comprehensive income for the year		**54,580**	**6,254**
Profit attributable to:			
Equity holders of the Group		7,473	6,313
Non-controlling interest		11	-
Total comprehensive income is attributable to:			
Equity holders of the Group		54,565	6,254
Non-controlling interest		15	-
Basic and diluted earnings per share (in Russian Roubles)	29	**0.19**	**0.16**

General Director — V.G. Yakovlev

Chief Accountant — E.Y. Novenkova

«17» March 2014

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Russian Roubles)

	Note	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Cash flow from operating activities			
Profit before income tax		**9,189**	**8,010**
Adjustments for:			
Depreciation of property, plant and equipment	7	13,972	13,716
Trade and other receivables impairment loss and derecognition	25	2,506	1,153
Financial income	27	(614)	(1,613)
Financial expenses	27	1,534	132
Loss on disposal of property, plant and equipment	25	198	212
Litigations provision charge	20	28	112
Gain from disposal of assets classified as held for sale	26	(61)	(501)
Impairment loss on assets classified as held for sale	25	26	11
Impairment loss on property, plant and equipment	7	902	575
Gain from investment property fair value change	8	(9)	-
Other non-cash items		(1)	(5)
Operating cash flows before changes in working capital and provisions		**27,670**	**21,802**
Change in inventories		103	299
Change in trade and other receivables		(9,016)	(3,427)
Change in other current and non-current assets		156	(87)
Change in trade and other payables		(4,140)	(6,895)
Change in taxes payables, other than income tax		(257)	943
Change in employee benefit		(8)	(6)
Change in provisions		(45)	(138)
Cash flows from operations before income tax and interest paid		**14,463**	**12,491**
Income tax paid		(2,229)	(2,002)
Cash flows from operating activities		**12,234**	**10,489**
Cash flows used in investing activities			
Proceeds from investments		4,899	-
Proceeds from sale of assets classified as held for sale		313	799
Proceeds from sale of property, plant and equipment		217	23
Interest received		279	754
Dividends received		19	-
Acquisition of property, plant and equipment		(29,674)	(19,759)
Acquisition of subsidiary, net cash acquired		(1,631)	(542)
Acquisition of investments		-	(4,331)
Interest paid and capitalised		(962)	(929)
Debt fee		(199)	(257)
Cash flows used in investing activities		**(26,739)**	**(24,242)**
Cash flows from financing activities			
Proceeds from borrowings		10,316	7,568
Repayment of borrowings		(4,635)	(5,583)
Dividends paid		(1,168)	(1,167)
Cash flows from financing activities		**4,513**	**818**
Net decrease in cash and cash equivalents		**(9,992)**	**(12,935)**
Cash and cash equivalents at the beginning of the year	14	12,632	25,572
Exchange (gain)/loss on cash and cash equivalents		231	(5)
Cash and cash equivalents at the end of the year	14	**2,871**	**12,632**

General Director V.G. Yakovlev

Chief Accountant E.Y. Novenkova

«17» March 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Russian Roubles)

	Note	Attributable to equity holders of the Group							
		Share capital	Treasury stock	Share premium	Reserves	Accumulated loss	Total	Non-controlling interest	Total Equity
Balance at 31 December 2011 (as reported)		**166,124**	**(871)**	**49,213**	**83,837**	**(98,270)**	**200,033**	**-**	**200,033**
Effect of changes in accounting policies	3	-	-	-	(91)	-	(91)	-	(91)
Balance at 1 January 2012 (restated)		**166,124**	**(871)**	**49,213**	**83,746**	**(98,270)**	**199,942**	**-**	**199,942**
Profit for the year (restated)		-	-	-	-	6,313	6,313	-	6,313
Other comprehensive income for the year:									
Remeasurement of post employee benefit obligation	28	-	-	-	(3)	-	(3)	-	(3)
Impairment loss on property, plant and equipment	28	-	-	-	(56)	-	(56)	-	(56)
Total comprehensive income for the year (restated)		**-**	**-**	**-**	**(59)**	**6,313**	**6,254**	**-**	**6,254**
Dividends to shareholders		-	-	-	-	(1,188)	(1,188)	-	(1,188)
Non-controlling interest arising from business combination		-	-	-	-	-	-	531	531
Balance at 31 December 2012 (restated)		**166,124**	**(871)**	**49,213**	**83,687**	**(93,145)**	**205,008**	**531**	**205,539**
Balance at 31 December 2012 (as reported)		**166,124**	**(871)**	**49,213**	**83,781**	**(93,142)**	**205,105**	**531**	**205,636**
Effect of changes in accounting policies	3	-	-	-	(94)	(3)	(97)	-	(97)
Balance at 1 January 2013 (restated)		**166,124**	**(871)**	**49,213**	**83,687**	**(93,145)**	**205,008**	**531**	**205,539**
Profit for the year		-	-	-	-	7,473	7,473	11	7,484
Other comprehensive income for the year:									
Remeasurement of post employee benefit obligation	28	-	-	-	35	-	35	-	35
Reversal of impairment loss on property, plant and equipment	28	-	-	-	290	-	290	-	290
Revaluation of property, plant and equipment		-	-	-	46,767	-	46,767	4	46,771
Total comprehensive income for the year		**-**	**-**	**-**	**47,092**	**7,473**	**54,565**	**15**	**54,580**
Dividends to shareholders		-	-	-	-	(1,188)	(1,188)	-	(1,188)
Non-controlling interest arising from business combination		-	-	-	-	-	-	191	191
Balance at 31 December 2013		**166,124**	**(871)**	**49,213**	**130,779**	**(86,860)**	**258,385**	**737**	**259,122**

General Director V.G. Yakovlev

Chief Accountant E.Y. Novenkova

«17» March 2014

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(in millions of Russian Roubles)

NOTE 1. THE GROUP AND ITS OPERATIONS

(a) Organisation and operations

The Open Joint Stock Company "Mosenergo" (the "Company") and its subsidiaries (together referred as the "Group" or the "Mosenergo Group") are primarily involved in generation of heat and electric power and heat distribution services in the Moscow city and Moscow region.

The Group's power and heat generation base includes 15 power plants with operational capacity equaled approximately 12,262 megawatts ("MW") and 34,722 gigacalories/hour ("Gkal/h") of electricity and heat capacity.

OJSC "Mosenergo" was registered under the legislation of the Russian Federation at 6 April 1993 in accordance with State Property Management Committee Decree 169-R dated 26 March 1993 following the privatisation process of electricity and heat power generation, transmission and distribution assets formerly under control of the Ministry of Energy of the Russian Federation.

The Company's registered office is located at 101/3, Prospekt Vernadskogo, Moscow, 119526, Russian Federation.

(b) Group formation

At 1 April 2005, the Company was reorganised through a spin-off following the reorganisation process within the Russian electricity sector aimed to introduce competition into the electricity market and to enable the companies of electricity sector to maintain and further expand production capacity. The Company's restructuring was approved by general shareholder's meeting at 28 June 2004. Before the restructuring took place the Company operated as an integrated utility model, which included generation, transmission and distribution activities. As a result of the restructuring 13 new entities were separated from the Company and each shareholder of the Company received ordinary shares of each of the separated entities pro rata to Company's shares held by them prior to spin-off.

A general shareholders' meeting held at 20 December 2006 approved a closed subscription for the additional shares issued in favor of OJSC "Gazprom" and its affiliates (together referred as the "Gazprom Group"). As a result, the majority shareholder of OJSC "Mosenergo" changed from RAO UES of Russia to Gazprom Group holding 53.49% of ordinary shares. Following the reorganisation process, an extraordinary general shareholder's meeting of RAO UES of Russia at 26 October 2007 approved the spin-off of several holding companies to which shares in electricity generation companies, including OJSC "Mosenergo", held by RAO UES of Russia, were transferred. Holdings separated from RAO UES of Russia were merged with generation companies by means of shares conversion, which enabled the shareholders of RAO UES of Russia to receive direct shares in generation companies after reorganisation. Accordingly, upon spin-off from RAO UES of Russia OJSC "Mosenergo Holding" (the "Mosenergo Holding") received stake in OJSC "Mosenergo" held by RAO UES of Russia. Simultaneously with the spin-off "Mosenergo Holding" was merged with the Company and its shares were converted into the Company's shares.

In February 2009, the Company's Board of Directors approved a program to improve the Company's organisational structure, which is aimed to concentrate production resources, optimise the labor capacity and supply chain. Organisational structure optimisation included the merge of several production branches situated geographically close to each other and reallocation and outsourcing of non-core functions.

In April 2009 OJSC "Gazprom" transferred its 53.49% share in the Company to its 100% subsidiary LLC "Gazprom energoholding" (previously – LLC "Gazoenergeticheskaya Kompaniya") which became the parent company of OJSC "Mosenergo".

(c) Business environment

The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject varying interpretation (Note 32).

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Russian financial and corporate sectors. Management assessed possible impairment of the Group's property, plant and equipment by considering the current economic environment and outlook. The future economic and regulatory situation may differ from management's current expectations.

(d) Relations with the state and current regulation

At the end of the reporting period the Russian Federation owned (both direct and indirect ownership) over 50% in OJSC "Gazprom" (the previous "Parent"), which in April 2009 held 53.49% of the Company through its 100% subsidiary LLC "Gazprom energoholding" (immediate parent company). Thus the OJSC "Gazprom" is the ultimate parent company of the Group and the Russian Federation is the ultimate controlling party of the Group.

The government of the Russian Federation directly affects the Group's operations through regulations of wholesale and retail sales of electricity and heat exercised by the Federal Service on Tariffs (the "FST") and the Regional Energy Commissions of Moscow and Moscow region (the "RECs"). JSC "System Operator of the United Power System" (the "SO UES"), which is controlled by the Russian Federation, regulates operations of generating assets of the Group.

The Group's customer base as well as suppliers' chain includes a large number of entities controlled by or related to the state.

As described in Note 6 and Note 32, the government's economic, social and other policies could materially affect operations of the Group.

(e) Industry restructuring

Following the restructuring of the Russian electric utility sector aimed to introduce competition to the electricity (capacity) market, the New Wholesale Electric Power (capacity) Market Rules of the Transitional period (the "NOREM"), approved by Resolution of the Government of the Russian Federation № 529 dated 31 August 2006, were adopted. Under this new framework, electricity and capacity purchase-sales transactions in the regulated market sector are to be governed by a regulated bilateral contract system. Starting 1 September 2006 regulated contracts covered all volumes of electricity and capacity produced and consumed.

Starting 2007, the volumes of electricity and capacity traded in the wholesale market applying regulated prices are to be substantially reduced pursuant to Russian Federation Government Resolution No. 205 dated 7 April 2007 "On amending certain resolutions of the Russian Federation Government related to the calculation of electricity volumes sold at free (competitive) prices". The Resolution states that electricity and capacity supplied at regulated prices will gradually decrease.

Electricity volumes produced, not covered by the regulated contracts, is traded at unregulated prices on the basis of free bilateral contracts or on a day-ahead market. Under free bilateral contracts market participants have the right to choose contracting parties, prices and volumes. The day-ahead market is based on competitive selection of bids submitted by suppliers and buyers the day before the electricity is supplied.

Starting from 2011, electricity and capacity (except for supplies to the population and equivalent consumer categories under regulated contracts) have been supplied at unregulated prices. Electricity is supplied at free prices on the day-ahead market and balancing market while capacity is supplied based on competitive capacity selection under the contracts for sales of capacity. Furthermore, separate contracts are concluded for capacity, which is generated by assets operating under forced mode and traded at tariffs approved by the Russian Federal Tariff Service (FTS). Non-regulated bilateral contracts for supply of electricity and capacity may be also concluded.

Agreements for the provision of facilities provide on the one hand the obligations for suppliers to implement approved investment programs, and on the other hand give a guarantee of payment capacity of the new (upgraded) generating facilities from the Russian Government.

