

ОАО Е.ON RUSSIA GROUP

**CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS AND
AUDITOR'S REPORT**

31 DECEMBER 2013

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AUDITOR'S REPORT

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ОАО E.ON Russia Group
Consolidated Statement of Financial Position
(RUB thousand)

	Note	At 31 December 2013	At 31 December 2012
ASSETS			Restated
Non-current assets			
Property, plant and equipment	6	90,416,319	88,625,688
Intangible assets	7	366,625	467,245
Long-term financial assets	5, 23	2,443,275	2,279,206
Other non-current assets	23	689,185	706,479
Total non-current assets		93,915,404	92,078,618
Current assets			
Cash and cash equivalents	23	18,026,997	5,813,097
Short-term financial assets	10, 23	8,845,451	27,515,492
Accounts receivable and prepayments	9	6,764,684	6,507,581
Inventories	8	1,869,167	1,679,769
Current income tax prepayments		1,321,634	-
Assets held for sale		153	892
Total current assets		36,828,086	41,516,831
TOTAL ASSETS		130,743,490	133,595,449
EQUITY AND LIABILITIES			
Equity			
Share capital	11	25,219,482	25,219,482
Share premium		40,052,405	40,052,405
Other reserves	11	721,407	293,573
Retained earnings		53,290,789	57,171,247
Total equity attributable to shareholders of ОАО E.ON Russia		119,284,083	122,736,707
Non-controlling interest		62,908	5,724
Total equity		119,346,991	122,742,431
Non-current liabilities			
Deferred income tax liabilities	15	5,163,392	4,486,279
Pension liabilities	12	1,027,866	1,104,635
Total non-current liabilities		6,191,258	5,590,914
Current liabilities			
Accounts payable and accruals	13	4,146,253	3,537,502
Income tax payable		-	199,479
Taxes payable other than income tax	14	1,058,988	1,525,123
Total current liabilities		5,205,241	5,262,104
Total liabilities		11,396,499	10,853,018
TOTAL EQUITY AND LIABILITIES		130,743,490	133,595,449

Approved for issue and signed on 25 March 2014

M.G. Shirokov

U. Backmeyer

General Director

OAo E.ON Russia Group
Consolidated Statement of Comprehensive Income
(RUB thousand)

	Note	Year ended 31 December 2013	Year ended 31 December 2012
			Restated
Revenues	16	78,780,504	75,023,210
Operating expenses	18	(63,878,191)	(54,362,531)
Other operating income	17	836,188	260,532
Operating profit		15,738,501	20,921,211
Finance income	19	2,251,234	2,101,803
Finance expense	19	(175,481)	(121,490)
Profit before income tax		17,814,254	22,901,524
Income tax charge	15	(3,382,323)	(4,584,522)
Profit for the period		14,431,931	18,317,002
Profit for the period attributable to:			
Shareholders of OAo E.ON Russia		14,374,747	18,316,947
Non-controlling interest		57,184	55
Other comprehensive income after income tax:			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of pension liabilities		185,618	(74,469)
Total items that will not be reclassified to profit or loss		185,618	(74,469)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss from change in fair value of financial assets available for sale		13,505	35,063
Gain/(loss) from cash flow hedge		283,581	(113,520)
Reclassification of cash flow hedge gain to profit and loss		(54,870)	(54,898)
Total items that may be reclassified subsequently to profit or loss		242,216	(133,355)
Total other comprehensive income for the period		427,834	(207,824)
Total comprehensive income for the period		14,859,765	18,109,178
Total Comprehensive income attributable to:			
Shareholders of OAo E.ON Russia		14,802,581	18,109,123
Non-controlling interest		57,184	55
Earnings per ordinary share for profit attributable to the shareholders of OAo E.ON Russia – basic and diluted (in Russian roubles)	20	0.23	0.29

OAO E.ON Russia Group
Consolidated Statement of Changes in Equity
(RUB thousand)

	Attributable to shareholders of OAO E.ON Russia					Non-controlling interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
At 1 January 2012	25,219,482	40,052,405	501,397	42,696,355	108,469,639	5,669	108,475,308
Restated	-	-	-	(192,809)	(192,809)	-	(192,809)
At 1 January 2012	25,219,482	40,052,405	501,397	42,503,546	108,276,830	5,669	108,282,499
Profit for the period	-	-	-	18,316,947	18,316,947	55	18,317,002
Other comprehensive income:							
Revaluation of financial assets available for sale	-	-	35,063	-	35,063	-	35,063
Revaluation of pension liabilities	-	-	(74,469)	-	(74,469)	-	(74,469)
Cash flow hedges, net of tax	-	-	(113,520)	-	(113,520)	-	(113,520)
Reclassification of hedge gain to profit or loss, net of tax	-	-	(54,898)	-	(54,898)	-	(54,898)
Total comprehensive income for the period	-	-	(207,824)	18,316,947	18,109,123	55	18,109,178
Dividends	-	-	-	(3,649,246)	(3,649,246)	-	(3,649,246)
At 31 December 2012	25,219,482	40,052,405	293,573	57,171,247	122,736,707	5,724	122,742,431
At 1 January 2013	25,219,482	40,052,405	293,573	57,171,247	122,736,707	5,724	122,742,431
Profit for the period	-	-	-	14,374,747	14,374,747	57,184	14,431,931
Other comprehensive income:							
Revaluation of financial assets available for sale	-	-	13,505	-	13,505	-	13,505
Revaluation of pension liabilities	-	-	185,618	-	185,618	-	185,618
Cash flow hedges, net of tax	-	-	283,581	-	283,581	-	283,581
Reclassification of hedge gain to profit or loss, net of tax	-	-	(54,870)	-	(54,870)	-	(54,870)
Total other comprehensive income for the period	-	-	427,834	14,374,747	14,802,581	57,184	14,859,765
Dividends	-	-	-	(18,255,205)	(18,255,205)	-	(18,255,205)
At 31 December 2013	25,219,482	40,052,405	721,407	53,290,789	119,284,083	62,908	119,346,991

OAo E.ON Russia Group
Consolidated Statement of Cash Flows
(RUB thousand)

	Note	Year ended 31 December 2013	Year ended 31 December 2012
CASH FLOW FROM OPERATING ACTIVITIES:			Restated
Profit before income tax		17,814,254	22,901,524
Adjustments for non-cash items:			
Depreciation and amortisation	6, 7, 18	9,985,036	8,317,699
Reclassification of hedge gain to profit or loss	18	(68,588)	(68,623)
Loss on impairment of property, plant and equipment	6, 7, 18	3,439,953	30,248
Provision for impairment of accounts receivable	23, 18	1,124,581	620,696
Foreign exchange loss / (gain), net		38,824	(82,506)
Interest income	19	(2,251,234)	(2,019,296)
Interest expense and effect of discounting	19	136,657	121,489
(Gain)/loss on disposal of property, plant and equipment	6	(77,768)	10,688
Change in pension liabilities	12	105,389	38,299
Other non-cash items		(70,545)	(117,396)
Operating cash flows before working capital changes and income tax paid		30,176,559	29,752,822
Working capital changes:			
Increase in accounts receivable and prepayments	9	(1,765,042)	(2,548,419)
(Increase)/decrease in VAT recoverable	9	(136,491)	96,205
Increase in inventories	8	(197,607)	(222,294)
Increase in accounts payable and accruals	13	677,407	388,467
Contributions paid to pension fund	12	(36,792)	(49,137)
Increase/(decrease) in taxes payable other than income tax	14	(464,548)	42,560
Income tax paid		(4,311,489)	(3,998,649)
Net cash from operating activities		23,931,997	23,461,555
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment and other non-current assets	6	(15,162,369)	(11,270,130)
Proceeds from sale of property, plant and equipment and other non-current assets	6	77,768	33,576
Change in short-term financial assets	10	19,192,936	(14,988,372)
Loans issued		(76,128)	(375,898)
Loans repaid		5,242	29,472
Interest received	19	1,996,525	1,723,385
Net cash generated from / (used for) investing activities		6,033,974	(24,847,967)
CASH FLOW FROM FINANCING ACTIVITIES:			
Dividends paid to shareholders of OAo E.ON Russia	11	(18,099,864)	(3,395,422)
Dividends paid to non-controlling interests		-	-
Net cash used in financing activities		(18,099,864)	(3,395,422)
Effect of exchange rate changes on cash and cash equivalents		347,793	71,058
Increase/ (decrease) in cash and cash equivalents		12,213,900	(4,710,776)
Cash and cash equivalents at the beginning of the year	23	5,813,097	10,523,873
Cash and cash equivalents at the end of the year	23	18,026,997	5,813,097

Note 1. The Group and its operations

Open Joint-Stock Company E.ON Russia (formerly OGK-4, hereinafter referred to as "ОАО E.ON Russia" or the "Company") was initially established on 4 March 2005.

The Company's principal business activity is generation and sale of electricity and heat.

ОАО E.ON Russia shares are listed on the Moscow stock exchange MICEX-RTS.

The Company is registered by the District Inspectorate of the Russian Federation Ministry of Taxation on Surgut, Tyumen Region, Khanty-Mansi Autonomous Area (Yugra). The Company's office is located at 10 Presnenskaya Naberezhnaya, Moscow, Russia, 123317.

The Company operates following five power plants as branches: Surgutskaya GRES-2, Shaturskaya GRES, Berezovskaya GRES, Smolenskaya GRES and Yayvinskaya GRES. The Company also has a branch Berezovskaya GRES Heat Supply Network and a representative office in Moscow. All references to the "Group" refer to the Company and its branches and subsidiaries.

The structure of the Group, including all consolidated entities, is presented in the table below:

		Ownership, %	
Principal activity		At 31 December 2013	At 31 December 2012
Subsidiaries of ОАО E.ON Russia			
ООО E.ON Connecting Energies	Provision of distributed energy solutions to all types of customers	100	100
ООО Teplosbyt	Securities trading	100	100
ОАО Shaturskaya Management Company	Municipal services	51	51

Establishment of the Group

Under Resolution No. 1254-r of 1 September 2003, which approved the structure of wholesale generating companies of the wholesale generation market (WGC), ОАО OGK-4 was to consist of the following power station entities: ОАО Berezovskaya GRES-1, ОАО Shaturskaya GRES-5, ОАО Yayvinskaya GRES, ОАО Smolenskaya GRES and ОАО Surgutskaya GRES 2. These entities had been established as a result of the restructuring, when they were spun off from RAO UES subsidiaries. On 1 July 2006, they merged with ОАО OGK-4.