(f) Scope of consolidation

OJSC "Mosenergo" and its following subsidiaries form the Mosenergo Group:

	Percentage of ownership	
	31 December 2013	31 December 2012
LLC "TSK Mosenergo"	100%	100%
LLC "Centralny remontno-mekhanicheskiy zavod"	100%	100%
LLC "OGK-Investproject"	90.5%	51%
LLC "Telpoenergoremont"	65%	-
LLC "Telpoenergoremont-Novomichurinsk"	65%	-
LLC "Telpoenergoremont-Moskva"	72%	-
OJSC "Remont ingenernyh kommunikaciy"	65%	-
LLC "Energo-Kran"	51%	-
Autonomous Non-Commercial Organization "KvaliTEK"	65%	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in millions of Russian Roubles)

On 20 September 2012 the Group acquired a 51% interest in LLC "OGK-Investproject" and obtained control over LLC "OGK-Investproject". The company carries out construction of the power unit at Cherepovets GRES. During the year 2013 the Company sequentially increased its interest in LLC "OGK-Investproject" up to 90.5% through acquisition of additional share capital issues for total cash consideration of RR 4,457 million.

On 30 October 2013 the Group acquired 65% of the share capital of LLC "Teploenergoremont" for cash consideration of RR 1,951 million and 20% of the share capital of LLC "Teploenergoremont-Moskva" for cash consideration of RR 487 million (other 80% of the share capital of LLC "Teploenergoremont-Moskva" is held by LLC "Teploenergoremont"). As a result of the acquisition the Group obtained control over the LLC "Teploenergoremont" and its subsidiaries listed above (the "TER Group") which is presented by the group of companies providing repair and modernization of power plants equipment. The acquisition price was determined by the independent appraiser.

(g) Principal subsidiaries

	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by Mosenergo Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
LLC "TSK Mosenergo"	Russia	Heat and water supplier	100%	100%	-
LLC "Centralny remontno-mekhanicheskiy zavod"	Russia	Repair and reconstruction	100%	100%	-
LLC "OGK-Investproject"	Russia	Construction	90.5%	90.5%	9.5%
LLC "Telpoenergoremont"	Russia	Repair and reconstruction	65%	65%	35%
LLC "Telpoenergoremont-Novomichurinsk"	Russia	Repair and reconstruction	-	65%	35%
LLC "Telpoenergoremont-Moskva"	Russia	Repair and reconstruction	20%	72%	28%
OJSC "Remont ingenernyh kommunikaciy"	Russia	Repair and reconstruction	-	65%	35%
LLC "Energo-Kran"	Russia	Repair and reconstruction	-	51%	49%
Autonomous Non-Commercial Organization KvaliTEK	Russia	Education services	-	65%	35%

No preference shares held by the group.

The following table provides information about each significant subsidiary that has material to the Group non-controlling interest:

	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Other comprehensive income attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
As of and for the year ended 31 December 2013					
LLC "OGK-Investproject"	9.5%	4	4	(539)	-
LLC "Telpoenergoremont-Moskva"	28%	8	-	(43)	-
LLC "Telpoenergoremont"	35%	(1)	-	(155)	-
Total	-	**11**	**4**	**(737)**	-
As of and for the year ended 31 December 2012					
LLC "OGK-Investproject"	49%	-	-	(531)	-
Total	-	-	-	**(531)**	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in millions of Russian Roubles)

The following table summarized financial information about each subsidiary, that has material to the Group non-controlling interest:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss)	Total comprehensive income
As of and for the year ended 31 December 2013							
LLC "OGK-Investproject"	474	14,578	(655)	(8,859)	5	21	16
LLC "Telpoenergoremont-Moskva"	1,597	139	(1,571)	-	790	30	29
LLC "Telpoenergoremont"	795	84	(437)	-	512	(6)	(3)
Total	**2,866**	**14,801**	**(2,663)**	**(8,859)**	**1,307**	**45**	**42**
As of and for the year ended 31 December 2012							
LLC "OGK-Investproject"	1,300	8,121	(1,912)	(6,425)	1	-	-
Total	**1,300**	**8,121**	**(1,912)**	**(6,425)**	**1**	-	-

NOTE 2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that property, plant and equipment and investment property are revalued periodically; available-for-sale financial assets are measured at fair value; and the carrying amounts of equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, GosKomStat. Russia ceased to be hyperinflationary for IFRS purposes at 1 January 2003.

The methods used to measure fair values are discussed further in Note 30.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (RR), which is the Group's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RR has been rounded to the nearest million.

(d) Use of estimates and judgment

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

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 30 – Fair value determination of property, plant and equipment;
- Note 30 – Fair value determination of investment property;
- Note 30 – Fair value determination of other non-current assets;
- Note 30 – Fair value determination of trade and other receivables, and
- Note 33 – Aggregation of operating segments.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

(a) Adoption of new or revised standards and interpretations

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

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

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- 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);
- IFRS 13, Fair Value Measurement (issued in May 2011, effective for annual periods beginning on or after 1 January 2013). Disclosure required by the standard was made in the consolidated financial statements (Note 30);
- 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 IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012). The amended standard has changed the presentation of the Group's consolidated financial statements, but had no impact on the measurement of transactions and balances;
- 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);
- Amended IAS 19, Employee benefits (issued June 2011, effective for periods beginning on or after 1 January 2013). The nature and the impact of revised standards are described in the Note 3 (b);
- 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); and
- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning on or after 1 January 2013).

Unless otherwise described above, these standards, amendments to standards and interpretations did not have a material impact on these consolidated financial statements.

(b) Restatement and reclassification of comparatives

Starting 1 January 2013 the Group made changes to the recognition and measurement of defined benefit pension expense and termination benefits and to the disclosures for employee benefits in accordance with revised IAS 19 "Employee Benefits".

Changes in the net defined benefit liability (assets), when they occur, were recognized 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 reserves in equity. Retrospective application of the standard had impact on the consolidated financial statements at 31 December 2012 presented below. The consolidated statement of financial position at 31 December 2011 was not presented due to insignificant effect of changes.

Also presentation of comparative amounts in the consolidated statement of financial position has been reclassified to conform with the current period's presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in millions of Russian Roubles)

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The effect on the consolidated statement of financial position at 31 December 2012:

	As originally presented	Items	Effect of adopting revised IAS 19	Reclassification	As adjusted
Non-current assets					
Advances for acquisition of property, plant and equipment	15,728	2	-	167	15,895
Trade and other receivables	1,532	2	-	(133)	1,399
Other non-current assets	3,721	2	-	(2,470)	1,251
Current assets	-		-	-	
Trade and other receivables	29,610	2	-	(351)	29,259
Other current assets	393	2	-	284	677
Total assets	**267,744**		**-**	**(2,503)**	**265,241**
Equity					
Reserves	83,781	1	(94)	-	83,687
Accumulated loss	(93,142)	1	(3)	-	(93,145)
Non-current liabilities					
Deferred tax liabilities	25,936	1	(25)	-	25,911
Employee benefits	242	1	122	-	364
Trade and other payables	1,125	2	-	(40)	1,085
Current liabilities				-	
Trade and other payables	14,720	2	-	(2,463)	12,257
Total equity and liabilities	**267,744**		**-**	**(2,503)**	**265,241**

The effect on the consolidated statement of comprehensive income for the year ended 31 December 2012:

	As originally presented	Items	Effect of adopting revised IAS 19	Reclassification	As adjusted
Other operating income	1,927	1	3	(37)	1,893
Personnel expenses	(8,591)	1	(3)	-	(8,594)
Other operating expenses	(3,593)		-	37	(3,556)
Financial expenses	(128)	1	(4)	-	(132)
Income tax expense	(1,698)	1	1	-	(1,697)
Profit for the year	**6,316**		**(3)**	**-**	**6,313**
Remeasurement of post employee benefit obligation	-	1	(3)	-	(3)
Total comprehensive income for the year	**6,260**		**(6)**	**-**	**6,254**

The following are main explanations of the corrections and reclassifications made:

Item 1 Increase in employee benefits in amount of RR 122 million was due to adoption of revised IAS 19 "Employee Benefits" under which unrecognized past service costs, actuarial gains/losses and contributions to social security payable together with certain benefits are included into amount of obligations.

Item 2 Value added taxes related to advances received and to advances paid were netted off against trade and other receivables and trade and other payables.

(c) Basis of consolidation

(i) 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 accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The Group measures non-controlling interest that represents current ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis at: the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

(ii) Transfers of subsidiaries from parties under common control

Transfers of subsidiaries between parties under common control are accounted for using the predecessor basis of accounting method. Under this method the assets and liabilities of the subsidiary transferred under common control are recognised at the predecessor entity's carrying amounts. The financial statements incorporate the acquired entity's results from the date on which the transaction occurred. The corresponding figures of the previous year are not restated. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment within equity.

(iii) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

(e) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise of cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables consist of financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the Group upon initial recognition designates at fair value through profit or loss.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains or losses on available-for-sale monetary items, are recognised directly in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(ii) Share capital

Ordinary shares

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

Repurchase of share capital (treasury stock)

When share capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

(f) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are subject to revaluation on a regular basis to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the balance sheet date. Increase in the carrying amount of property, plant and equipment as a result of revaluation is credited directly to other comprehensive income under the heading reserve, unless the decrease of the reserve was previously recognised in profit or loss. Decrease in the carrying amount shall be debited to other comprehensive income to the extent of any credit balance existing in the revaluation reserve. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revaluated amount of the asset.

The tax effects from the revaluation of property, plant and equipment are recognised in other comprehensive income and accumulated in equity.

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

(in millions of Russian Roubles)

Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs, and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could 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.

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

Gains and losses on disposal of an item of property, plant and equipment are recognised net in "other operating expenses" in profit or loss. The revaluation surplus is not transferred from reserve when the assets are disposed.

(ii) Reclassification to investment property

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent the gain reverses previous impairment loss on a specific property, with any remaining gain recognised in the revaluation reserve directly in other comprehensive income. Any loss is recognised in the revaluation reserve directly in other comprehensive income to the extent that an amount of revaluation is included in other comprehensive income relating to a specific property, with any remaining loss recognised immediately in profit or loss.

(iii) Subsequent costs

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

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of lease term. Depreciation of an asset begins when it is available for use.

The estimated useful lives for the current year are as follows:

• Buildings and constructions	20–60 years
• Plant and equipment	10–30 years
• Transmission networks	5–30 years
• Other	1–15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

As part of revaluation at 31 December 2013 estimates in respect of useful lives of certain classes of property, plant and equipment were revised for the year 2014 and were as follows:

• Buildings and constructions	30–70 years
• Plant and equipment	25–40 years
• Transmission networks	30 years
• Other	5–25 years

(g) Intangible assets

(i) Goodwill

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill, bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

(ii) Other intangible assets

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

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives of the software for the current and comparative periods equal to 7 years.

(h) Investment property

Investment property is property or construction in progress held or constructed either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Any change in fair value is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

When the carrying amount of property is to be recovered principally through a sale transaction rather than through continuing use the property is remeasured to fair value and reclassified as assets held for sale. Any gain or loss on the remeasurement recognised in profit or loss.

(i) Leased assets

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

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost

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includes an appropriate share of production overheads based on normal operating capacity.

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

(k) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Impairment losses for available-for-sale financial assets 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. 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.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). To calculate the recoverable amount in respect of a specific group of assets, the Group uses the fair value method, based on the possibility of alternative use. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in other comprehensive income if revaluation reserve existing to such assets, otherwise in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

(i) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held-for-sale. Immediately before classification as held-for-sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment loss is recognised in the revaluation reserve directly in other comprehensive income to the extent that an amount of revaluation is included in other comprehensive income relating to a specific property, with any remaining loss recognised immediately in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

(l) Employee benefits

(i) Defined contribution pension plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an 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 balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is 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, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Current service cost, interest on employee benefit obligations, past service cost, effect of curtailment and settlement are recognised to profit or loss immidiatly.

(iii) Other long-term employee benefits

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

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(v) Short-term benefits

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

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

(m) Provisions

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

(n) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief operating decision-maker. The Chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors including Chief Executive Officer who makes strategic decisions.

(o) Revenues

(i) Goods sold

Revenues from sales of electricity and heat are recognised when electricity and heat are supplied to customers.

Revenue from the sale of goods other than electricity and heat is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(p) Government subsidies

Government subsidies are assistance by government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Company.

Government subsidies are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the subsidy. Subsidies that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Government subsidies that compensate the Company for the cost of an asset are recognised in the statement of comprehensive income on a systematic basis over the useful life of the asset. Unconditional government subsidies are recognised on profit or loss when subsidy becomes receivable. Government subsidies for the compensation of the difference between tariffs set to the urban population and the tariffs of the Company are recognised as income and included in other operating income.

(q) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(r) Financial income and expenses

Financial income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-

for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on certain financial assets. All borrowing costs are recognised in profit or loss using the effective interest method except for those which are capitalised.

Foreign currency gains and losses are reported on gross basis.

(s) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in the consolidated statement of changes in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable the profit or loss, and differences relating to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) 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 other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

(u) 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. Diluted EPS is determined by adjusting profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. There are no dilutive potential ordinary shares as of 31 December 2013 and 31 December 2012.

(v) New Standards and Interpretations

Certain new 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

(in millions of Russian Roubles)

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. The mandatory effective date of IFRS 9 is to be determined once the standard is complete. The standard is available for early adoption. The Group does not plan to adopt the standard before the mandatory effective date.

- 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. The Group is currently assessing the impact of the amendments on its financial statements.
- 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).
- 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. The Group is currently assessing the impact of the amendments on its financial statements.
- 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:
  - IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'.
  - 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.
  - 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.
  - 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.
  - 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.
  - 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.

The Group is currently assessing the impact of the amendments on its financial statements.

- 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).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

NOTE 4. BUSINESS COMBINATION

On 30 October 2013 the Group acquired 65% of the share capital of LLC "Teploenergoremont" and 20% of the share capital of LLC "Teploenergoremont-Moskva" providing equipment repair and power plant modernization services (see Note 1 (f)).

The primary reasons for the acquisition and the principal factors contributing to goodwill are the potential increase in efficiency of repairs and modernisations of power plants and expected earnings from services provided. The goodwill is not deductible for tax purposes.

The Company accounted the acquisition of TER Group as a business combination. The following table summarises the consideration paid for TER Group, final allocation of the purchase price to the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	At 30 October 2013
Consideration	**2,438**
Recognised amount of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	320
Property, plant and equipment (Note 7)	144
Other current and non-current assets	61
Inventories	647
Trade and other receivables	1,464
Trade and other payables	(1,408)
Borrowings	(729)
Deferred tax asset	5
Investments	93
Employee benefits (Note 17)	(27)
Total identifiable net assets	**570**
Non-controlling interest (Note 1 (g))	**(191)**
Goodwill	**2,059**
Total	**2,438**

The fair value of cash consideration is RR 2,438 million. The acquisition of TER Group does not contemplate contingent consideration.

The fair value of trade and other receivables is RR 1,464 million. The gross contractual amount for trade receivables due is RR 1,481 million, of which RR 17 million is provided for.

The fair value of the non-controlling interest in TER Group, an unlisted company was estimated by using proportional method of net of identifiable assets and liabilities assumed.

The revenue included in the consolidated statement of comprehensive income since 30 October 2013 contributed by TER Group was RR 733 million. TER Group also contributed profit before income tax of RR 41 million over the same period.

If the acquisition had occurred on 1 January 2013, Group revenue for 2013 would have been RR 158,323 million, and profit before income tax for 2013 would have been RR 9,229 million.

Management reviews the business performance based on power generating units and type of business. It has identified repair and reconstruction services as the minor type and included in other reportable segments. During 2013, repair and reconstruction service did not qualify as a separate reportable operating segment. Goodwill is monitored by the management at the operating segment level. The recoverable amount of all CGUs has been determined based on value-in-use calculations made by independent appraiser. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated growth rates.

NOTE 5. FINANCIAL RISK MANAGEMENT

(a) Overview

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

- credit risk;
- liquidity risk, and
- market risk.

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

The General Director has overall responsibility for proper functioning of the Group's internal controls system. The Board of Directors establishes and oversights of the Group's risk management framework and control environment mitigating those risks. The Audit Committee as part of Board of Directors evaluates the internal controls system effectiveness. The Group's Audit Committee is assisted in its oversight role by the Department of Internal Audit, who oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Department of Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The risk management functions are performed by several departments of the Company. Credit risk is considered by the Treasury Department. Liquidity risk is addressed by the Treasury Department and the Department on Budgeting and Management Accounting. These departments are accountable to the Deputies of General Director who supervises and coordinates the work of the risk management system.

The Group's risk management policies are summarised in the Company's Regulations on Risk Management which are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The procedures carried out in relation to the Company's risk analysis include examination of the customers reliability, analysis of bank guarantees for prepayments given to suppliers, bank currency position analysis, sensitivity analysis of exchange and interest rates for borrowings, budget implementation analysis etc.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive internal control environment in which all employees understand their roles and obligations.

(b) Credit risk

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Geographically credit risk is concentrated in the city of Moscow and Moscow Region as most of sales are made in this area. Creditworthiness of existing customers is periodically evaluated based on internal and external information regarding history of settlements with these customers. The Group constantly analyses accounts receivable turnover ratios, maturity dates and takes appropriate measures on collection of debts due. Approximately 90–95% of the customers are the clients of the Group for a period longer than 2–3 years.

There are standard contract terms for any customer purchasing energy under regulated contracts, the day-ahead market or the balancing market. Individual terms can be stipulated in free bilateral contracts for electricity (capacity). Special conditions are envisaged by the Russian legislation on Power industry for some heat consumers such as state companies, housing organisations and entities, which may not be limited or refused energy supply because it can lead to casualties or other harmful aftermath (hospitals, schools etc.). Currently no upper limits for debt due from a single customer are established.

In monitoring customer credit risk, customers are grouped according to the accounts receivable type and maturity dates. Accounts receivable are divided into five major groups, which are current, overdue, long-term, doubtful and irrecoverable accounts receivable. As early as an account receivable is classified as current measures are taken on collection of debt due, which include oral and written notices, instituting a claim, putting in a late payment penalty etc.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(ii) Guarantees

The Group's policy does not stipulate providing any financial guarantees for customers.

(iii) Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least A3 from Moody's and Aaa from Moody's, except for related parties. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The liquidity risk management is performed on three different levels. Long-term policies are incorporated in the overall financial model of the Company. Middle-term monitoring is fulfilled during the quarterly and monthly planning of the Group's budgets. Short-term actions include planning and control of daily cash receipts and payments of the Company.

Liquidity management system includes also drawing up monthly, quarterly and yearly cash budgets, comparing actual amounts to planned and explaining any discrepancies found.

(d) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are Euro.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

To minimise currency risk the Group prepares budgets taking into account possible changes in exchange rates, creates special reserves to cover contingent expenses and losses. Currently the Group considers the possibility of hedging currency risks by means of corresponding derivatives in the future.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

The Group constantly analyses dynamics of variable interest rates. To minimise interest rate risk the Group prepares budgets taking into account possible changes of interest rates creates special reserves to cover contingent expenses and losses. Currently the Group considers the possibility of hedging currency risks using corresponding derivatives in the future.

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

(in millions of Russian Roubles)

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating profit divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

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

Consistent with other companies of the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, as shown in the consolidated statement of financial position, less cash. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus the net debt.

The gearing ratios at 31 December 2013 and at 31 December 2012 were as follows:

	31 December 2013	31 December 2012 (restated)
Borrowings (Note 16)	(26,477)	(18,514)
Cash and cash equivalents (Note 14)	2,871	12,632
Net debt	(23,606)	(5,882)
Equity attributable to equity holders of the Group	(258,385)	(205,008)
Total capital	**(281,991)**	**(210,890)**
Gearing ratio	**8.37%**	**2.79%**

(i) Loans' covenants

In accordance with loan facilities the Group maintains an optimal capital structure by tracking certain requirements:

- the maximum level of Net financial Debt/EBITDA;
- minimum level of EBITDA/Interest expense, and
- minimum level of own paid tangible assets.

These ratios are included as covenants into loan agreements (see Note 16). The Group is in compliance with externally imposed capital requirements.

(ii) Legislation requirements

The Group is subject to the following externally imposed capital requirements that have been established for joint stock companies by the legislation of Russian Federation:

- share capital cannot be lower than 1,000 minimum shares at the date of the company registration;
- if the share capital of the entity is greater than statutory net assets of the entity, such entity must decrease its share capital to the value not exceeding its net assets, and
- if the minimum allowed share capital is greater than statutory net assets of the entity, such entity is subject to liquidation.

At 31 December 2013, the Group was in compliance with the above share capital requirements.

NOTE 6. RELATED PARTY TRANSACTIONS

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the year ended 31 December 2013 and the year ended 31 December 2012, or had significant balances outstanding at 31 December 2013 and at 31 December 2012 are detailed below. OJSC "Gazprom" is an ultimate Parent Company of OJSC "Mosenergo" during the current and prior reporting periods. The Russian Federation is the ultimate controlling party of the Group during the current and prior reporting periods.

(a) Transactions with Gazprom Group and its associates

The Group has the following turnover and balances outstanding with Gazprom Group and its associates (entities under common control), including OJSC "MOEK" which since September 2013 is part of the Gazprom Group, and prior to the date of the above was under control of the Russian government.

Revenue

	Year ended 31 December 2013	Year ended 31 December 2012
Heat	13,316	568
Electricity	736	396
Other revenue	488	39
Total	**14,540**	**1,003**

Expenses

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Fuel expenses	(54,129)	(80,469)
Heat transmission	(2,476)	-
Rent payments	(355)	(294)
Purchased heat and electricity	(44)	(2)
Legal, consulting and data processing services	(31)	(52)
Cleaning services	(10)	(10)
Communication services	(9)	(6)
Security services	(8)	(7)
Maintenance and repairs expenses	(2)	-
Water usage expenses	(1)	-
Other operating expenses	(29)	-
Total	**(57,094)**	**(80,840)**

Rent payments for the year ended 31 December 2013 include payments to OJSC "Neftyanoi dom", associate of OJSC "Gazprom", in the amount of RR 294 million (for the year ended 31 December 2012: RR 273 million).

Financial income and expenses

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Financial income	76	507
Financial expense	(137)	(31)
Net financial expense	**(61)**	**476**

Financial income and expenses for the years ended 31 December 2013 and 31 December 2012 include expenses associated with transactions with OAO "Gazprombank" which is an associate company of OAO "Gazprom" in the amount of RR 11 million and RR 0 million and income in the amount of RR 76 million and RR 507 million respectively.

Outstanding balance

	Outstanding balance at 31 December 2013	Outstanding balance at 31 December 2012
Trade and other receivables	15,419	423
Advances for acquisition of property, plant and equipment	4,624	10,742
Cash and cash equivalents	69	1,607
Investments	-	4,495
Total assets	**20,112**	**17,267**
Trade and other payables	(5,400)	(3,943)
Total liabilities	**(5,400)**	**(3,943)**

Trade and other receivables include an outstanding balance with OJSC "MOEK", subsidiary of OJSC "Gazprom", in the amount of RR 15,267 million at 31 December 2013.