In 2007 there was a sale of Group Stock that was owned by RAO UES, also there was a positional distribution of additional shares. RAO UES was liquidated on 1 July 2008. RAO UES reorganisation included spinning-off of ОАО OGK-4 Holding which held ОАО OGK-4's ordinary shares and property previously owned by RAO UES. The Company's shares attributable to minority interests of RAO UES were then transferred to ОАО OGK-4 Holding. Simultaneously with its spun-off from RAO UES on 1 July 2008, ОАО OGK-4 Holding merged with ОАО OGK-4, and its shares were converted into ОАО OGK-4 shares. Both the Company's treasury shares and additionally issued shares were used in this conversion. E.ON Russia Holding GmbH became the major shareholder in E.ON Russia, with a charter capital stake of approximately 83.73%.

On 8 July 2011, ОАО OGK-4 was officially renamed to ОАО E.ON Russia. Currently, E.ON Russia Holding GmbH being the part of E.ON SE (former E.ON AG) is the major shareholder in ОАО E.ON Russia, with a charter capital stake of approximately 83.73%.

Operating environment

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations (Note 22). Management assessed impairment of the Group's assets by considering the current economic environment and outlook at the end of the reporting period (Notes 6, 23). The political and economic turmoil witnessed in the region, including

the developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the Rouble and making it harder to raise international funding. At present, there is an ongoing threat of sanctions against Russia and Russian officials the impact of which, if they were to be implemented, are at this stage difficult to determine. The financial markets are uncertain and volatile. These and other events may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict.

These consolidated financial statements reflect management's views on the impact of the current business environment in the Russian Federation on the Group's operations and financial position. Actual impact of future environment may differ from the estimates made by management.

Government relations and current regulations

Russian Open Joint Stock Company for Energy and Electrification Unified Energy System of Russia (RAO UES of Russia), which established OAo OGK-4 in 2005, completed all reorganisation-related corporate procedures on 1 July 2008 and was liquidated as a legal entity. As of 31 December 2013, the "governmental share" of OAo E.ON Russia consisted of 0.006% of the ordinary voting shares of OAo E.ON Russia (in 2012: 0.006 %).

The Group's electricity and heat customer base includes a number of state-controlled entities. Furthermore, the government controls a number of the Group's suppliers of fuel and other materials.

The Group sells electricity through the wholesale electricity and capacity market. The wholesale electricity market has a number of sectors varying in contractual terms, conditions and delivery time frames: sector of regulated contracts, day-ahead market, sector of unregulated bilateral contracts and the balancing market. The electricity traded in pricing zones of wholesale market was sold at unregulated prices excluding of volumes designated for delivery to population, groups of customers equivalent to population and customers located in North Caucasus and Republic of Tyva.

The Russian government has a direct influence on the Group's operations through the Federal Tariff Service (FTS), which regulates wholesale electrical energy and capacity sales under regulated contracts, and through the Regional Energy Commission which regulates the Group's heat sales. To efficiently meet system requirements, the OAo System Operator of the Unified Energy System (SO UES) coordinates all operations of generating companies. Regulations on the power industry and natural monopolies govern the Group's tariffs for regulated electrical energy, capacity and heat sales. Historically, such tariffs have been based on cost-plus pricing, meaning the cost of the service plus a margin. Costs are determined under Russian Accounting Rules (RAR), a basis of accounting which considerably differs from International Financial Reporting Standards (IFRS). In practice, tariff-setting decisions are significantly affected by social and political considerations, which can result in substantial delays in tariff indexations as well as in tariff increases that fail to compensate for rising costs.

As described in Note 22, the government's economic, social and other policies could materially affect the Group's operations.

Changes in Industry

The Russian Regulation No 1178 issued by the Russian Government on 29 December 2011 provides for a basis for determining the regulated prices (tariffs) for electrical utilities and the Rules of the state regulation (review, application) of prices (tariffs) for electrical utilities.

The above Resolution provides for the following:

- The Federal Tariff Service determines the suppliers' regulated prices (tariffs) for electricity (capacity) sold on the wholesale market under regulated contracts for 2012 in accordance with the established procedure without applying price indexes for 2012. Starting from 2013, the period of changing (indexing) the regulated prices (tariffs) for electrical utilities was moved from 1 January to 1 July. The indexation of regulated tariffs for electricity (capacity) sold on the wholesale market under regulated contracts in accordance this Resolution in 2013 was performed on 1 July 2013.
- The capacity price determined during the competitive capacity selection for 2012 was indexed from 1 July 2012 by 6,1%, and the capacity price determined during the competitive capacity selection for 2013 - from 1 January 2013 by 6,6%.

In November 2013 the Russian Government approved a plan of action to limit the value of goods and services of natural monopolies, according to which the following actions were implemented in the electricity sector:

- Postponement of changes in wholesale gas prices from 1 July 2014 to 1 July 2015 ("freezing" of gas prices in 2014);
- Abolition of costs indexation costs when setting prices (tariffs) under regulated contracts for the supply of electricity and capacity in 2014;
- Abolition of indexation of capacity prices determined during the competitive capacity selection for 2014.

To date, the implementation of these measures is governed by the following regulations :

- Wholesale gas prices in 2014 are mandated by the Order of the Federal Tariff Service # 177-e/2 dated 26 September 2013;
- Regulated electricity and capacity tariffs in 2014 are set by the FTS Order #1676-e dated 19 December 2013.

With regard to the plan to abolish indexation of capacity prices determined during the competitive capacity selection in 2014, respective amendments to the current Regulation on indexing of capacity prices (approved by the Russian Government Decree 238 dated 13 April 2010) are under consideration within the Russian Government.

Seasonality of operations. Demand for electricity and heat is influenced by both the seasons of the year and the relative severity of the weather. Major revenues from heat sales are generated over the period from October to March. Similarly, though not so evidently, major electricity sales fall within the same period. Seasonality of heat and electricity generation influences fuel consumption and energy purchases accordingly.

In addition, repairs and maintenance expenses increase in the period of reduced generation from April to September. This seasonality does not impact the revenue or cost recognition policies of the Group.

Note 2. Principles of preparation and summary of significant accounting policies

Statement of compliance. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Each enterprise within the Group individually maintains its own accounting records and prepares statutory financial statements in accordance with Russian accounting and reporting rules. ("RAR"). The accompanying financial statements are based on the statutory records and adjusted and reclassified for fair presentation to meet IFRS requirements. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Functional and presentation currency. The national currency of the Russia is the Russian Ruble ("RUB"), which is the functional currency of all of the Group's entities and the currency in which these financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand.

Monetary assets and liabilities are translated into the Group's functional currency at the official exchange rate of the Central Bank of the Russian Federation (CBRF) at the end of the relevant reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Group's functional currency at the official CBRF year-end exchange rates are recognised in profit or loss as finance income or finance expense, unless they are related to hedging instruments. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Predecessor accounting. In these consolidated financial statements, formation of the Group was accounted for as a business combination of entities under common control. The predecessor accounting method was applied. Accordingly, the assets and liabilities of the combined entities (OAo Berezovskaya GRES-1, OAo Shaturskaya GRES-5, OAo Yayvinskaya GRES, OAo Smolenskaya GRES and OAo Surgutskaya GRES 2) were recorded at their historical cost as reflected in the IFRS

ОАО E.ON Russia Group

Notes to the Consolidated Financial Statements –31 December 2013

(RUB thousand)

consolidated financial statements of RAO UES. The formation of the Group was completed in June 2006.

Changes in accounting policies. Since January 1, 2013, the Panel first applies some new standards and amendments to existing standards and interpretations.

IAS 19 “Employee benefits” (revised in 2011) (IAS 19R)

IAS 19 (revised) amends the accounting for the defined benefit obligation.

The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. There is no recycling of actuarial gains and losses recognised within other comprehensive income to profit or loss in subsequent periods. Group has applied the standard retrospectively in accordance with the transition provisions of the standard, as a result all unrecognised past service costs were recognised as at 31 December 2012 and the following adjustments of comparative data were made:

- Retained earnings at 31 December 2012 were reduced by RUB 131,010 thousand;
- Profit for the period ended 31 December 2012 was increased by RUB 61,799 thousand;
- Deferred tax liabilities at 31 December 2012 were reduced by RUB 32,752 thousand;
- Pension liabilities at 31 December 2012 were increased by RUB 163,762 thousand.

A third statement of financial position as of 1 January 2012 is not presented in these consolidated financial statements as the effect of the above retrospective restatements does not have a material effect on the information in the statement of financial position as of 1 January 2012.

IFRS 10, Consolidated Financial Statements replaces all of the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements* and SIC-12, *Consolidation - Special Purpose Entities*. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The adoption of this standard did not have a material effect on the Group's financial statements.

IFRS 12, Disclosure of interest in other entities applies to entities that have interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. It replaces the disclosure requirements currently found in IAS 27, *Consolidated and Separate Financial Statements*, and IAS 28, *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statements readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures related to unconsolidated structured entities. The adoption of IFRS 12 did not have a material effect on the Group's financial statements and did not lead to inclusion of additional disclosures in the financial statements.

IFRS 13, Fair value measurement aims to improve comparability and quality of fair value disclosures by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The adoption of IFRS 13 did not have a material effect on the Group's financial statements.

Amendments to IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to “statement of comprehensive income”. The amended standard resulted in changed presentation of consolidated financial statements, but did not have any impact on measurement of transactions and balances.

In 2013 the Group has also adopted certain other new standards and interpretations, but they did not affect significantly the Group's financial statements.

Reclassifications. Certain reclassifications have been made to prior period data to conform to the current period presentation. These reclassifications are not material and do not affect the Group's profit for the period and equity.

Principles of consolidation. The financial statements comprise the financial statements of ОАО Е.ON Russia and the financial statements of those entities whose operations are controlled by ОАО Е.ON Russia. Control is presumed to exist when ОАО Е.ON Russia (i) has the power to enable it to manage the significant activity that has a significant impact on the income of an investment, (ii) is exposed to risks associated with variable income from interest in an investment, or is entitled to receive such income, and (iii) has the ability to use its powers in respect of an investment in order to influence the amount of income of the investor.

Subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Non-controlling interests have been disclosed as part of equity.

Transactions eliminated on consolidation. Inter-Group balances and transactions, and any unrealised gains arising from inter-Group transactions, are eliminated in preparing the consolidated financial statements.

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

Property, plant and equipment. Property, plant and equipment (PP&E) are stated at amortised cost less impairment. Deemed cost was initially determined by a third-party valuation as of 31 December 1997 and restated for the impact of inflation for the period until 31 December 2002. Adjustments were made for additions, disposals and depreciation charges. The amounts determined by the third-party valuation represent an estimate of depreciated replacement cost. Under paragraph 16 of IAS 29 *Financial Reporting in Hyperinflationary Economies*, a third-party valuation was performed in order to determine a basis for cost because historical accounting records for PP&E were not readily available. Therefore, this third-party valuation was not a recurring feature, since it was intended to determine the initial cost basis of PP&E and the Group had not adopted a policy of PP&E revaluation for subsequent measurement.

At each reporting date, management assesses whether there is any indication of impairment of PP&E; this assessment is performed at the level of the cash generating unit (per station). If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine an asset's recoverable amount.

Renewals, improvements and major capital maintenance costs are capitalised and the assets replaced are retired. Regular repair and maintenance costs are expensed as incurred. Gains and losses arising from the retirement of PP&E are included in profit and loss as incurred.

Depreciation of PP&E is calculated on a straight-line basis over the estimated useful life of the asset once it is available for use. The residual value of the Group's PP&E is estimated to be close to zero. For those PP&E items that were subject to the third-party valuation at 31 December 1997, the depreciation rate applied is based on the estimated remaining useful lives at the valuation date. Remaining useful lives and residual value are reviewed annually. The useful lives, in years, of assets by type of facility are as follows:

Type of facility	Acquired before 31 December 1997	Acquired after 31 December 1997
Electricity and heat generation	7-50	15-50
Electricity distribution	6-32	8-25
Heating network	4-20	12-20
Major capital maintenance	-	4-6

Other	2-8	3-10
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Social assets are not capitalised, as they are not expected to result in future economic benefits to the Group. Costs associated with fulfilling the Group's social responsibilities are expensed as incurred.

Intangible assets. Intangible assets include computer software, licences and expenses on connection to the grid. Intangible assets are stated at amortised cost less impairment. Amortisation is calculated using a straight-line method. The useful lives of computer software are 1-16 years, while for the grid connection fee the useful life is 10 years.

At each reporting date management assesses whether there is any indication of impairment of intangible assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in profit or loss. An impairment loss recognised in prior years is reversed if there has been a change in the estimates used to determine an asset's recoverable amount.

Amortisation of intangible assets is included in operating expenses. Remaining useful lives are reviewed annually.

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: financial assets at fair value through profit or loss, available for sale, held to maturity, and loans and receivables.

Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for sale.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

The held-to-maturity category includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of financial assets held to maturity at their initial recognition and reassesses the appropriateness of that classification at each reporting date.

All other financial assets are included in the available-for-sale category.

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

Trade and other accounts receivable. Accounts receivable are recorded inclusive of value-added tax. Accounts receivable initially are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of accounts receivable is created if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the carrying amount and the recoverable amount, which is the present value of expected cash flows discounted at the initial market interest rate for similar borrowers at the date the debt arose.

Promissory notes. Promissory notes are recognised at fair value and subsequently accounted for at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment is created if there is objective evidence, based on credit rating of the issuing bank, that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the carrying amount and the recoverable amount, which is the present value of expected cash flows discounted at the market interest rate for similar borrowers at the date the debt arose.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying

value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on debt securities is calculated using the effective interest method and recognised in profit or loss for the reporting period as finance income. The Group does not have available-for-sale debt securities as of reporting dates. Dividends on available-for-sale equity instruments also are recognised in profit or loss for the reporting period as finance income when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income for the year.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (a) held for sale, which also includes derivative financial instruments, and (b) other financial liabilities. Liabilities held for sale are carried at fair value through profit or loss (as finance income or finance expense) in the period in which they arise. Other financial liabilities are carried at amortised cost. The Group does not have liabilities held for sale as of the reporting dates.

Value added tax on purchases and sales. Output value added tax related to sales is payable to the tax authorities on the earlier of (a) collection of payment from customers or (b) delivery of the goods or services to customers. Input VAT is recoverable against output VAT upon receipt of the VAT invoice.

The tax authorities permit VAT settlement on a net basis. VAT on sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debt, including VAT.

Inventories. Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a weighted average basis. A provision is created for potential losses on obsolete or slow-moving inventories, taking into account their expected useful life and future realisable value.

Income tax. Income tax expense comprises current and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years, as well as items that are not taxable or deductible. The Group's liability for current income tax is calculated using tax rates that were effective at the reporting date.

Deferred income tax. Deferred tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as per the consolidated financial statements. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences upon initial recognition of an asset or a liability in a transaction other than a business combination if the initial recognition of this asset or liability does not affect either accounting or taxable profit or loss. Deferred tax balances are measured at tax rates enacted or substantially enacted at the reporting date, which are expected to apply to the period when the temporary differences will reverse or tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions and tax loss carry forwards can be utilised.

Deferred tax movements are recorded in profit and loss unless they are related to items recorded in other comprehensive income or directly in equity. In this case, deferred taxes are recorded as part of other comprehensive income or the shareholders' equity.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by the tax authorities based on management's interpretation of tax laws that have been enacted or substantially enacted at the reporting date. 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 obligation at the reporting date.

Accounts payable. Accounts payable are stated inclusive of value-added tax. Accounts payable

initially are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Accrued charges. Accrued charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial amount of time to prepare for intended use or sale (qualifying assets) are capitalised as part of the cost of those assets.

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 mostly ready for their use or sale. The Group did not incur borrowing costs in 2013 and 2012.

Pension and post-employment benefits. The Group makes all mandatory payments to the Russian state pension fund on behalf of its employees. Mandatory contributions to the state pension fund are expensed when incurred.

The Group provides a number of post-employment and other long-term benefits that have the nature of a defined benefit plan or a defined contribution plan. Defined benefit plans provide old-age and disability pensions, death in service and death in pension benefits, lump sum payment upon retirement, jubilee benefits to current and former employees retired from the Group as well as financial support after old-age retirement.

Defined benefit plans, except for old-age and disability pensions, are unfunded and paid on a pay-as-you-go basis, i.e. cost is met directly by the Group when due. With regard to old-age and disability pensions the Group has an agreement with a non-state pension fund. The defined benefit plan defines the pension allowance that an employee will receive upon retiring. The allowance generally depends on several factors such as age, length of employment and salary. Pension obligation is settled by the Group via a non-state pension fund when the employee retires.

Defined benefit obligations are calculated using the projected unit credit method. The present value of defined benefit obligations 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 which have terms to maturity approximating the terms of the related pension liabilities.

The liability recognised in the statement of financial position is the present value of the obligation less plan assets. Actuarial gains and losses arising from experience adjustments and changes in actuarial estimates of post-employment activities are reflected in full in other comprehensive income. Past-service costs are recognised immediately in profit or loss.

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

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Operating leases include long-term leases of land with rental payments contingent on cadastral values regularly reviewed by the competent authorities.

Finance leases. Where the Group is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the lease commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges in order to achieve a constant rate on the outstanding debt under finance lease. The corresponding rental obligations, net of future finance charges, are included in debt. The interest

expense is charged to profit or loss over the lease term using the effective interest method. Assets acquired under finance leases are depreciated over their useful lives or over the lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term. The Group does not have finance leases in 2013 and 2012.

Hedge accounting. The Group has applied hedge accounting since 1 January 2009 to cash flow hedge of the currency risks related to cash outflows in foreign currencies in respect to the investment programme. Funds received as a result of the additional share issue that took place in 2007 and to be spent on the investment programme under the contracts concluded in foreign currencies were placed on deposits in the same currencies (hedging instrument).

In 2010 the Group also started to apply derivative financial instruments, including forward contracts to buy currency, currency swaps and currency options to further reduce the Group's foreign exchange risk exposure related to cash outflows in foreign currencies under the investment programme. The Group has used these derivatives as hedging instruments.

The Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and hedging strategy. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 23 (if available at the end and during the current and comparative periods) and are based on quoted market prices. If derivatives have a positive value they are recognised as short term financial assets and if they have a negative value they are recognised as short-term financial liabilities. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

In 2012, the Group started to apply hedge accounting to cash flow hedge of the currency risks related to cash outflows in foreign currencies under service contracts entered into for new Combined Cycle Plants (CCPs). Funds received as a result of operating activity were placed on deposits in the same currencies (hedging instrument). As the amount of the hedging instrument matches the amount of hedged items the effectiveness of the hedge is ensured.

The Group has applied the accounting policy to reclassify foreign exchange gains and losses that were recognised in other comprehensive income to profit or loss as a reclassification adjustment in the same periods during which the asset acquired affects profit or loss (that is in the periods when depreciation charge or service charge is recognised).

In the statement of cash flows, cash flows of the hedging instrument are classified similarly to cash flows related to the hedged item.

Provisions. Provisions are recognised where the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Revenue recognition. Electricity sales are recognised when the generated electricity is supplied to the grid. In accordance with the regulation on the Russian wholesale electricity and capacity market, utilities companies are required to conclude transactions for the sale and purchase back of electric energy (under bilateral contracts, for electricity for their own needs). Accordingly, these linked transactions are netted when revenue is recognised. Capacity sales are recognised when the capacity obligations have been fulfilled; heat energy sales are recorded when the heat is delivered to the customer. Other revenue is recognised when goods are shipped/delivered, or services are provided. Revenues are measured at the fair value of the consideration received or receivable. Revenue is presented exclusive of value-added tax.

Earnings per share. Earnings per share are determined by dividing the profit attributable to ordinary shareholders of the parent company of the Group (ОАО Е.ON Russia) by the weighted average number of ordinary shares outstanding during the reporting period.

Non-controlling interest. Non-controlling interest represents the minority shareholders' proportionate share of the equity and results of operations of the Group's subsidiaries. This is calculated based upon the non-controlling interest's ownership in these subsidiaries. For purchases of non-controlling interests, the difference between the carrying amount of a non-controlling interest and the amount paid

to acquire it is recorded in gains or losses recognised directly in equity.

Interest. Interest income and expense are recognised in profit or loss for all debt instruments on an accrual basis using the effective interest method. Interest income includes nominal interest and amortised discount or premium. When loans become doubtful, they are written down to their recoverable amounts, and interest income thereafter is recognised based on the interest that was used to discount future cash flows for the purpose of measuring the recoverable amount.