Advances for acquisition of property, plant and equipment include an outstanding balance with OJSC "Mehregionenergostroy", a subsidiary of OJSC "Gazprom", in the amount of RR 4,613 million at 31 December 2013 (at 31 December 2012: RR 10,742 million).

Cash and cash equivalents at 31 December 2013 and at 31 December 2012 are from OJSC "Gazprombank", an associate of OJSC "Gazprom".

Investments at 31 December 2012 are deposits from OJSC "Gazprombank", an associate of OJSC "Gazprom".

Trade and other payables include outstanding balances with LLC "Mezhregionenergostroy", OJSC "MOEK" and LLC "Gazprom mezhregiongaz Moskva", subsidiaries of OJSC "Gazprom", in the amount of RR 3,477 million, RR 1,316 million and RR 303 million respectively at 31 December 2013 (at 31 December 2012: LLC "Mezhregionenergostroy" in amount of RR 1,366 million, LLC "Gazprom mezhregiongaz Moskva" in amount of RR 2,367 million).

Borrowings

	Amount loaned for the year ended 31 December 2013	Amount loaned for the year ended 31 December 2012	Outstanding balance at 31 December 2013	Outstanding balance at 31 December 2012
Non-current borrowings	-	1,700	1,700	1,700
Total borrowings	-	**1,700**	**1,700**	**1,700**

(b) Transactions with key management

Key management personnel (the members of the Board of Directors and Management Committee of the Group) received the following remuneration, which is included in personnel expenses:

Expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Wages and salaries	(135)	(96)
Social taxes and contributions	(12)	(11)
Termination benefits	-	(3)
Total	**(147)**	**(110)**

There are no outstanding balances at 31 December 2013 and at 31 December 2012 as for transactions with key management.

(c) Transactions with other state-controlled entities

Information below excludes transactions and outstanding balances with Gazprom Group and its associates as disclosed in Note 6 (a).

In the normal course of business the Group enters into transactions with other entities under control of government of the Russian Federation. OJSC "MOEK" became Gazprom Group in September 2013, prior to that date it was under control of government of the Russian Federation.

Revenue

	Year ended 31 December 2013	Year ended 31 December 2012
Electricity	86,291	81,658
Heat	34,193	54,300
Other revenue	1,116	2,116
Total	**121,600**	**138,074**

Expenses

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Heat transmission	(5,165)	(19,646)
Purchased heat and electricity	(4,988)	(9,920)
Electricity market administration fees	(1,338)	(1,234)
Water usage expenses	(1,135)	(1,197)
Rent payments	(506)	(474)
Security services	(365)	(373)
Fuel expenses	(120)	(130)
Legal, consulting and data processing services	(73)	(30)
Communication services	(50)	(84)
Fire prevention services	(34)	(60)
Maintenance and repairs expenses	(27)	(42)
Certification and testing services	(23)	(32)
Transport services	(19)	(18)
Other operating expenses	(28)	(50)
Total	**(13,871)**	**(33,290)**

Financial income and expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Financial income	158	493
Net financial income	**158**	**493**

Outstanding balance

	Outstanding balance at 31 December 2013	Outstanding balance at 31 December 2012
Trade and other receivables	8,742	18,425
Cash and cash equivalents	178	4,675
Other non-current assets	523	523
Total assets	**9,443**	**23,623**
Trade and other payables	(2,215)	(3,461)
Total liabilities	**(2,215)**	**(3,461)**

The Group is a party of Capacity Supply Contracts, see Note 32.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in millions of Russian Roubles)

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NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Appraised value

	Buildings and constructions	Plant and equipment	Transmission networks	Other	Construction in progress	Total
Balance at 1 January 2012	**104,368**	**74,511**	**11,100**	**6,891**	**27,144**	**224,014**
Acquisition of subsidiary	-	53	-	-	1,682	1,735
Additions	46	1	-	365	17,968	18,380
Disposals	(554)	(263)	(64)	(77)	(1)	(959)
Elimination of accumulated depreciation on property, plant and equipment transferred to assets classified as held for sale	(131)	(1)	-	-	-	(132)
Transfers	471	3,368	632	1,284	(5,755)	-
Transfer to assets classified as held for sale	(97)	-	-	-	-	(97)
Balance at 31 December 2012	**104,103**	**77,669**	**11,668**	**8,463**	**41,038**	**242,941**
Balance at 1 January 2013	**104,103**	**77,669**	**11,668**	**8,463**	**41,038**	**242,941**
Acquisition of subsidiary	-	197	-	-	1	**198**
Additions	1	50	117	5	38,928	**39,101**
Disposals	(170)	(99)	(39)	(117)	(589)	**(1,014)**
Elimination of accumulated depreciation on property, plant and equipment transferred to assets classified as held for sale	(5)	(4)	-	(13)	-	**(22)**
Transfers	391	4,031	636	448	(5,506)	**-**
Transfer from assets classified as held for sale	1,000	-	-	-	-	**1,000**
Transfer to assets classified as held for sale	(22)	(8)	-	-	-	**(30)**
Elimination of accumulated depreciation	(31,409)	(21,680)	(6,618)	(5,674)	(589)	**(65,970)**
Revaluation	20,733	30,880	3,546	3,114	(711)	**57,562**
Balance at 31 December 2013	**94,622**	**91,036**	**9,310**	**6,226**	**72,572**	**273,766**

Accumulated depreciation (including impairment)

	Buildings and constructions	Plant and equipment	Transmission networks	Other	Construction in progress	Total
Balance at 1 January 2012	**(19,489)**	**(11,983)**	**(3,863)**	**(3,131)**	**(253)**	**(38,719)**
Depreciation charge	(6,333)	(4,719)	(1,428)	(1,236)	-	(13,716)
Disposals	198	107	42	47	-	394
Elimination of accumulated depreciation on property, plant and equipment transferred to assets classified as held for sale	131	1	-	-	-	132
Reversal of impairment loss on property, plant and equipment	-	-	16	-	-	16
Impairment loss	(1)	(320)	-	(4)	(336)	(661)
Balance at 31 December 2012	**(25,494)**	**(16,914)**	**(5,233)**	**(4,324)**	**(589)**	**(52,554)**
Balance at 1 January 2013	**(25,494)**	**(16,914)**	**(5,233)**	**(4,324)**	**(589)**	**(52,554)**
Acquisition of subsidiary	-	(54)	-	-	-	**(54)**
Depreciation charge	(6,332)	(4,764)	(1,415)	(1,463)	-	**(13,974)**
Disposals	50	48	30	100	-	**228**
Elimination of accumulated depreciation on property, plant and equipment transferred to assets classified as held for sale	5	4	-	13	-	**22**
Reversal of impairment loss on property, plant and equipment	362	-	-	-	-	**362**
Elimination of accumulated depreciation	31,409	21,680	6,618	5,674	589	**65,970**
Balance at 31 December 2013	**-**	**-**	**-**	**-**	**-**	**-**

(in millions of Russian Roubles)

Net book value

	Buildings and constructions	Plant and equipment	Transmission networks	Other	Construction in progress	Total
At 1 January 2012	84,879	62,528	7,237	3,760	26,891	**185,295**
At 1 January 2013	78,609	60,755	6,435	4,139	40,449	**190,387**
At 31 December 2013	94,622	91,036	9,310	6,226	72,572	**273,766**

Net book value had no revaluation taken place

	Buildings and constructions	Plant and equipment	Transmission networks	Other	Construction in progress	Total
At 1 January 2012	36,467	48,581	1,705	2,610	22,244	**111,607**
At 1 January 2013	34,931	48,360	2,053	3,517	33,284	**122,145**
At 31 December 2013	33,410	47,592	948	2,834	69,364	**154,148**

Borrowing costs of RR 1,125 million and RR 926 million for the year ended 31 December 2013 and 31 December 2012, respectively, are capitalised in additions above. Capitalisation rates of 7.43% and 8.98% for the year ended 31 December 2013 and 31 December 2012, were used to determine the amount of borrowing costs eligible for capitalization. The capitalisation rate represented the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period.

There were no properties pledged as security for Company's bank loans at 31 December 2013 and at 31 December 2012.

(a) Revaluation

In 2013 the Group contracted an independent appraiser to estimate the fair value of the Group's property, plant and equipment and investment property at 31 December 2013. The fair value of property, plant and equipment was determined to be RR 273,766 million.

The majority of the Group's property, plant and equipment (except for the office buildings) is specialized in nature and is rarely sold on the open market other than as part of a continuing business. Consequently, the fair value of property, plant and equipment was primarily determined using depreciated replacement cost method and tested for adequate profitability using discounted cash-flows method. Depreciated replacement cost method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation and obsolescence.

The depreciated replacement cost was estimated based on internal sources, statistical data, catalogues and market data in respect of prices of construction companies and suppliers of equipment. The economic obsolescence was determined based on discounted cash flow test results for each of 25 cash-generating units.

In addition to determination of the depreciated replacement cost, cash flow testing was conducted in order to assess the reasonableness of these values, which resulted in the depreciated replacement cost values being decreased by RR 32,635 million in arriving at the above values.

The following key assumptions were used in performing cash flow testing:

- 25 cash-generating units were identified.
- For each cash generating unit the Appraiser determined the recoverable amount as a highest of value in use and fair value less cost to sell.
- Cash flows were projected based on actual operating results, the 3-year business plan, macroeconomic forecasts prepared by Ministry of economic development of Russian Federation and long-term forecasts prepared by management.
- Cash flows forecast assumed gradual increase in heat tariff up to economically reasonable from 2017 till 2025. The growth of the heat tariff for main producing cash generating units varies from 4.7% till 6.5% for that period.
- The anticipated annual production growth included in cash flow projections was 3.5%.
- A discount rate of 11.5% was applied in determining the recoverable amount of the plants.

As a result of revaluation, the Group's equity increased by RR 46,771 million, comprising net increase in the carrying value of property, plant and equipment of RR 58,464 million and the related deferred tax of RR 11,693 million.

Net increase in the carrying value of property, plant and equipment amounted to RR 57,562 million consisted of increase in amount of RR 67,597 million related to revaluation recognized within the equity and decrease of RR 10,035 million related to impairment charge out of which RR 9,133 million were recognized within the equity and RR 902 million were recognized in the consolidated income statement.

(b) Leased assets

The Group leases production plant and equipment under a number of finance lease agreements. All leases provide the Group with the option to purchase the buildings and equipment at a beneficial price. The leased plant and equipment secures lease obligations (see Note 31). At 31 December 2013 the net carrying amount of leased plant and equipment was RR 49 million (at 31 December 2012: RR 252 million).

(c) Reversal on impairment loss on property, plant and equipment

In June 2013 the group has revised its plan for the sale which led to transfer the building, located at st. Sadovnicheskaya, 15 from assets held for sale to property, plant and equipment. In this regard, the Group recognised the building at its recoverable amount determined by independent appraiser at the date of the subsequent decision not to sell and reversed previously recognised impairment loss on property, plant and equipment in amount RR of 362 million.

NOTE 8. INVESTMENT PROPERTY

	2013	2012
Balance at 1 January	**792**	**792**
Change in fair value	9	-
Transfer to assets classified as held for sale	(1)	-
Balance at 31 December	**800**	**792**

The fair value of the Group's investment property at 31 December 2013 was determined by independent appraiser and equaled to RR 800 million. For the year ended 31 December 2012 the fair value of investment property was determined to be RR 792 million and based on the market trends for the year 2012 (Note 30).

Rental income for the year ended 31 December 2013 and for the year ended 31 December 2012 amounted to RR 106 million and RR 80 million, respectively, was recognised in profit and loss in other revenue.

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

	31 December 2013	31 December 2012
Less than one year	98	78
Between one and five years	-	-
More than five years	-	-
Total	**98**	**78**

NOTE 9. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(a) Assets classified as held for sale

	31 December 2013	31 December 2012
Property, plant and equipment	530	1,544
Investment property	33	32
Total	**563**	**1,576**

(b) Liabilities classified as held for sale

	31 December 2013	31 December 2012
Deferred tax liabilities	70	268
Total	**70**	**268**

During the year ended 31 December 2013 the Group was in the process of disposing non-core assets which led to transfers to assets classified as held for sale from property, plant and equipment in the amount of RR 30 million and from investment property in the amount of RR 1 million (for the year ended 31 December 2012: RR 97 million and RR 0 million, respectively).

At 31 December 2013 the Group is in possession of assets for disposal in the amount of RR 563 million and the corresponding liabilities in the amount of RR 70 million (at 31 December 2012: RR 1,576 million and RR 268 million, respectively). The Group envisages selling its real estate portfolio listed above during 2014.

(in millions of Russian Roubles)

During the year ended 31 December 2013 the Company sold assets classified as held for sale in the amount of RR 18 million with a gain from disposal recognised in profit and loss in the amount of RR 61 million that is disclosed in Note 26 (for the year ended 31 December 2012: RR 252 million and RR 501 million, respectively).

During the year ended 31 December 2013 the Company recognized the write-down in amount of 26 million as impairment loss in the consolidated statement of comprehensive income (for the year ended 31 December 2012: RR 11 million). The fair value has been measured by independent appraiser (Note 30).

NOTE 10. INVENTORIES

	31 December 2013	31 December 2012
Fuel	4,192	4,478
Raw materials and consumables	2,944	2,058
Total	**7,136**	**6,536**

Raw materials and consumables are stated net of a provision for obsolete inventory amounting to RR 8 million and RR 10 million at 31 December 2013 and at 31 December 2012, respectively. The write-downs and reversals are included in other materials expenses.

Inventories held by the Group are not subject to any retention of title clauses.

NOTE 11. INVESTMENTS

	31 December 2013	31 December 2012
Promissory notes CJSC "Alfa-Bank"	541	338
Deposits OJSC "Gazprombank"	-	4,495
Total	**541**	**4,833**

The Group's exposure to credit, currency and interest risks related to investments is disclosed in Note 30.

NOTE 12. TRADE AND OTHER RECEIVABLES

	31 December 2013	31 December 2012 (restated)
Trade receivables	31,488	23,047
Other receivables	52	3,132
Financial assets	**31,540**	**26,179**
Advances to suppliers and prepaid expenses	1,560	2,071
VAT recoverable	429	206
Taxes other than income tax prepaid	794	1,413
Other receivables	1,070	789
Total	**35,393**	**30,658**
Current assets	34,689	29,259
Non-current assets	704	1,399
Total	**35,393**	**30,658**

Trade receivables balances are recorded net of provision for impairment in amount of RR 5,866 million and RR 3,508 million at 31 December 2013 and at 31 December 2012, respectively.

Other receivables balances are recorded net of provision for impairment in amount of RR 72 million and RR 109 million at 31 December 2013 and at 31 December 2012, respectively.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 30.

NOTE 13. OTHER ASSETS

	31 December 2013	31 December 2012 (restated)
Other non-current assets		
Available-for-sale financial assets	3,159	9
Constructed assets financed by the government of Moscow city	523	523
Intangible assets	323	396
Investments	271	223
Other assets	10	100
Total other non-current assets	**4,286**	**1,251**
Other current assets		
Other assets	457	677
Total other current assets	**457**	**677**

Available-for-sale financial assets as part of other non-current assets include investment in LLC "Gazeks-Management" in total amount of RR 3,149 million at 31 December 2013 received in settlement for accounts receivable in October 2013.

Management has assessed the level of influence that the Group has on LLC "Gazeks-Management" and determined that it has no significant influence even though the share holding is 33,3% because of the Company does not have the power to exercise any influence over the LLC "Gazeks-Management and based on the following factors, in particular:

i. OJSC "Mosenergo" does not have any representation on the LLC "Gazeks-Management" Board of Directors, nor does it have a right to appoint a director;
ii. OJSC "Mosenergo" does not participate in LLC "Gazeks-Management" policy-making decisions, nor does it have a right to participate in such policy-making decisions;
iii. There are no material transactions between the Group and LLC "Gazeks-Management", there is no interchange of personnel between the two companies and there is no sharing of technical information between the companies.

Since June 2005 the Group was engaged in the construction of the power plant further to be jointly used by the Group and the government of Moscow city. Construction of the distribution unit is jointly financed and shall be distributed between the parties involved upon completion. Included in other payables and accrued expenses is a liability to the government of Moscow city amounting to RR 523 million.

NOTE 14. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Bank balances	1,942	2,111
Call deposits	929	10,521
Total	**2,871**	**12,632**

Call deposits are classified as cash equivalents when their original maturity is three month or less.

Information in respect of call deposits and applicable interest rates is as follows:

	31 December 2013			31 December 2012		
Bank	Currency	%	Balances	Currency	%	Balances
OJSC "AB Rossia"	Russian Roubles	6.00	700	-	-	-
OJSC "Sberbank Rossii"	EURO	0.20	113	-	-	-
OJSC "Gazprombank"	Russian Roubles	6.00	68	Russian Roubles	4.40	1,607
OJSC "Sberbank Rossii"	Russian Roubles	6.02	48	Russian Roubles	7.30	4,672
OJSC "Alfa Bank"	-	-	-	Russian Roubles	7.60	4,242
Total	**-**	**-**	**929**	**-**	**-**	**10,521**

NOTE 15. EQUITY

(a) Share capital and share premium

At 31 December 2013 the authorised share capital comprised 39,749,359,700 ordinary shares (at 31 December 2012: 39,749,359,700) of RR 1.00 par value each. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

Share premium amounted to RR 49,213 million represents excess of the cash proceeds from the issue of share capital over its par value net of the transaction costs amounted to RR 7 million.

(b) Treasury stock

The treasury stock at 31 December 2013 and at 31 December 2012 amounted to RR 871 million.

No decisions regarding further operations with treasury stock were made by the Company's management.

(c) Reserves

At 31 December 2013 reserves composed of the revaluation of available-for-sale financial assets in amount of RR 3 million (at 31 December 2012: RR 3 million), the revaluation reserve relates to the revaluation of property, plant and equipment in amount of RR 130,835 million (at 31 December 2012: RR 83,778 million) and reserve of post employee benefit obligation remeasurement in amount of RR (59) million (at 31 December 2012: RR (94) million).

(in millions of Russian Roubles)

(d) Dividends

In 5 June 2013 the general shareholders meeting made the decision to pay dividends for the result of financial year 2012. The amount of declared dividends on the issuer shares was RR 0.03 per share, total amount of dividends is RR 1,188 million.

The decision related to dividends distribution for fiscal year 2013 is scheduled at the general shareholders' meeting in June 2014.

NOTE 16. BORROWINGS

The note provides information about the contractual terms of the Group's interest-bearing borrowings, which are measured at amortised cost.

	31 December 2013	31 December 2012
Non-current borrowings		
Unsecured bank loans	17,397	9,916
Unsecured bond issues	105	5,000
Other loans	1,700	1,700
Total	**19,202**	**16,616**
Current borrowings and current portion of non-current borrowings		
Current portion of unsecured bond issues	5,000	471
Current portion of unsecured bank loans	2,275	1,427
Total	**7,275**	**1,898**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding liabilities are as follows:

				31 December 2013		31 December 2012	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Unsecured bank loans				**20,541**	**19,672**	**12,379**	**11,343**
BNP Paribas	EURO	EURIBOR 6M+2%	2022	6,459	5,921	6,425	5,782
Credit Agricole CIB Deutschland	EURO	EURIBOR 6M+1.95%	2024	5,508	5,177	5,389	5,001
OJSC "VTB"	Russian Roubles	8.14%	2018	3,750	3,750	-	-
OJSC "Sberbank Russia"	Russian Roubles	8.14%	2018	3,750	3,750	-	-
OJSC "TKB"	Russian Roubles	12.5%	2014	844	844	-	-
OJSC "Bank Russia"	Russian Roubles	9.85%	2014	200	200	-	-
OJSC "Promsvazbank"	Russian Roubles	11.1%	2014	30	30	-	-
Credit Agricole CIB Deutschland	EURO	7.2%	2013	-	-	504	500
Credit Agricole CIB Deutschland	EURO	EURIBOR 6M+1%	2026	-	-	61	60
Unsecured bond issues				**5,105**	**5,105**	**5,471**	**5,471**
Unsecured bond issue № 3	Russian Roubles	8.7%	2014	5,000	5,000	5,000	5,000
Unsecured bond issue № 2	Russian Roubles	1.00%	2016	105	105	471	471
Other loans				**1,700**	**1,700**	**1,700**	**1,700**
OJSC "OGK-2"	Russian Roubles	7.25%	2022	1,048	1,048	1,048	1,048
LLC "Gazprom energoholding"	Russian Roubles	7.25%	2021	652	652	652	652
Total				**27,346**	**26,477**	**19,550**	**18,514**

NOTE 17. EMPLOYEE BENEFITS

The Group sponsors a post-employment and other long-term benefit program that covers the majority of the Group's employees. The plan principally consists of a defined contribution plan enabling employees to contribute a portion of their salary to the plan and equivalent portion of contribution from the Group. The plan is administrated by non-state pension fund.

To be entitled for participation in this defined contribution pension plan an employee should meet certain age and past service requirements. Maximum possible amount of employer's contribution is limited and depends on employee's position in the Group.

In addition to defined contribution pension plan the Group maintains several plans of a defined benefit nature which are provided in accordance with collective bargaining agreement and other documents. The main benefits provided under this agreement are lump sum upon retirement and material assistance.

A new collective bargaining agreement came into force from 1 January 2013. There were no significant changes in benefits provided via the agreement compared to the version effective in the prior year.

Compensations for redundancies were not paid by the Group for the year ended 31 December 2013 and for the year ended 31 December 2012.

(a) Movement in the present value of the defined benefit obligation

	2013			2012		
	Post-emloyment benefits	Other long-term benefits	Total	Post-emloyment benefits	Other long-term benefits	Total
Opening defined benefit obligation as at 1 January	328	36	364	301	33	334
Current service cost	28	7	35	8	3	11
Interest on employee benefit obligations	22	2	24	24	3	27
Past service cost	-	-	-	25	2	27
Remeasurements:						
Actuarial (gains)/losses - Experience	(36)	12	(24)	(5)	1	(4)
Actuarial (gains)/losses arising from changes in financial assumptions	(23)	(5)	(28)	11	1	12
Actuarial losses arising from changes in demographic assumptions	15	7	22	-	-	-
Effect of curtailment and settlement	-	-	-	(5)	(1)	(6)
Increase in liabilities as a result of acquisitions	8	19	27	-	-	-
Benefits paid	(37)	(9)	(46)	(31)	(6)	(37)
Closing defined benefit obligation as at 31 December	**305**	**69**	**374**	**328**	**36**	**364**

(b) Amounts recognised in profit and loss in respect of these defined benefit plans are as follows

	Year ended 31 December 2013			Year ended 31 December 2012		
	Post-emoyment benefits	Other long-term benefits	Total	Post-emoyment benefits	Other long-term benefits	Total
Service cost:						
Current service cost	28	7	35	8	3	11
Past service cost	-	-	-	25	2	27
Effect of curtailment	-	-	-	(5)	(1)	(6)
Interest on employee benefit obligations	22	2	24	24	3	27
Remeasurements:						
Actuarial losses - Experience	-	12	12	-	2	2
Actuarial losses arising from changes in assumptions	-	2	2	-	2	2
Components of defined benefit costs recorded in profit or loss	**50**	**23**	**73**	**52**	**11**	**63**

(c) Amounts recognised in other comprehensive income in respect of these defined benefit plans