Fair value measurement. The fair value of accounts receivable for disclosure purposes is measured by discounting the value of expected cash flows at the market interest rate for similar borrowers at the reporting date.

The fair value of financial liabilities and other financial instruments (unless publicly quoted) for disclosure purposes is measured by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair value of publicly quoted financial instruments is measured based on the current market value at the reporting date.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker who assess the Group's performance and allocate resources efficiently.

Note 3. Critical accounting estimates and assumptions

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

Provision for impairment of accounts receivable. Provision for impairment of accounts receivable is based on the Group's assessment of whether the collectability of specific customer accounts has deteriorated compared to prior estimates. If there is deterioration/improvement in a major customer's creditworthiness or actual defaults are higher/lower than the estimates, the actual results could differ from those estimates reported in these consolidated financial statements (see Note 9).

Tax contingencies. Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. Where the Group's management believes it is probable that their interpretation of the relevant legislation and the Group's tax positions cannot be sustained, an appropriate amount is accrued in these consolidated financial statements.

Contingent tax liabilities are disclosed in Note 22.

Useful lives of property, plant and equipment. The estimation of the useful lives of an item of property, plant and equipment is a matter of management judgement based on experience with similar assets. In determining the useful life of an asset, management considers existing industry practices, the expected usage, estimated technical obsolescence, physical wear and tear, and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

The useful lives of property, plant and equipment are disclosed in Note 2.

The carrying value of fixed assets and the amounts included in the consolidated statement of comprehensive income, including depreciation, are disclosed in Note 6.

Impairment of fixed assets.

The Group assesses its non-current assets for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. Such indicators include changes in the Group's business plans, changes in market prices and regulated tariffs for electricity and capacity, as well as gas and other fuel prices, leading to sustained unprofitable performance, an increase in the discount rate, low plant utilisation, evidence of physical damage and significant downward revisions of estimated generation volumes or increases in estimated future

production costs. The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount, that is, the higher of fair value less costs to sell and value in use. These calculations require the use of estimates and assumptions, including future oil prices, expected production volumes and margins on electricity and capacity sales. It is reasonably possible that these assumptions may change and may then require a material adjustment to the carrying value of the Group's assets.

Information about impairments recognised is presented in Note 6.

Note 4. New standards and interpretations

The Group analyzed new and revised accounting standards and interpretations that have been released, but not yet effective for the Group, and determined that the following may have an impact on the Group.

IFRS 9 “Financial Instruments: Classification and Measurement”. IFRS 9 was issued in November 2009 and amended in October 2010, December 2011 and November 2013. The key provisions of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only “basic loan features”). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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

Offsetting financial assets and financial liabilities, Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).

The amendment provided application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlements may be considered equivalent to net settlement. The amendment is not expected to have a material effect on the Group's financial statements.

IFRIC 21 – “Levies” (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not

income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation is not expected to have a material effect on the Group's 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). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amendment is not expected to have a material effect on the Group's financial statements.

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 amendment is not expected to have a material effect on the Group's financial statements.

Note 5. Related Parties

E.ON SE (formerly E.ON AG) is the Company's ultimate parent and ultimate controlling party. E.ON SE (formerly E.ON AG) is widely held. The Group's immediate parent is E.ON Russia Holding GmbH. The Group had the following transactions and balances with the ultimate parent and other entities under common control:

The following operations and balance of calculations with related parties took place:

	At 31 December 2013	At 31 December 2012
Accounts receivable	23,646	24,711
Accounts payable and accruals	5,438	2,990

	Year ended 31 December 2013	Year ended 31 December 2012
Revenues (less VAT)	2,098	8,995
Services provided and works performed (less VAT)	68,223	169,267

On 30 November 2010, the Group provided a loan to E.ON SE in the amount of RUB 1,750,000 thousand with pay-back period to 30 November 2017. During the period from 1 January to 31 December 2013 the interest rate was 7.00–7.55% per annum. Due to capitalisation of a portion of accrued interest over the reporting period, the loan amount increased to RUB 2,417,604 thousand as of 31 December 2013 (31 December 2012: RUB 2,246,027 thousand).

Directors' and Management Board's compensation

Members of the Company's Management Board receive compensation for their services in full-time management positions. Compensation is made up of a contractual salary, non-cash benefits and a performance bonus depending on results for the period according to the Russian statutory financial statements.

ОАО E.ON Russia Group**Notes to the Consolidated Financial Statements –31 December 2013**

(RUB thousand)

Members of the Board of Directors receive fees and compensation for their services and for attending board meetings depending on the results for the year.

Total remuneration in the form of salary and bonuses accrued to members of the Board of Directors and Management Board for the year ended 31 December 2013 was RUB 185,788 thousand (31 December 2012: RUB 159,311 thousand).

	Year ended 31 December 2013	Year ended 31 December 2012
Salary and bonuses, other benefits	162,098	141,993
Termination benefits	253	17,184
Contributions to non-state pension fund	11,875	134
Cash-settled share-based compensation	11,562	-
Total	185,788	159,311

Members of the Company's Management Board participate in the Group's pension plans, including defined benefits plans, on the same terms as other employees (Note 12).

ОАО Е.ON Russia Group

Notes to the Consolidated Financial Statements – 31 December 2013

(RUB thousand)

Note 6. Property, plant and equipment

	Land	Electricity and heat generation	Electricity distribution	Heating network	Construction in progress	Other	Total
Cost							
Balance at 1 January 2013	67,908	90,803,961	8,008,158	946,279	15,983,124	10,788,893	126,598,323
Additions	-	-	-	-	15,070,902	-	15,070,902
Transfers	464	2,358,187	222,027	65,324	(3,185,424)	539,422	-
Reclassification	-	(288,424)	144,251	-	-	144,173	-
Disposals	(442)	(116,197)	(40,302)	(16,263)	-	(170,487)	(343,691)
Balance at 31 December 2013	67,930	92,757,527	8,334,134	995,340	27,868,602	11,302,001	141,325,534
Accumulated depreciation (including impairment)							
Balance at 1 January 2013	-	29,485,515	2,385,964	544,796	-	5,556,360	37,972,635
Charge for the period	-	7,822,531	679,065	43,876	-	1,226,133	9,771,605
Impairment loss	-	3,044,638	190,318	31,516	11,505	158,001	3,435,978
Reclassification	-	(165,961)	14,311	-	-	151,650	-
Disposals	-	(68,234)	(39,461)	(15,752)	-	(147,556)	(271,003)
Balance at 31 December 2013	-	40,118,489	3,230,197	604,436	11,505	6,944,588	50,909,215
Net book value at 1 January 2013	67,908	61,318,446	5,622,194	401,483	15,983,124	5,232,533	88,625,688
Net book value at 31 December 2013	67,930	52,639,038	5,103,937	390,904	27,857,097	4,357,413	90,416,319

Translation of the original prepared in Russian
which is official and takes precedence over this translation

ОАО Е.ON Russia Group

Notes to the Consolidated Financial Statements – 31 December 2013

(RUB thousand)

	Land	Electricity and heat generation	Electricity distribution	Heating network	Construction in progress	Other	Total
Cost							
Balance at 1 January 2012	67,916	91,551,055	1,344,944	854,087	8,487,323	14,744,743	117,050,068
Additions	-	708,978	-	-	9,507,668	-	10,216,646
Transfers	23	1,352,937	83,098	41,539	(2,200,497)	722,900	-
Change in estimate of capital expenditure	-	(62,523)	-	-	-	-	(62,523)
Reclassification of some PP&E items (electric transformers, switchboards) from Electricity and heat generation category to Electricity distribution category and singling out PP&E items from a complex facility, etc.	-	(11,035,217)	6,760,821	58,778	212,102	4,003,516	-
Reclassification of some PP&E items (stacks, boosting compressor stations and water pipes) from Other to Electricity and heat generation category, etc.	(31)	8,616,079 (327,348)	(149,680) (31,025)	(3,652) (4,473)	- (23,472)	(8,462,747) (219,519)	- (605,868)
Disposals							
Balance at 31 December 2012	67,908	90,803,961	8,008,158	946,279	15,983,124	10,788,893	126,598,323
Accumulated depreciation (including impairment)							
Balance at 1 January 2012	-	19,797,846	660,189	459,145	-	9,416,676	30,333,856
Charge for the period	-	6,460,104	640,861	36,657	-	1,035,512	8,173,134
Impairment loss	-	25,954	-	-	-	1,295	27,249
Reclassification of some PP&E items (electric transformers, switchboards) from Electricity and heat generation category to Electricity distribution category and singling out PP&E items from a complex facility, etc.	-	(2,013,582)	1,106,806	55,017	-	851,759	-
Reclassification of some PP&E items (stacks, boosting compressor stations and water pipes) from Other to Electricity and heat generation category	-	5,539,131 (323,938)	7,338 (29,230)	(2,110) (3,913)	- (204,523)	(5,544,359) (561,604)	- (561,604)
Disposals							
Balance at 31 December 2012	-	29,485,515	2,385,964	544,796	-	5,556,360	37,972,635
Net book value at 1 January 2012	67,916	71,753,209	684,755	394,942	8,487,323	5,328,067	86,716,212
Net book value at 31 December 2012	67,908	61,318,446	5,622,194	401,483	15,983,124	5,232,533	88,625,688

Note 6. Property, plant and equipment (continued)

Following the publication in 2013 by the Government of the Russian Federation of the plan of measures to restrict cost of goods and services of natural monopolies, providing for abolishment of indexation of prices (tariffs) for electricity, capacity and gas in 2014 and further limiting of their indexation during 2014-2016 within inflation level, the Group performed an impairment test for for each of the Group's CGUs to which the individual assets are allocated, i.e. individual power plants. As a result, during 2013 impairment losses were recognized in respect of Shaturskaya GRES amounting to RUB 1,907,044 thousand and Smolenskaya GRES amounting to RUB 1,528,934 thousand, totalling RUB 3,435,978 thousand (in 2012 the economic losses from impairment of assets held for sale amounted to RUB 167 440 thousand including RUB 111,969 thousand attributable to Berezovskaya GRES, RUB 994 thousand attributable to Shaturskaya GRES, RUB 52,057 thousand attributable to Surgutskaya GRES and RUB 2,419 thousand attributable to Berezovskaya GRES Heat Supply Network). The recoverable amount of assets was determined as their value in use based on a discounted after-tax cash flows model. The significant assumptions in the discounted cash flow model are: forecasted prices for electricity and natural gas, anticipated production volumes and the discount factor applied in determining value in use. In the first pricing zone basic volume of electricity is generated from thermal generating facilities for which gas is used as main type of fuel; hence, increase in gas price results in increase in electricity price.

The key sensitivities in relation to the discounted cash flows are:

- future natural gas prices were based on the Federal Tariff Service (FTS) tariffs and using growth rate as forecasted by the Ministry of Economic Development of the Russian Federation. If the estimated future prices were to decrease by five percent for each year in the cash flow projection then, assuming that electricity prices decrease by the same percentage and the other parameters remain unchanged, the value in use of the above stations would have decreased and the respective impairment loss would have increased by RUB 1,244,913 thousand;
- future production volumes were based on the forecasts of the Ministry of Economic Development. If the estimated produced volumes would have decreased by one percent for each year in the cash flow projection, assuming that the other parameters remain unchanged, the value in use of the above stations would have decreased and the respective impairment loss would have increased by RUB 35,925 thousand;
- the after-tax discount rate was assumed to be 11.7%. If the discount rate was increased by 1pp (to 12.7%), then, assuming that the other parameters remain unchanged, the value in use of the above stations would have decreased and the respective impairment loss would have increased by RUB 659,578 thousand.

The recoverable amount of property, plant and equipment was not estimated as at 31 December 2012 because the Group's management did not note any indicators of impairment.

In 2012, the Group revised classification for a number of property, plant and equipment items. The following changes were made:

- (a) review and update of earlier classification;
- (b) disaggregation of items commissioned in prior reporting periods;
- (c) identification of individual components within a complex unique facility.

Other property, plant and equipment include auxiliary production equipment, motor vehicles, computer equipment, office fixtures and other equipment.

Operating lease

The OAo E.ON Russia leases a number of land plots owned by local governments under operating leases. Land lease payments are determined in accordance with existing agreements based on cadastral value of land plots and are subject to revision on a regular basis.

Operating lease charges determined based on lease payment rates effective as at end of each reporting period are payable as follows :

	At 31 December 2013	At 31 December 2012
Less than one year	32,656	32,576
Between one and five years	156,427	91,978
More than five years	812,784	904,192
Total	1,001,867	1,028,746

OA O E.ON Russia leases the land where its electric power plants and other assets are located. Leases typically run for an initial period of 1–49 years, with an option to further extend the lease.

Note 7. Intangible assets

	Computer software	Licenses	Grid connection	Total
Cost				
Balance at 1 January 2013	788,211	3,966	199,485	991,662
Additions	124,453	110	-	124,563
Disposals	(370,892)	(792)	-	(371,684)
Balance at 31 December 2013	541,772	3,284	199,485	744,541
Accumulated depreciation (including impairment)				
Balance at 1 January 2013	479,970	1,376	43,071	524,417
Charge for the period	200,499	761	19,948	221,208
Impairment	3,954	21	-	3,975
Disposals	(370,892)	(792)	-	(371,684)
Balance at 31 December 2013	313,531	1,366	63,019	377,916
Net book value at 1 January 2013	308,241	2,590	156,414	467,245
Net book value at 31 December 2013	228,241	1,918	136,466	366,625
	Computer software	Licenses	Grid connection	Total
Cost				
Balance at 1 January 2012	841,244	63,965	552,299	1,457,508
Additions	101,666	-	-	101,666
Reclassification	56,283	(56,283)	-	-
Reversal of grid connection charges	-	-	(352,814)	(352,814)
Disposals	(210,982)	(3,716)	-	(214,698)
Balance at 31 December 2012	788,211	3,966	199,485	991,662
Accumulated depreciation				
Balance at 1 January 2012	518,226	973	57,114	576,313
Charge for the period	170,885	5,737	22,754	199,376
Reclassification	1,618	(1,618)	-	-
Reversal of grid connection amortisation charges	-	-	(36,797)	(36,797)
Disposals	(210,759)	(3,716)	-	(214,475)
Balance at 31 December 2012	479,970	1,376	43,071	524,417
Net book value at 1 January 2012	323,018	62,992	495,185	881,195
Net book value at 31 December 2012	308,241	2,590	156,414	467,245

The decrease in intangible assets is mainly attributed to the changes in estimates of electrical grid connection charges. In 2010–2011 the Group recognised intangible assets in the amount of RUB 550,296 thousand related to connecting new constructed Shaturskaya GRES combined-cycle plant to the grid. In June 2012, this amount was decreased to RUB 352,814 thousand in accordance with a decision by the Moscow Region Prices and Tariff Committee (including the decrease of accrued amortisation by RUB 33,991 thousand).

Note 8. Inventories

Breakdown of inventories:

	At 31 December 2013	At 31 December 2012
Fuel production supplies	1,202,973	1,082,606
Materials and supplies	671,194	604,086
Other inventory	26,620	24,420
Provision for impairment of inventory	(31,620)	(31,343)
Total	1,869,167	1,679,769

Note 9. Accounts receivable and prepayments

	At 31 December 2013	At 31 December 2012
Trade and other receivables		
Trade receivables	8,292,520	7,329,745
Other financial receivables	287,418	394,654
Less provision for impairment of accounts receivable	(2,577,508)	(1,539,977)
Total financial assets within trade and other receivables	6,002,430	6,184,422
Due from budget (excluding VAT)	412,104	25,656
VAT recoverable	199,517	63,026
Prepayments to suppliers	150,633	234,477
Total accounts receivable and prepayments	6,764,684	6,507,581

Management has determined the provision for impairment of accounts receivable based on the customers' credit history, customer payment trends, the outlook for payments and settlements, and an analysis of expected future cash flows. Management believes that the Group will be able to realise the net receivable amount through direct collections and other non-cash settlements and that the recorded value therefore approximates the fair value.

The above mentioned accounts receivable and prepayments include amounts receivable from related parties (see Note 5).

Note 10. Short-term financial assets

The Group's funds in the form of deposits were placed in OA O Sberbank (Moody's credit rating Baa1), OA O Vneshtorgbank (Moody's credit rating Baa1), Gazprombank (OA O) (Moody's credit rating Baa3), ZAO Unicreditbank (Fitch credit rating BBB+), OA O Nordea Bank (Fitch credit rating BBB+) and DZ Bank AG (Fitch credit rating A1). The interest on these short-term deposits is fixed and, therefore, unexposed to the risk of changes in market interest rates.

Company name	Effective interest rate, %	Balance at 31 December 2013 (foreign currency, thousand)	Balance at 31 December 2013 (RUB, thousand)	Balance at 31 December 2012 (foreign currency, thousand)	Balance at 31 December 2012 (RUB, thousand)
Total short-term deposits					27,254,094
Short-term deposits in US dollars	0.13-0.16	26,300	860,778	47,043	1,428,822
Short-term deposits in Euros	0.12-0.13	5,727	257,524	43,011	1,730,272
Short-term deposits in Russian roubles	3.50-7.60		7,200,000	-	24,095,000
Total promissory notes	-		527,149		261,398
Total short-term financial assets			8,845,451	-	27,515,492

Note 11. Equity

The Group was formed through the combination of a number of businesses under common control. As the predecessor basis of accounting (see Note 2) was applied, the majority of the net equity recognised for the Group is based on the historic carrying value of the net assets contributed, as recorded in the IFRS financial statements of the predecessor enterprises, rather than the fair values of those assets. Since the Group was formed as a result of a series of share issues, the consolidated statements of changes in equity reflects respective additions to the share capital equal to the statutory nominal value of the shares issued.

The actuarial gains and losses, cash flow hedges and fair value loss on available-for-sale financial assets are recorded in other reserves. For details of cash flow hedge applied by the Group starting from 1 January 2009 see Note 2 and Note 23.

Each component of other comprehensive income, including current and deferred tax effects, is represented in the table below:

<i>In thousands of Russian roubles</i>	2013			2012		
	Pre-tax amount	Income tax expense	Post-tax amount	Pre-tax amount	Income tax expense	Post-tax amount
Available-for-sale financial assets	3,044	-	3,044	(10,461)	-	(10,461)
Actuarial gain/(loss)	158,681	(31,736)	126,945	(73,341)	14,668	(58,673)
Cash flow hedges	739,273	(147,855)	591,418	453,384	(90,677)	362,707
Total	900,998	(179,591)	721,407	369,582	(76,009)	293,573

Share capital

The share capital consists of 63,048,706,145 ordinary shares with nominal value of 0.40 roubles totalling RUB 25,219,482 thousand. There were no changes in share capital in 2013 and 2012.

Dividends

In accordance with Russian legislation, the Group distributes profits as dividends on the basis of financial statements prepared in accordance with Russian Accounting Rules. The Company's financial statements are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. For 2013, the current year net statutory profit for the Company as reported in the annual statutory financial statements was RUB 18,926,506 thousand (2012: RUB 18,386,151 thousand).

thousand) and the closing balance of the accumulated retained earnings including the current year net statutory profit totalled RUB 53,129,583 thousand (2012: RUB 52,454,153 thousand). However, this legislation and other statutory laws and regulations dealing with the profits distribution rights are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose an amount for the distributable reserves in these financial statements.

The Company's General Shareholders' Meeting held on 28 June 2013 made the decision to pay dividends based on FY2012 results for the amount of RUB 18,255,203 thousand, or RUB 0.29 per 1 ordinary share.