	Year ended 31 December 2013			Year ended 31 December 2012		
	Post-emoyment benefits	Other long-term benefits	Total	Post-emoyment benefits	Other long-term benefits	Total
Remeasurement on the net defined benefit liability						
Remeasurement gains - Experience	(36)	-	(36)	(4)	(1)	(5)
Remeasurement (gains)/losses - changes in assumptions	(8)	-	(8)	10	(1)	9
Components of defined benefit costs recorded in other comprehensive income	**(44)**	**-**	**(44)**	**6**	**(2)**	**4**

(d) The amount included in the consolidated statement of financial position

	Year ended 31 December 2013			Year ended 31 December 2012		
	Post-emoyment benefits	Other long-term benefits	Total	Post-emoyment benefits	Other long-term benefits	Total
Present value of defined benefit obligation	305	69	374	328	36	364
Net liability arising from defined benefit obligation	**305**	**69**	**374**	**328**	**36**	**364**

(e) Movements in net liability in the current period were as follows

	2013			2012		
	Post-emoyment benefits	Other long-term benefits	Total	Post-emoyment benefits	Other long-term benefits	Total
Opening net liability arising from defined benefit obligation	328	36	364	301	33	334
Components of defined benefit costs recorded in profit or loss	50	23	73	52	11	63
Components of defined benefit costs recorded in other comprehensive income	(44)	-	(44)	6	(2)	4
Contributions from the employer	(37)	(9)	(46)	(31)	(6)	(37)
Increase in liabilities as a result of acquisitions	8	19	27	-	-	-
Closing net liability arising from defined benefit obligation	**305**	**69**	**374**	**328**	**36**	**364**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(f) Actuarial assumptions

Principal actuarial assumptions (expressed as weighted averages) are as follows:

(i) Financial assumptions

	31 December 2013	31 December 2012
Discount rate	7.9%	7.0%
Inflation rate	5.0%	5.5%
Salaries increase	7.0%	7.5%
Duration of liabilities, years	5.3	5.3
Social contributions	Calculated for each participant based on limits and rates stated in social contribution rule	Calculated for each participant based on limits and rates stated in social contribution rule

(ii) Demographic assumptions

Withdrawal rates assumption is as follows: expected staff turnover rates vary depending on employee past service in range from 20% p.a. for employees with 1 year of past service to around 6% p.a. for those who have 20 or more years of service. Compared to previous period the changes in the assumption are insignificant.

Retirement ages assumption is as follows: average retirement ages are 62 years for men and 58 years for women. Very similar retirement ages were used in previous period.

Mortality table: Russian urban population mortality table 1986–87.

(h) Sensetivity analysis of defined benefit obligation to significant actuarial assumptions

		31 December 2013		
	Change in assumption	Post-emoyment benefits	Other long-term benefits	Total
Discount rate	+ / - 1% pa	15	3	18
Inflation rate	+ / - 1% pa	16	2	18
Salaries increase	+ / - 1% pa	-	1	1
Staff turnover	+ / - 3% pa	20	11	31
Mortality	+ / - 10% pa	7	-	7

In 2014 the Group expects to contribute RR 52 million to its defined benefit plans (31 December 2012: RR 43 million).

NOTE 18. TRADE AND OTHER PAYABLES

	31 December 2013	31 December 2012 (restated)
Trade payables	5,123	6,722
Other payables	5,923	3,313
Financial liabilities	**11,046**	**10,035**
Advances received	1,745	2,171
Other payable	1,416	1,136
Total	**14,207**	**13,342**
Current liabilities	13,288	12,257
Non-current liabilities	919	1,085
Total	**14,207**	**13,342**

Other payables as part of financial liabilities include accounts payable for acquisition of property, plant and equipment amounting to RR 4,940 million at 31 December 2013 (at 31 December 2012: RR 2,571 million).

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 30.

NOTE 19. OTHER TAXES PAYABLE

	31 December 2013	31 December 2012
VAT payable	398	801
Social contributions payable	252	206
Property tax payable	173	103
Other taxes payable	38	10
Total	**861**	**1,120**

NOTE 20. PROVISIONS

	2013	2012
Balance at 1 January	67	93
Provisions made during the year	75	120
Provisions used during the year	(45)	(138)
Provisions recovered during the year	(47)	(8)
Balance at 31 December	**50**	**67**

(in millions of Russian Roubles)

The legal provision balance was made by the Company in amount of RR 50 million at 31 December 2013 (at 31 December 2012: RR 67 million). At 31 December 2013 the majority of this balance in amount of RR 37 million was made in respect of the claims from OJSC "MOEK" (at 31 December 2011: RR 28 million).

NOTE 21. REVENUE

	Year ended 31 December 2013	Year ended 31 December 2012
Electricity	91,324	85,816
Heat	61,154	67,694
Other revenue	4,185	3,629
Total	**156,663**	**157,139**

Other revenue relates to rent, water usage, repair and maintenance services provided by the Group.

Approximately 4% and 5% of sales of electricity for the year ended 31 December 2013 and for the year ended 31 December 2012, respectively, relates to resale of purchased electricity on wholesale market NOREM.

NOTE 22. COST OF MATERIALS

	Year ended 31 December 2013	Year ended 31 December 2012
Fuel expenses	89,443	83,339
Purchased heat and electricity	9,369	10,001
Water usage expenses	1,182	1,199
Other materials expenses	776	1,003
Total	**100,770**	**95,542**

Electricity is purchased mainly on wholesale electricity market.

NOTE 23. OTHER EXTERNAL SUPPLIES

	Year ended 31 December 2013	Year ended 31 December 2012
Electricity market administration fees	1,343	1,234
Desalted water supply	1,079	972
Security services	505	483
Transport services	435	260
Cleaning services	311	300
Certification and testing	126	219
Construction and assembly services	125	71
Communication services	97	106
Fire prevention services	40	69
Other services	175	222
Total	**4,236**	**3,936**

Electricity market administration fees include payments to OJSC "Administrator torgovoi sistemy" and CJSC "Centr finansovyh raschetov" for arrangement of settlements between parties on electricity market and payments to JSC "SO UES" for regulation of generating assets operation of the Group.

NOTE 24. PERSONNEL EXPENSES

	Year ended 31 December 2013	Year ended 31 December 2012
Wages and salaries	7,747	6,746
Payroll tax	1,810	1,497
Personnel training expenses	104	107
Catering	98	101
Voluntary medical insurance expenses	94	101
Current service cost	35	11
Net actuarial losses recognised in period	14	4
Past service cost	-	27
Total	**9,902**	**8,594**

The Group average head count totaled 9,273 and 8,150 at 31 December 2013 and at 31 December 2012, respectively.

NOTE 25. OTHER OPERATING EXPENSES

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Trade and other receivables impairment loss and derecognition	2,506	1,153
Legal, consulting and data processing services	965	762
Rent payments	928	826
Software expenses	217	210
Loss on disposal of property, plant and equipment	198	212
Insurance expenses	177	64
Loss from sales of goods and materials	151	4
Cession agreements	80	50
Environmental payments	75	69
Safety arrangement and precautions	60	69
Impairment loss on assets classified as held for sale	26	11
Bank services	21	21
Other miscellaneous	186	105
Total	**5,590**	**3,556**

NOTE 26. OTHER OPERATING INCOME

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Subsidies on the difference in tariffs for sales to the urban population	614	644
Fines and penalties business contracts	351	682
Gain from disposal of assets classified as held for sale	61	501
Change in fair value of investment property	9	-
Gain from disposal of financial assets available for sale	1	5
Effect of curtailment and settlement	-	6
Other miscellaneous	132	55
Total	**1,168**	**1,893**

Reimbursement from government of Moscow city represents cash paid to the Group to compensate the difference between tariffs set to the urban population and the tariffs of the Group.

NOTE 27. FINANCIAL INCOME AND EXPENSES

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Financial income		
Interest income on bank deposits	466	1,300
Foreign exchange gain	-	182
Other interest income	148	126
Total	**614**	**1,608**
Financial expenses		
Interest expenses on borrowings	(1,148)	(926)
Lease expenses	(17)	(26)
Interest on employee benefit obligations	(24)	(27)
Foreign exchange loss	(1,206)	-
Other interest expenses	(33)	(79)
Total	**(2,428)**	**(1,058)**
Less capitalised interest expenses on borrowings related to qualifying assets (Note 7)	1,125	926
Net financial expenses recognised in profit or loss	**(1,303)**	**(132)**

	Year ended 31 December 2013	Year ended 31 December 2012
Interest income	614	1,426
Interest expenses	(73)	(105)
Net interest	**541**	**1,321**

Net interest result by categories of assets and liabilities

	Year ended 31 December 2013	Year ended 31 December 2012
Cash and cash equivalents	587	1,310
Investments	27	116
Liabilities carried at amortised cost	(73)	(105)
Total	**541**	**1 321**

NOTE 28. INCOME TAX

(a) Income tax

The applicable tax rate of the Group is the income tax rate of 20% (for the year ended 31 December 2012: 20%).

	Year ended 31 December 2013	Year ended 31 December 2012
Current tax expense		
Current period	(3,112)	(3,297)
Over provided in prior periods	1,315	1,455
Deferred tax expense		
Origination and reversal of temporary differences	92	145
Income tax expense	**(1,705)**	**(1,697)**

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Reconciliation of effective tax rate is as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Profit before income tax	9,189	8,010
Income tax at applicable tax rate	(1,838)	(1,602)
Non-deductible / non-taxable items	(1,182)	(1,550)
Over provided in prior periods	1,315	1,455
Income tax expense	**(1,705)**	**(1,697)**

(b) Tax effects of components of other comprehensive income

	Year ended 31 December 2013			Year ended 31 December 2012 (restated)		
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
Revaluation of property, plant and equipment	58,464	(11,693)	46,771	-	-	-
Reversal of impairment loss/ (impairment loss) on property, plant and equipment	362	(72)	290	(70)	14	(56)
Remeasurement of post employee benefit obligation	44	(9)	35	(4)	1	(3)
Total	**58,870**	**(11,774)**	**47,096**	**(74)**	**15**	**(59)**

Deferred income tax

Recognised deferred tax assets and liabilities are as follows:

	Assets		Liabilities		Net	
	31 December 2013	31 December 2012 (restated)	31 December 2013	31 December 2012 (restated)	31 December 2013	31 December 2012 (restated)
Property, plant and equipment	-	-	(36,809)	(25,491)	(36,809)	(25,491)
Assets classified as held for sale	-	-	(70)	(268)	(70)	(268)
Investment property	-	-	(57)	(50)	(57)	(50)
Trade and other receivables	-	-	(815)	(236)	(815)	(236)
Trade and other payables	71	55	-	-	71	55
Employee benefits	74	73	-	-	74	73
Provisions	9	13	-	-	9	13
Borrowings	-	-	(174)	(207)	(174)	(207)
Other current and non-current assets	-	-	(108)	(87)	(108)	(87)
Other	18	19	-	-	18	19
Total	**172**	**160**	**(38, 033)**	**(26,339)**	**(37,861)**	**(26,179)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions of Russian Roubles)

Movements in deferred income tax during the year ended 31 December 2012 and the year ended 31 December 2013 are as follows:

	31 December 2011	Recognised in income	Recognised in equity	Reclassification	31 December 2012 (restated)
Property, plant and equipment	(25,448)	(76)	14	19	(25,491)
Assets classified as held for sale	(301)	52	-	(19)	(268)
Investment property	(45)	(5)	-	-	(50)
Trade and other receivables	(584)	348	-	-	(236)
Trade and other payables	154	(99)	-	-	55
Employee benefits	68	4	1	-	73
Provisions	18	(5)	-	-	13
Borrowings	(59)	(148)	-	-	(207)
Other current and non-current assets	(181)	94	-	-	(87)
Other	39	(20)	-	-	19
Total	**(26,339)**	**145**	**15**	**-**	**(26,179)**

	31 December 2012 (restated)	Recognised in income	Recognised in equity	Reclassification	31 December 2013
Property, plant and equipment	(25,491)	640	(11,765)	(193)	(36,809)
Assets classified as held for sale	(268)	5	-	193	(70)
Investment property	(50)	(7)	-	-	(57)
Trade and other receivables	(236)	(579)	-	-	(815)
Trade and other payables	55	16	-	-	71
Employee benefits	73	10	(9)	-	74
Provisions	13	(4)	-	-	9
Borrowings	(207)	33	-	-	(174)
Other current and non-current assets	(87)	(21)	-	-	(108)
Other	19	(1)	-	-	18
Total	**(26,179)**	**92**	**(11,774)**	**-**	**(37,861)**

NOTE 29. EARNINGS PER SHARE

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, calculated as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Issued shares	39,749,360	39,749,360
Effect of own shares held	(140,229)	(140,229)
Weighted average number of ordinary shares (thousands)	**39,609,131**	**39,609,131**

The following is a reconciliation of the profit attributable to ordinary shareholders:

	Year ended 31 December 2013	Year ended 31 December 2012
Weighted average number of ordinary shares issued (thousands)	39,609,131	39,609,131
Profit for the year	7,484	6,313
Profit per ordinary share (basic and diluted) (in Russian Roubles)	**0.19**	**0.16**

There are no dilutive potential ordinary shares as of 31 December 2013 and 31 December 2012.