Note 12. Pension liabilities

The tables below provide information on defined benefit obligations, pension expenses, plan assets and actuarial assumptions at 31 December 2013 and 31 December 2012. Amounts recognised in the consolidated statement of financial position:

	At 31 December 2013	At 31 December 2012
Present value of funded obligations	802,713	903,550
Fair value of plan assets	(81,873)	(84,016)
Total deficit of funded plans	720,840	819,534
Present value of unfunded obligations	307,026	285,101
Net liability in the consolidated statement of financial position	1,027,866	1,104,635

Amounts recognised as income and expense in the consolidated statement of comprehensive income:

	Year ended 31 December 2013	Year ended 31 December 2012
Current service cost	69,640	52,614
Interest cost	92,878	89,199
Interest income on plan assets	(6,223)	(7,246)
Past-service cost	36,342	(14,315)
Actuarial gains/(losses) recognised in the current period	(594)	-
Net expense recognised in profit and loss	192,044	120,251

Movements in the net liability recognised in the consolidated statement of financial position are as follows:

	At 31 December 2013	At 31 December 2012
Net liability at the beginning of the year	1,104,635	940,971
Net expense recognised in profit and loss	192,044	120,251
Employer contributions	(36,792)	(49,136)
Actuarial (loss)/gain recognised in other comprehensive income	(232,021)	92,549
Net liability at the end of the period	1,027,866	1,104,635

Changes in the present value of the Group's pension obligations are presented below:

	Year ended 31 December 2013	Year ended 31 December 2012
Present value of pension obligations at the beginning of the year	1,188,651	1,022,729
Current service cost	69,640	52,614
Interest cost	92,879	89,199
Actuarial gains / (losses)	(237,954)	90,299
Past-service cost	36,342	(14,315)
Benefits paid	(39,818)	(51,875)
Present value of defined benefit obligations (DBO) at the end of the year	1,109,739	1,188,651

Adjustments arose due to the actual results differing from assumptions for assets and obligations:

	At 31 December 2013	At 31 December 2012	At 31 December 2011	At 31 December 2010	At 31 December 2009
Present value of defined benefit obligations (DBO)	1,109,739	1,188,651	1,022,729	937,142	754,402
Fair value of plan assets	(81,873)	(84,016)	(81,758)	(85,952)	(83,620)
Net liability in the consolidated statement of financial position	1,027,866	1,104,635	940,971	851,190	670,782
Gains arising from experience adjustments for plan liabilities	200,306	(19,820)	(31,911)	(16,796)	(42,272)
Losses/(gains) arising from experience adjustments for plan assets	(5,340)	2,784	2,133	8,442	(24,337)

The principal actuarial assumptions are as follows:

	At 31 December 2013	At 31 December 2012
Discount rate	7.50%	7.50%
Inflation	5.0%	5.50%
Future salary increase	9.20%	9.72%
Future financial support increases	5.0%	5.5%
Staff turnover	2.5%	2.5%
Mortality	Russian population table for 1998	Russian population table for 1998

The movements in the plan assets are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Fair value of plan assets at 1 January	84,016	81,758
Interest income on plan assets	6,223	7,247
Actual actuarial loss excluding interest income on plan assets	(5,340)	(2,250)
Employer contributions	36,792	49,137
Benefits paid	(39,818)	(51,875)
Fair value of plan assets at 31 December	81,873	84,016

Contributions expected to be paid to the plan during the annual period starting from the reporting date are RUB 30,000 thousand.

Plan asset structure:

	At 31 December 2013	At 31 December 2012
Corporate bonds	24%	28%
Bank deposits	43%	27%
Shares in mutual funds	17%	12%
Government bonds	0%	4%
Cash	1%	1%
Other	15%	28%

Note 13. Accounts payable and accruals

	At 31 December 2013	At 31 December 2012
Financial liabilities	3,226,921	3,312,932
Trade payables	2,295,346	1,781,662
Accounts payable to capital construction contractors	623,033	755,016
Dividends payable	229,703	40,302
Accrual for intangible asset purchases	-	35
Other payables	78,839	145,779
Non-financial liabilities	919,332	224,570
Advances from customers	9,983	10,035
Staff payables	909,349	214,535
Total	4,146,253	3,537,502

Note 14. Taxes payable other than income tax

	At 31 December 2013	At 31 December 2012
VAT	939,918	1,200,037
Property tax	19	241,835
Employee taxes	64,467	47,020
Other	54,584	36,231
Total	1,058,988	1,525,123

Note 15. Income tax

Income tax charge

	Year ended 31 December 2013	Year ended 31 December 2012
Current income tax charge	(2,808,792)	(4,559,830)
Deferred income tax charge	(573,531)	(24,692)
Total	(3,382,323)	(4,584,522)

During the year ended 31 December 2013, the Group entities were subject to income tax on taxable profits at the following rates:

- 20% for such branches as Smolenskaya GRES, Shaturskaya GRES (19.66% in 2012), Berezovskaya GRES, Berezovskaya GRES Heat Supply Network, and OA O E.ON Russia's Moscow head office;
- 18% for Surgutskaya GRES Branch (according to Article 2.5 of Khanty-Mansi Autonomous Area-Yugra Law No. 87-OZ of 30 September 2011 on corporate income tax rates payable to the Khanty-Mansi Autonomous Area-Yugra budget);
- 15.5% for Yayvinskaya GRES Branch (according to Article 15, Perm Region Tax Law No. 1685 of 16 August 2001).

A reconciliation between the expected and actual tax charge is provided below:

	Year ended 31 December 2013	Year ended 31 December 2012
Profit before income tax	17,814,254	22,901,524
Theoretical tax charge at the statutory tax rate (20% for the year ended 31 December 2012 and 2011)	(3,562,851)	(4,580,305)
Effect of lower tax rates	323,928	394 639
Effect of other permanent differences	(143,400)	(398,856)
Total income tax charge	(3,382,323)	(4,584,522)

For the years ended 31 December and 2012, the effective tax rate was 19.0% and 20.0%, respectively.

Deferred income tax. Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets and liabilities are measured at the rate applicable when the temporary differences reverse, which is expected to be 20% as of 31 December 2013 and 31 December 2012. The Group received tax reductions for some of its plants, but due to the fact that the Group has insufficient evidence that those reductions will be sustained for the longer term the Group has applied statutory rate of 20% to record its deferred tax assets and liabilities.

Deferred tax assets (liabilities) calculated on the temporary differences for balance sheet items are as follows:

	At 31 December 2013	Movement for 2013 recognised in the income statement	Movement for 2013 recognised in the statement of comprehensive income	At 31 December 2012
Property, plant and equipment	(5,478,585)	(521,693)		(4,956,892)
Pension liabilities	205,573	31,051	(46,404)	220,926
Accounts payable and other				
Accruals	158,221	33,669		124,552
Accounts receivable	(92,085)	(167,405)		75,320
Other non-current assets	39,269	5,754		33,515
Intangible assets	8,949	(417)		9,366
Other	(4,734)	45,510	(57,178)	6,934
Deferred tax liability at the end of the year	(5,163,392)	(573,531)	(103,582)	(4,486,279)

	At 31 December 2012	Movement for 2012 recognised in the income statement	Movement for 2012 recognised in the statement of comprehensive income	At 31 December 2011
Property, plant and equipment	(4,956,892)	(15,026)	-	(4,941,866)
Pension liabilities	220,926	14,117	18,615	188,194
Accounts payable and other accruals	124,552	(151,774)	-	276,326
Other non-current assets	75,320	42,635	-	32,685
Intangible assets	33,515	95,590	-	(62,075)
Accounts receivable	9,366	46,395	-	(37,029)
Other	6,934	(56,629)	42,105	21,458
Deferred tax liability at the end of the year	(4,486,279)	(24,692)	60,720	(4,522,307)

Note 16. Revenue

	Year ended 31 December 2013	Year ended 31 December 2012
Electricity and capacity	76,638,549	72,983,999
Heat	1,109,758	1,070,198
Other	1,032,197	969,013
Total	78,780,504	75,023,210

The Group sells electricity through the wholesale electricity and capacity market ("WECM"), under regulated contracts with predetermined volumes and tariffs approved by Federal Tariff Service, and at competitive (unregulated) prices.

Electricity and capacity are sold on the WECM directly to retail companies. At the same time, some WECM transactions are conducted on the day-ahead market or balancing electricity market, through commission agreements with ZAO Centre for Financial Settlements ("CFS"). CFS is the entity responsible for ensuring secure and timely financial settlements under all contracts involving WECM participants. Its principal function is to provide a range of services regarding the calculation of WECM participants' receivables and liabilities, as well as those regarding the fulfilment of financial settlements between them.

The companies, industrial consumers or the generation companies which buy the electric power and power for ensuring own deliveries in regulative sector are the actual contractors in transactions on WECM made through CFS who acts as the commission agent. The enterprises which are under state control act as contractors too.

Note 17. Other operating income

	Year ended 31 December 2013	Year ended 31 December 2012
Prior years' gains	664,827	9,610
Gain on disposal of property, plant and equipment	85,140	-
Penalties from other market participants	60,040	103,336
Release of provision for bonuses and insurance provision	11,484	39,804
Release of contingency provision	3,892	23,890
Gain on disposal of inventories	2,494	40,839
Other income	8,311	43,053
Total	836,188	260,532

Previous years' gains include decrease in property tax payable to the budget related to previous year amended tax returns in the amount of RUB 658167 thousand.

Note 18. Operating expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Fuel	36,498,787	33,436,716
Depreciation and amortisation	9,916,448	8,249,076
Staff costs	5,417,509	4,736,222
Impairment of property, plant and equipment and intangible assets	3,439,953	30,248
Repairs and maintenance	1,688,865	1,427,673
Operational dispatch management	1,148,472	1,050,757
Taxes other than income tax	1,099,169	1,027,137
Provision for impairment of accounts receivable	1,124,581	620,696
Purchase of electricity and heat	1,032,452	1,262,453
Raw materials and supplies	362,594	284,058
Security	359,603	369,264
Water usage expenses	169,363	185,620
Insurance cost	159,109	170,822
Rent expenses	134,884	129,420
Transportation expenses	120,906	122,497
Social expenditure	26,391	23,238
Bank services	7,913	12,034
Other expenses	1,171,192	1,224,600
Total	63,878,191	54,362,531

Staff costs include:

	Year ended 31 December 2013	Year ended 31 December 2012
Salaries and wages, including payroll taxes	4,633,737	4,168,905
Pension costs – defined contribution plans (including state pension fund)	684,871	475,321
Termination benefits	29,261	44,858
Pension costs – defined benefit plans	69,640	47,138
Total staff costs	5,417,509	4,736,222

Note 19. Finance income and expense

Finance income

	Year ended 31 December 2013	Year ended 31 December 2012
Interest income (deposits and cash)	2,167,493	1,972,527
Other interest income	83,741	46,769
Foreign exchange gains	-	82,507
Total	2,251,234	2,101,803

Finance expense

	Year ended 31 December 2013	Year ended 31 December 2012
Effect of liability discounting	136,657	121,490
Foreign exchange losses	38,824	-
Total	175,481	121,490

Note 20. Basic and diluted earnings per share payable to shareholders of OAo E.ON Russia

Basic earnings per share are calculated by dividing the net profit attributable to the Group's shareholders by the weighted average number of outstanding ordinary shares, excluding treasury stock.