NOTE 30. FINANCIAL INSTRUMENTS

(a) Credit risk

(i) Exposure to credit risk

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

	Carrying amount	
	31 December 2013	31 December 2012
Loans and receivables	**31,540**	**26,179**
Trade and other receivables (Note 12)	31,540	26,179
Held-to-maturity investments	**812**	**5,056**
Investments (Note 11)	541	4,833
Other investments (Note 13)	271	223
Available-for-sale financial assets (Note 13)	**3,159**	**9**
Cash and cash equivalents (Note 14)	**2,871**	**12,632**
Total financial assets	**38,382**	**43,876**

(in millions of Russian Roubles)

The maximum exposure to credit risk for receivables at the reporting date by type of sales was:

	Carrying amount	
	31 December 2013	31 December 2012
Heat	20,288	13,172
Electricity	7,709	9,224
Other	3,543	3,783
Total	**31,540**	**26,179**

Debtors within two main classes of accounts receivable – electricity and heat – are quite homogenous regarding their credit quality and concentration of credit risk.

The account receivables of the Group are primarily comprised of a few, large, reputed customers who purchase electricity and heat. Historical data, including payment history during the recent credit crisis, would suggest that the risk of default from such customers is very low.

The most important customers of the Group, OJSC "MOEK" and CJSC "CFR", accounts for RR 15,267 million and RR 2,237 million, respectively, for the trade receivables carrying amount at 31 December 2013 (at 31 December 2012: RR 7,733 million and RR 2,909 million, respectively).

(ii) Impairment losses

The aging of trade and other receivables at the reporting date was:

	31 December 2013		31 December 2012	
	Gross	Impairment	Gross	Impairment
Not past due	24,478	-	11,573	-
Past due 0-30 days	1,246	96	8,764	-
Past due 31-120 days	1,516	46	3,417	48
Past due 121-365 days	4,175	1,425	2,027	700
More than one year	6,008	4,316	3,936	2,790
Total	**37,423**	**5,883**	**29,717**	**3,538**

The movement in the allowance for impairment in respect of trade and other receivables during the period was as follows:

	2013	2012
Balance at 1 January	**3,538**	**2,727**
Acquisition of subsidiary	17	-
Impairment loss recognised during the period	2,485	979
Allowance used during the period	(157)	(168)
Balance at 31 December	**5,883**	**3,538**

The impairment allowance at 31 December 2013 of RR 5,883 million (at 31 December 2012: RR 3,538 million) relates to the customers that were declared bankrupt or had significant liquidity problems during the reporting period.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due by up to 120 days; 72.79 percent of the balance (at 31 December 2012: 79.93 percent), which includes the amount owed by the most significant customer of the Group (see above), relates to customers that have a good track record with the Group.

The allowance accounts in respect of trade and other receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and written off against the financial asset directly.

(iii) Credit risk related to the Group's cash in banks and call deposits

All bank balances and call deposits are neither past due nor impaired. Analysis by credit quality of bank balances and call deposits are as follows:

Name of the bank	Rating agency	Rating	31 December 2013	Rating	31 December 2012
OJSC "AB "Russia"	Moody's Interfax	A3.ru	1,240	A3.ru	1,143
OJSC "Alfa-Bank"	Fitch Ratings	AA+(rus)	1,175	AA+(rus)	5,205
OJSC "Sberbank Russia"	Moody's Interfax	Aaa.ru	170	Aaa.ru	4,675
OJSC "Bank Finservice"		-	130	-	-
OJSC "Gazprombank"	Standard & Poor's	BBB-	69	ruAAA	1,607
OJSC "Promsvyazbank"	Standard & Poor's	BB	59	-	-
OJSC "Vozrozhdenie"	Standard & Poor's	BB-	18	-	-
OJSC Bank "VTB"	Fitch Ratings	AA+(rus)	8	AAA(rus)	-
Other	-	-	2	-	2
Total	-	-	**2,871**	-	**12,632**

The Company pursues the policy of cooperation with a number of the top Russian banks, which is approved by the Board of Directors.

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments at 31 December 2013:

	Carrying amount	Contrac-tual cash flows	0-6 moths	6-12 moths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities									
Unsecured bank loans	19,672	22,969	2,202	1,077	4,382	5,428	2,970	1,447	5,463
Unsecured bond issues	5,105	5,560	221	5,221	9	109	-	-	-
Other loans	1,700	2,790	62	61	123	123	123	123	2,175
Trade and other payables	11,046	11,046	10,840	-	206	-	-	-	-
Total	**37,523**	**42,365**	**13,325**	**6,359**	**4,720**	**5,660**	**3,093**	**1,570**	**7,638**

The following are the contractual maturities of financial liabilities, including estimated interest payments at 31 December 2012:

	Carrying amount	Contrac-tual cash flows	0-6 moths	6-12 moths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities									
Unsecured bank loans	11,343	14,377	886	869	1,530	1,337	1,312	1,285	7,158
Unsecured bond issues	5,471	6,342	691	217	5,434	-	-	-	-
Other loans	1,700	2,866	31	61	123	123	123	123	2,282
Trade and other payables	10,035	10,035	9,705	-	330	-	-	-	-
Total	**28,549**	**33,620**	**11,313**	**1,147**	**7,417**	**1,460**	**1,435**	**1,408**	**9,440**

All of the Group's financial liabilities are carried at amortised cost.

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(c) Currency risk

(i) Exposure to currency risk

	31 December 2013	31 December 2012
	EURO-denominated	EURO-denominated
Cash and cash equivalents	113	26
Investments	-	4,475
Unsecured bank loans	(19,672)	(11,343)
Gross balance sheet exposure	**(19,559)**	**(6,842)**
Interest receivable	-	120
Interest payable	(254)	(238)
Gross exposure	**(254)**	**(118)**
Net exposure	**(19,813)**	**(6,960)**

The following significant exchange rates applied during the period:

	Average rate		Reporting date spot rate	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
EURO	42,3129	39,9524	44,9699	40,2286

(ii) Sensitivity analysis

A 6% strengthening of the RR against EUR at 31 December 2013 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 31 December 2012.

	31 December 2013	31 December 2012
EURO	1,171	411

A 6% weakening of the RR against the EUR at 31 December 2013 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The actual decrease in the average exchange rates for the period ended 31 December 2013 was approximately 6% for the EURO (at 31 December 2012: 2%), although the difference between the two actual extremes in the reported period was approximately 14% (at 31 December 2012: 9%).

(d) Interest rate risk

(i) Profile

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

	Carrying amount	
	31 December 2013	31 December 2012
Fixed rate instruments		
Financial assets (Note 11, 12, 13, 14)	38,382	43,876
Financial liabilities (Note 16, 18)	(26,425)	(17,706)
Total	**11,957**	**26,170**
Variable rate instruments		
Financial liabilities (Note 16)	(11,099)	(10,843)
Total	**(11,099)**	**(10,843)**

(ii) Fair value sensitivity analysis for fixed rate instruments

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

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(iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2013 and 31 December 2012.

	31 December2013		31 December2012	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	85.1	(85.1)	(98.9)	98.9
Cash flow sensitivity (net)	**85.1**	**(85.1)**	**(98.9)**	**98.9**

(e) Fair values

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one (Level 1) are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two (Level 2) 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 (Level 3) 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.

The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows at 31 December 2013:

	Level 1	Level 2	Level 3	Total
Financial assets				
Available -for-sale financial assets				
Other non-curent assets	-	-	3,159	**3,159**
Held to maturity investments				
Investments	-	-	541	**541**
Other investments	-	-	271	**271**
Non-financial assets				
Property, plant and equipment	-	-	273,766	**273,766**
Investment property	-	-	800	**800**
Total assets recurring fair value measurements	**-**	**-**	**278,537**	**278,537**

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2012:

	Level 1	Level 2	Level 3	Total
Financial assets				
Available -for-sale financial assets				
Other non-curent assets	-	-	9	**9**
Held to maturity investments				
Investments	-	-	338	**338**
Other investments	-	-	223	**223**
Non-financial assets				
Property, plant and equipment	-	-	190,387	**190,387**
Investment property	-	-	792	**792**
Total assets recurring fair value measurements	**-**	**-**	**191,749**	**191,749**

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

The description of valuation technique and description of inputs used in the fair value measurement for level 3 measurements at 31 December 2013:

	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)
Financial assets				
Available -for-sale financial assets				
Other non-curent assets	3,159	Discounted Cash Flows("DCF")	EBITDA Multiple	11.5%
Held to maturity investments				
Investments	541	DCF	EBITDA Multiple and Revenue multiple	11.5%
Other investments	271	DCF	EBITDA Multiple and Revenue multiple	11.5%
Non-financial liabilities				
Property, plant and equipment	273,766	Specialized assets valued using depreciated replacement cost approach; non-specialized assets valued using market and income approaches	Unit cost and Indexing methods. Market prices and rental rates	-
Investment property	800	Market comparable assets	Comparable prices from active market	-
Total recurring fair value measurements at level 3	**278,537**	-	-	-

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2013 (for the year ended 31 December 2012: none). Investment property represents industrial land and buildings that the Group valued using its expectation to convert them into a residential complex.

There were no transfers between Levels during the period.

Level 3 valuations are reviewed on a monthly basis by the Group's financial director who report to the Board of Directors on a quarterly basis. The financial director considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques. In selecting the most appropriate valuation model the director performs back testing and considers which model's results have historically aligned most closely to actual market transactions. In order to value level three equity investments, the Group utilises comparable trading multiples. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortisation (EBITDA). The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

Property, plant and equipment and investment property. The fair value of property, plant and equipment and investment property is determined either using market approach, depreciated replacement cost or income approach.

The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an

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arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on quoted market prices for similar items.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined applying depreciated replacement cost method or income approach. The depreciated replacement cost method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence. Under the income approach, the values of the property are derived from the present value of future cash flows expected to be derived from the use and eventual sale of the property.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

Market value of the Group's investment property is determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Investments in equity and debt securities. The fair values of available-for-sale financial assets are determined by reference to their quoted closing bid price at the reporting date. 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 measure fair value of certain financial instruments for which external market pricing information is not available.