	Year ended 31 December 2013	Year ended 31 December 2012
Weighted average number of ordinary shares, outstanding during the year, net (shares)	63,048,706,145	63,048,706,145
Profit attributable to the shareholders of OAo E.ON Russia (RUB thousand)	14,374,747	18,316,947

Basic and diluted earnings per share attributable to shareholders of OAo E.ON Russia (in RUB)

0.23

0.29

In 2013 and 2012, the Group was not party to contracts with a potential dilutive effect.

Note 21. Commitments

Sales Commitments. The Group sells electricity (capacity) in two wholesale market sectors existing during the transition period: the free trade sector and the regulated trade sector (under regulated bilateral contracts).

The Group has entered into a number of annual electricity sales agreements with ZAO CFS and retail companies.

In accordance with the agency contract between the Group, ZAO CFS, OAO System Operator, OAO ATS and NP Market Council for Organising Efficient System of Trading at Wholesale and Retail Electricity and Capacity Market, the Group has concluded contracts for sales of capacity with wholesale market counterparties (contracts for sales of capacity).

Fuel commitments. The Group has concluded a number of fuel supply contracts (natural gas, fuel oil and coal).

The principal natural gas and coal suppliers are OAO Surgutneftegaz, OAO NOVATEK, OOO NOVATEK-Perm, OAO NK Rosneft, OOO LUKOIL-Rezervnefteproduct. Contracts with these suppliers have been concluded for the mid-term and long-term.

The main coal supplier is OAO Sibirskaya ugolnaya energeticheskaya kompaniya. Contract with it have been concluded for the term more than 5 years up to 2025.

Contracts with suppliers of gas and coal allow changes in the volume supply of fuel according to the actual needs of the Group. Estimated cost of purchasing gas and coal in 2014 is RUB 36,546,104 thousand and RUB 3,505,610 thousand, respectively (without VAT).

Purchase of fuel oil for the needs of power plants of the Group performed periodically, as the need arises. Contracts for the supply of fuel oil are concluded following the appropriate procurement procedures. Estimated cost of purchasing oil for 2014 is – RUB 68 473 thousand (for Berezovskaya and Shaturskaya GRES).

All fuel purchase contracts of the Group were concluded for the purpose of fuel receipt in accordance with the Group's expected own usage requirements and are out of scope of IAS 39 "Financial Instruments: Recognition and Measurement".

Capital commitments. As of 31 December 2013, the Group had contractual capital expenditure commitments with respect to property, plant and equipment totalling RUB 14,236,934 thousand (2012: RUB 29,843,463 thousand). Most of commitments (RUB 10,768,484 thousand) refers to commitments of implementation of the project "Construction of the 3rd power unit PSU-800 on the basis of branch "Berezovskaya GRES".

This construction was conducted by JSC Energoprojekt (general contractor). On 17 May 2011, OAO E.ON Russia (Customer), OAO Energoprojekt (Contractor) and JSC Zarubezhenergoprojekt (Guarantor) concluded an agreement for the design, engineering, supply and construction on a turnkey basis of the third power unit PSU-800 at Berezovskaya GRES (hereinafter – Project), according to which the Contractor fulfils the construction (hereinafter - Agreement), . During the implementation of the Project it became clear that the Contractor is not able to fulfill the assumed obligations on finalizing the construction in time and for the fixed price determined by the Agreement.

Therefore, OAO E.ON Russia made a decision to carry out payment to subcontractors and suppliers directly to minimize the above risks. On 7 February 2014, a new branch of OAO E.ON Russia was registered in the Krasnoyarsk region – " E.ON Engineering". This branch was created for completion of construction of the third power unit at Berezovskaya GRES. Later on, the branch may be involved in the implementation of other projects of the Company.

On 25th of February amendment to the contract was signed, that specified main parameters of premature contract termination, including the rights and responsibilities transition order of sub-Contracts from Company's Contractor.

Despite the early termination of the contract with OAO "Energoprojekt", the Group expects to complete the construction within the deadlines set by the respective capacity supply agreement (not later than by November 2015).

Note 22. Contingencies

Political environment. The Group's operations and earnings continue, intermittently and to varying degrees, to feel the impact of Russian political, legislative, fiscal and regulatory developments, including those related to environmental protection.

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

Social obligations. The Group has a responsibility to those regions where it operates to contribute to the development of favourable living conditions, create jobs and minimise harm to the environment. It also has a responsibility to the public and government authorities to pay taxes, support important public initiatives, and participate in the social and economic development of the regions.

Guided by the principles of corporate responsibility, the Group believes it is important to contribute to the development of those regions where it has a presence. Following this, the Group is extensively involved in funding social and charity programmes to support vulnerable segments of society, first and foremost: children and pensioners. Particular attention is paid to the development of educational programmes for schoolchildren and students. A variety of sports events are also supported.

The Group continues traditions present in power plants which have come under its control: providing charity support to various organisations, public associations and individuals in those regions where these power plants operate. The Group spent RUB 28,449 thousand on these programmes in 2013 (in 2012: RUB 49,058 thousand).

Legal proceedings. Group entities are party to certain legal proceedings arising in the ordinary course of business. Management does not feel that the final outcome of current legal proceedings and claims could have a material effect on the Group's financial standing.

The Group has created a provision in relation to lawsuits where the risk of a negative outcome is assessed as being high, as of 31 December 2013 the amount of the provision was RUB 12.550 thousand (31 December 2012: RUB 3.892 thousand).

At the date of approval of these financial statements for issue, management believes that it has made adequate provision for all resulting significant probable losses if such claims are initiated and disputed.

Tax contingencies. The Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Group management's interpretation of such legislation as applied to the Group's transactions and activity may be challenged by the regional and federal authorities.

The Russian tax authorities may take a more assertive and sophisticated approach in their interpretation of the legislation and tax assessments. This includes the Supreme Arbitration Court's resolutions on anti-avoidance claims based on reviewing the substance and business purpose of transactions. In addition, this position is affected by a possible increase in tax collection efforts in response to budget pressures.

As of 31 December 2013, management believes that its interpretation of the relevant law is appropriate and that the Group's position is sustainable as it relates to application of tax, currency and customs legislation.

In February 2014 the Company received tax acts in respect of tax audits for 2010-2011. Upon the results of the tax audits total claims for taxes by tax authorities amounted to RUB 197.712 thousand, and for penalties and interest – RUB 37385 thousand. No provisions were recorded in relation to these claims as the Company assesses the risk of an unfavourable outcome of court proceedings as possible.

Environmental matters. The Group has a long history of operating in the Russian electricity industry. The enforcement of Russian environmental regulation is evolving, and the position of government authorities on enforcing these regulations is continually being reconsidered.

The Group understands its responsibility for environmental protection and the rational use of natural resources. The Group operations are directly related to the exploitation of natural resources and have a direct impact on the environment. The Group endeavours to fully understand the impact of its operations on the environment and to minimise any negative effects.

The Group has implemented and currently operates the Environmental Management System (EMS), which determines the Group's policies, goals and objectives for environmental protection and security as well as

the tools needed to achieve these targets.

The Group annually performs established control procedures such as internal audit of EMS and industrial environmental monitoring designed to identify gaps in EMS operation. When any such gaps are identified, the Group develops corrective actions for their prompt removal. In addition, the Group management reviews effectiveness of EMS operation on an annual basis.

Using the information obtained as a result of this work, the Group management decides whether it is reasonable to implement specific environmental protection measures and to include them in the Group's relevant financial programmes.

The Group introduced documented procedures to manage key environmental aspects in order to implement specific initiatives for compliance with the corporate and regulatory requirements. In 2012, the Group introduced "Environmental Rules for OAo E.ON Russia's contractors and lessees", which are basically aimed at achieving contractor's (lessee's) compliance with the Russian environmental legislation and environmental management standards adopted in the customer's organisation.

In October-December 2013 the Group conducted an external (by Bureau Veritas) Evaluative audit of the EMS to meet the requirements of the international standard ISO 14001:2004. Certification was carried out by Certification Association "Russian Register" accredited international certification bodies, members of the International Accreditation Forum (IAF). Thus, the results of certification are listed on the international level, as also evidenced by a certificate issued by the network IQ Net, which is a member of the "Russian Register".

Voluntary certification testifies to the existence and operation of the Company Management System environmental aspects in accordance with international requirements and allows to:

- strengthen the Group's favourable image among the partners and to the exchange;
- confirm the controllability and predictability of the risks of emergencies with environmental consequences and as a result affect the amount of insurance premiums;
- strengthen relationships with stakeholders, to make them more transparent and trustworthy;
- strengthen relationships with investors.

The Group is implementing a dry ash disposal construction project at Berezovskaya GRES. This system is principally intended for environmentally safe storage of ashes and slag waste for sustainable operation of the power plant without allocation of additional land plots for storing such waste (similar area is filled in within 3 years with hydraulic ash disposal and within 40 years with dry ash disposal). Another intended purpose of the system is to reduce water usage for ashes and slag waste transportation (water is used only for humidifying to exclude dusting).

Work continues on the construction of purification facilities for waste water at Yavinskaya GRES. To date, there were completed design, foundation and surface works and major supplies of main and auxiliary equipment. The stage of completion of construction works constitutes around 70%. Preparation works for registration permits for the discharge of treated water have started. The main objective of the project - implementation of stringent requirements on the maximum allowable concentrations imposed on the emissions in the fishery water bodies.

In the present time situation, resulting from the coming into force of the Federal Law of 07.12.2011 № 416-FZ "On the Water Supply and Sanitation", as well as a number of RF Government Regulations establishing the need to ration effluent entering the centralized sewerage system and the simultaneous absence of regulations that establish specific procedures and mechanisms for the implementation of these regulations, for OAo "E.ON Russia", as well as for other businesses, there are risks to be notoriously guilty of dereliction of environmental legislation without the ability to take preventive measures to prevent such violations.

Draft resolution of the Government of the Russian Federation is currently being agreed, according to which in 2014 the rate of payment for water use should increase by 2.3 times and indexed by 5 % in 2015 and 2016. Thus, measures may be needed to optimize the use of water resources, in particular, at the co-current stations (Yavinskaya GRES), implement transition to the closed cycle cooling (cooling tower). On the other hand, - there is a need to revise and clarify the individual rates of water consumption, installing meters at water intakes and outfalls.