(ii) Non-recurring fair value measurements

The Group has written down its non-current assets held for sale to fair value less costs to sell. The fair value belongs to level 2 measurements in the fair value hierarchy. The valuation technique and inputs used in the fair value measurement at 31 December 2013:

	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	
				31 December 2013	31 December 2012
Assets classified as held for sale	563	DCF	WACC	11.5%	11.5%

This is a non-recurring fair value which has been measured using observable inputs, being the prices for recent sales of similar assets, and is therefore within level 2 of the fair value hierarchy. The fair value has been measured by Independent appraiser. The write-down in amount of 26 million (for the year ended 31 December 2012: RR 11 million) was recognised as loss in the consolidated statement of comprehensive income.

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

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated 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.

(in millions of Russian Roubles)

	31 December 2013				31 December 2012			
	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
Financial assets								
Trade and other receivables	-	31,540	-	**31,540**	-	26,179	-	**26,179**
Cash and cash equivalents	2,871	-	-	**2,871**	12,632	-	-	**12,632**
Investments	-	-	-	-	-	-	4,495	**4,495**
Total assets	**2,871**	**31,540**	**-**	**34,411**	**12,632**	**26,179**	**4,495**	**43,306**
Financial liabilities								
Unsecured bank loans	-	(19,672)	-	**(19,672)**	-	(11,343)	-	**(11,343)**
Unsecured bond issues	(5,158)	-	-	**(5,105)**	(5,496)	-	-	**(5,471)**
Other loans	-	-	(1,700)	**(1,700)**	-	-	(1,700)	**(1,700)**
Trade and other payables	-	(11,046)	-	**(11,046)**	-	(10,035)	-	**(10,035)**
Total liabilities	**(5,158)**	**(30,718)**	**(1,700)**	**(37,523)**	**(5,496)**	**(21,378)**	**(1,700)**	**(28,549)**

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. 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 the counterparty. The carrying amounts of trade and other receivables eppoximates their fair values. Cash and cash equivalets 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.

The management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

NOTE 31. LEASES

(a) Operating leases

Operating leases refer mainly to long-term rental agreements for land rent where generation facilities of the Group are located. The leases typically run for periods from 5 to 45 years with an option to renew the lease. During for the year ended 31 December 2013 and for the year ended 31 December 2012 operating lease expenses in the amounts of RR 928 million and RR 826 million respectively, were recognised in the consolidated statement of comprehensive income.

Non-cancellable operating lease rentals are payable as follows:

	31 December 2013	31 December 2012
Less than one year	484	481
Between one and five years	1,920	1,850
More than five years	13,198	13,573
Total	**15,602**	**15,904**

(b) Finance leases

Finance lease rentals are payable as follows (see Note 7):

	31 December 2013			31 December 2012		
	Future minimum lease payments	Inter-est	Present value of minimum lease payments	Future minimum lease payments	Inter-est	Present value of minimum lease payments
Less than one year	32	7	25	77	38	39
Between one and five years	1	-	1	30	6	24
More than five years	-	-	-	-	-	-
Total	**33**	**7**	**26**	**107**	**44**	**63**

NOTE 32. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

At 31 December 2013 the Group was involved in a number of contracts for construction and purchase of property, plant and equipment for RR 20,972 million (at 31 December 2012: RR 50,034 million). The amount includes Capacity Supply Contracts capital commitments for the amount RR 14,613 million (at 31 December 2012: RR 32,789 million).

(b) Taxation environment

The Russian tax legislation is subject to varying interpretation and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may arise.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

Management believes that as at 31 December 2013 its interpretation of the relevant legislation was appropriate and the Group's tax position would be sustained.

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.

(c) Environmental liabilities

Environmental regulations are currently in the process of development in the Russian Federation. Group evaluates on a regular basis its obligations due to new and amended legislation. As liabilities in respect of environmental obligations can be measured, they are immediately recognised in profit or loss. Currently the likelihood and amount of potential environmental liabilities cannot be estimated reliably but could be material. However, management believes that under existing legislation there are no significant unrecorded liabilities or contingencies, which could have a materially adverse effect on the operating results or financial position of the Group.

(d) Insurance

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection common in other parts of the world are not generally available. Management believes that the Group has adequate property damage coverage for its main production assets. The Group does not have full coverage for business interruption and third party liability. Until the Group obtains adequate insurance coverage, there is a risk that the loss from business interruption and third party 0liability could have a material adverse effect on the Group's operations and financial position.

(e) Guarantees

The Group has issued direct guarantees to third parties which require the Group to make contingent payments based on the occurrence of certain events consisting primarily of guarantees for mortgages of Group employees amounting to RR 66 million at 31 December 2013 (at 31 December 2012: RR 94 million).

(f) Legal proceedings

The Group is a party in a number of legal proceedings arising in the ordinary course of business. This in particular includes legal action and proceeding against the Company in connection with the invalidation of the long-term lease contract with MP "Khimkinskaya teploset" for a heating property located in Khimki, Moscow Region. Management is not expected that this legal action with MP "Khimkinskaya teploset" will have any significant impact on the consolidated financial statements of the Group.

(in millions of Russian Roubles)

NOTE 33. OPERATING SEGMENTS

The chief operating decision-maker has been identified as the Board of Directors and Chief Executive Officer. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. The Group has determined the operating segments based on these reports to be individual power generating units.

The decision-maker assesses the operating performance of these individual power generating units based on its revenue and directly attributable costs. Interest income and expenditure are treated as central costs of the Group. Other information provided to the decision-maker is measured in a manner consistent with that in the financial statements.

The operating segments are aggregated into two primary reporting segments; electricity and heat. Despite of the fact that there are modernised and unmodernised power generating units amongst operating segments which show significantly different gross margins, this aggregation is premised on the identical nature of their products, production process, the class of customers, the methods used to distribute their products and the nature of the regulatory environment. This aggregation results from the similar economic characteristics, over the long run, of these two distinct outputs.

Other services and products sold by the Group mainly include rent services, feed water sales and maintenance services. These are not included within the reportable operating segments. The results of these operations are included in the "all other segments" column.

Taxes balances and available-for-sale financial assets are not considered to be segment assets but rather are managed by the central function. These are part of the reconciliation to total consolidated statement of financial position assets.

(a) Segment information

The segment information for year ended 31 December 2013 and at 31 December 2013 is as follows:

	Note	Electricity	Heat	All other segments	Total
Revenue from external customers	**21**	**91,324**	**61,154**	**4,185**	**156,663**
Expenses:					
Fuel and water usage expenses	22	(90,012)	(613)	-	(90,625)
Heat transmission		-	(7,641)	-	(7,641)
Purchased electricity	22	(8,701)	(171)	-	(8,872)
Purchased heat	22	-	(497)	-	(497)
Segment result		**(7,389)**	**52,232**	**4,185**	**49,028**
Segment assets		**278,544**	**28,395**	**27,680**	**334,619**

The segment information for the year ended 31 December 2012 and at 31 December 2012 is as follows:

	Note	Electricity	Heat	All other segments	Total
Revenue from external customers	**21**	**85,816**	**67,694**	**3,629**	**157,139**
Expenses:					
Fuel and water usage expenses	22	(84,343)	(195)	-	(84,538)
Heat transmission		-	(19,647)	-	(19,647)
Purchased electricity	22	(9,137)	(41)	-	(9,178)
Purchased heat	22	-	(823)	-	(823)
Segment result		**(7,664)**	**46,988**	**3,629**	**42,953**
Segment assets (restated)		**220,260**	**25,808**	**17,747**	**263,815**

The segment assets include impairment loss recognised for property, plant and equipment for the year ended 31 December 2013 in total amount RR 902 million which was allocated to the electricity segment in amount RR 532 million, to the heat segment RR 30 million and RR 340 million to all other segments (at 31 December 2012: RR 642 million to the electricity segment, RR 17 million to the heat segment and RR 2 million to all other segments).

A reconciliation of adjusted gross margin to profit before tax is provided as follows:

	Note	Year ended 31 December 2013	Year ended 31 December 2012
Segment result for reportable segments		44,843	39,324
Other segments gross margin		4,185	3,629
Financial income	27	614	1,608
Other operating income	26	1,168	1,893
Depreciation of property, plant and equipment	7	(13,972)	(13,716)
Personnel expenses	24	(9,902)	(8,594)
Maintenance and repairs expenses		(4,549)	(5,421)
Other external supplies	23	(4,236)	(3,936)
Financial expenses	27	(1,303)	(132)
Impairment loss on property, plant and equipment	7	(902)	(575)
Taxes other than income tax		(391)	(1,511)
Other materials expenses	22	(776)	(1,003)
Other operating expenses	25	(5,590)	(3,556)
Profit before income tax		**9,189**	**8,010**

(b) Reportable segments' assets

The amounts provided to the decision makers with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	Note	31 December 2013	31 December 2012 (Restated)
Segment assets		334,619	263,815
Unallocated:			
Available-for-sale financial assets	13	3,159	9
Taxes other than income tax prepaid	12	794	1,413
Income tax receivables		384	4
Total assets per consolidated statement of financial position		**338,956**	**265,241**

(c) Information about major customers

During the year ended 31 December 2013 there were certain external customers, revenues from transactions with whom exceeded 10% of the Group's revenues:

- Revenue from CJSC "ZFR" for the year ended 31 December 2013 amounted to RR 56,813 million. The revenue was obtained from sales of electricity and capacity relating to the electricity segment.
- Revenue from OJSC "MOEK" for the year ended 31 December 2013 amounted to RR 36,869 million. The revenue was obtained from sales of heat relating to the heat segment.

During the year ended 31 December 2012 there were certain external customers, revenues from transactions with whom exceeded 10% of the Group's revenues:

- Revenue from CJSC "ZFR" for the year ended 31 December 2012 amounted to RR 52,343 million. The revenue was obtained from sales of electricity and capacity relating to the electricity segment.
- Revenue from OJSC "MOEK" for the year ended 31 December 2012 amounted to RR 42,744 million. The revenue was obtained from sales of heat relating to the heat segment.

General Director V.G. Yakovlev

Chief Accountant E.Y. Novenkova

«17» March 2014

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GLOSSARY

ADR	American depository receipt
BoD	Board of Directors
CDO	Central dispatch office
e/e	Electric energy
FAS	Federal Anti-monopoly Service
FCCM	Federal Committee for Capital Market and Securities
FFMS	Federal Financial Markets Service
FTS	Federal Tariff Service
GDR	Global depository receipt
GES	State-owned hydro power plant
GRES	State-owned district power plant
GTP	Group of points of supply
GTU	Gas turbine unit
HCM	Human capital management
HDN	Heat distribution networks
IFRS	International financial reporting standards
KIS	Corporate information system
KIUM	Capacity factor
KPD	Efficiency
KPI	Key performance indicator
MDP	Management Development Program
MEP	Moscow Design Institute for Energy Projects
MESR	Mosenergospetsremont
MICEX	Moscow Interbank Currency Exchange
MOEK	Moscow Integrated Power Company
MRSK	Inter-regional Distribution Network Company
NP	Non-commercial partnership
NPP	Nuclear Power Plant
WGC	Power generating company of the wholesale market
OREM	Wholesale market of energy and capacity
PPE	Personal protective equipment
RAS	Russian accounting standards
RTS	Russian Trade System (stock exchange)
SGU	Steam-gas unit
SOUES	System operator of the unified energy system
TA, TB and OOS	Department of engineering audit, industrial safety and environmental protection
t/e	Thermal energy
TGC	Territorial generating company
TME	Thermal and mechanical equipment
TPP	Thermal power plant
UES	Unified Energy System

UNITS OF MEASUREMENT

Gcal	Giga calorie, unit of measurement of heat
Gcal/h	Giga calories per hour, unit of measurement of thermal power
kV	kilo Volt, unit of measurement of voltage
kWh	kilo Watt hour, unit of measurement of electric energy
MW	Mega Watt, unit of measurement of electric power

10.7
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