In the short term, the Group will encounter the tightening regulation in the area of the negative impact on the basis of the best available technology (BAT) , which include equipment and technology meeting the latest science achievements, with a minimum level of environmental pollution and thus economically affordable for businesses. In the transition to the technological regulation for large companies will increase the amount of pressure on businesses in terms of the need to move on or use BAT significant increasing coefficients (75 - and 100 -fold) in the absence of measures to reduce the negative impact.

It is impossible to estimate the potential liabilities that may arise as a result of changes in legislation and regulations and arbitration practice, but they could be material. Under the current legislation on the protection of the environment, management believes that there are no significant liabilities for environmental pollution.

Note 23. Financial instruments and financial risk factors

Within the Group, the risk management control function regarding financial risks, operational risks and legal risks is carried out by the Risk and Finance Committee of the Board of Directors. Financial risks comprise market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and ensure that exposure remains within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Market risk

Interest rate risk. The Group is not significantly exposed to fair value interest rate risk, as the Group does not have significant financial assets and liabilities with fixed interest rates. However, the Group does have interest-bearing assets which are exposed to cash flow interest rate risk. The Group's significant interest-bearing assets are disclosed in Note 10.

Currency risk. Profit and cash flows from the Group's current operations are largely independent of changes in the Russian rouble's exchange rate. The Group sells the produced electricity and heat in Russia and receives payment in Russian roubles, hence associated operational expenses are also mainly denominated in roubles.

The Group does however have foreign-currency commitments as part of commitments in connection with the service contracts for maintenance of new CCGT's. A hedging strategy was developed and implemented against financial risks related to currency purchases for these commitments. The Group also has commitments that are not hedged.

The Group implemented a policy of cash flow hedging using foreign-currency bank deposits from 1 January 2009 to the end of Q1 2011 regarding currency risks related to foreign currencies cash outflows in the investment programme. In Q1 2011 the deposits were fully utilised and therefore the hedge was terminated as of the reporting date. As a result of commercial operation of CCGT-400 at Shaturskaya GRES, two CCGT-400 at Surgutskaya GRES and CCGT-400 at Yayvinskaya GRES, approximately RUB 54,870 thousand was transferred from other comprehensive income to the profit and loss in 2013 (2012: RUB 54,898 thousand), net of income tax. Cash flow hedging proved effective, and correspondingly no inefficiency was recognised in profit or loss during the reporting period.

Also in order to reduce the Group's foreign exchange risk exposure related to financing of the investment programme for the period from September 2010 to January 2012; in 2010 and 2011 the Group entered into derivative financial instrument transactions with OOO Deutsche Bank (the Company concluded USD and Euro forwards and a Euro option). These derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of foreign exchange rates fluctuations. The Group has applied hedge accounting for these forwards and the option. The amount of loss on effective hedge instruments recognised in other comprehensive income during the period ended 31 December 2013 was RUB 0 thousand (2012: loss of RUB 26,383 thousand), net of income tax. The total gain in 2013 in profit and loss was RUB 0 thousand (2012: gain of RUB 339 thousand).

The Group also implemented a policy of cash flow hedging using foreign-currency bank deposits from 1 July 2012 regarding currency risks related to foreign currencies cash outflows under service contracts entered into for new combined-cycle plants. The amount of foreign exchange profit from bank deposits on a hedging instrument recognised within other comprehensive income during the year ended 31 December

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2013 was RUB 283,583 (2012: loss of RUB 91,236 thousand), net of income tax.

The table below summarises the Group's exposure to foreign currency exchange rate risk:

	At 31 December 2013			At 31 December 2012		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Russian rouble	33,339,766	(3,203,134)	30,136,632	39,331,763	(3,289,191)	36,042,572
US Dollar	1,173,236	(10,677)	1,162,559	1,434,324	(10,630)	1,423,694
Euro	1,494,336	(13,110)	1,481,226	1,731,022	(13,111)	1,717,911
Total	36,007,338	(3,226,921)	32,780,417	42,497,109	(3,312,932)	39,184,177

The following table presents the Group's sensitivity to possible exchange rate changes applied at the reporting date relative to the Group entities' functional currency, with all other variables remaining constant:

	At 31 December 2013		At 31 December 2012	
	Impact on profit or loss	Impact on other comprehensive income	Impact on profit or loss	Impact on other comprehensive income
Incremental (loss) / profit from US Dollar strengthening by 20%	(2,135)	234,647	(2,126)	286,865
Incremental profit / (loss) from US Dollar weakening by 20%	2,135	(234,647)	2,126	(286,865)
Incremental (loss) / profit from Euro strengthening by 20%	(2,622)	298,867	(2,622)	346,204
Incremental profit / (loss) from Euro weakening by 20%	2,622	(298,867)	2,622	(346,204)

Exposure was only calculated for monetary balances denominated in currencies other than the Group's functional currency. The Group's exposure to currency risk at the balance sheet date is representative of the typical exposure during the year.

Credit risk. The financial assets that potentially subject the Group to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, consist principally of the following items:

	At 31 December 2013	At 31 December 2012
Bank deposits	8,318,302	27,254,094
Cash	18,026,997	5,813,097
Trade receivables	5,715,012	5,789,768
Loans issued	2,417,604	2,246,027
Other long-term assets	689,185	704,892
Other receivables	287,418	394,654
Debt securities	527,149	261,398
Available-for-sale financial assets	25,671	33,179
Total	36,007,338	42,497,109

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the impairment provision already recorded.

Trade and other receivables

Management believes that the majority of customers whose balances are included in trade receivables represent a single class, as they have the same characteristics. Those customers belong to the same wholesale electricity market, which is regulated by NP ATS (Non-Commercial Partnership Trade System Administrator).

Due to the absence of an independent evaluation of buyers' and customers' solvency, credit risk is evaluated at the stage of entering into an agreement with a potential debtor. The Group evaluates the financial position and credit record of the counterparty. Existing receivables are monitored in the Group's divisions, and collection measures are taken regularly.

Management has determined the provision for the impairment of accounts receivable based on the specific customer's financial position, customer's payment trends, subsequent receipts and settlements, and analysis of expected future cash flows. Management believes that the Group will be able to realise the net receivable amount through direct collections and other non-cash settlements, and that therefore the recorded value approximates the fair value (Level 3 fair value hierarchy).

The Group tested trade and other receivables for impairment, and the results are as follows:

	At 31 December 2013	At 31 December 2012
Current	5,692,350	6,089,793
Impaired	2,577,508	1,539,977
Past-due but not impaired	310,080	94,685
Impaired	2,577,508	1,539,977
Total trade and other receivables	8,579,938	7,724,455

The movements in the provision for impairment of accounts receivable are provided in the table below:

	Year ended 31 December 2013	Year ended 31 December 2012
Balance at 1 January	1,539,977	967,232
Provision for impairment of accounts receivable	1,124,581	1,809,282
Accounts receivable write-down during the reporting period as bad debt	(87,050)	(47,895)
Release of unused provision	-	(1,188,586)
Balance at 31 December	2,577,508	1,540,033

The provision for doubtful accounts increased in 2013 and 2012 due to an additional charge for impairment of receivables from supply companies which have been deprived of the status of the wholesale market participants in those periods.

Cash and cash equivalents

The Group's Board of Directors approved the list of banks acceptable for placing deposits. The Group continuously assesses these banks' financial position and reviews ratings assigned by independent agencies, past practice and other factors.

The Group placed cash and cash equivalents in the following banks (ratings are given as of 31 December 2013):

Name	Rating	Rating agency	At 31 December 2013	At 31 December 2012
OA Gazprombank	Baa3	Moody's	1,933,705	983,611
OA Sberbank of Russia	Baa1	Moody's	1,003,632	903,463
ZAO UniCredit Bank	BBB	Fitch	2,400,005	483,399
OA VTB Bank	Baa2	Moody's	5,450,014	750,040
OA Alfa-Bank	Ba1	Moody's	3,255	86,057
OA Nordea Bank	BBB+	Fitch	2,400,000	1,100,000
OO HSBC Bank (PP)	BBB+	Fitch	1,800,000	1,500,000
ZAO ING Bank Evrazia	Baa2		1,500,000	
DZ Bank AG	A1	Moody's	1,526,465	8
Other banks and cash in hand	Baa3		9,921	6,519
Total cash			18,026,997	5,813,097

The increase in cash and cash equivalents as of 31 December 2013 is mainly explained by the increase in deposits with a maturity of less than 3 months classified as cash equivalents.

Liquidity risk. Reasonable liquidity risk management includes having sufficient funds to support the Group's continued operations.

The majority of the Group's accounts payable are of a short-term nature (less than one month) and stem from the Group's agreements with fuel suppliers and production-related service providers.

The Group has significant commitments as part of its investment programme and is planning to meet the associated expenditure from funds placed on deposit and cash flows from operating activity. Management controls its liquidity risk by preparing detailed cash flow forecasts.

Fair values. Management believes that the fair value of financial assets and liabilities approximates their carrying value (Level 3 fair value hierarchy).

Reconciliation of classes of financial instruments with measurement categories

Under IAS 39, the Group classifies its financial assets into the following categories: (a) loans and receivables, and (b) available-for-sale financial assets. The following table provides a reconciliation of the classes of financial assets with these measurement categories as of 31 December 2013 and 2012:

	At 31 December 2013	At 31 December 2012
ASSETS		
Loans and receivables		
Accounts receivable and prepayments (Note 9)	6,002,430	6,184,422
Trade receivables	5,715,012	5,789,768
Other financial receivables	287,418	394,654
Short-term financial assets (Note 10)	8,845,451	27,515,492
Bank deposits	8,318,302	27,254,094
Promissory notes	527,149	261,398
Long-term financial assets	3,106,789	2,950,919
Promissory notes	566,987	611,293
Loans issued to employees	122,198	93,599
Loans issued to related parties (Note 5)	2,417,604	2,246,027
Cash and cash equivalents	18,026,997	5,813,097
Total loans and receivables	35,981,667	42,463,930
Available-for-sale financial assets		
Long-term financial assets	25,671	33,179
Total available-for-sale financial assets	25,671	33,179
Total financial assets	36,007,338	29,840,424

Note 24. Risks associated with capital (capital management)

When managing capital, the Group's objectives are to safeguard the Group's ability to continue as a going concern and provide returns to shareholders, and to maintain an optimal capital structure to reduce capital costs. Russian law details the following capital requirements:

- Share capital must be at least 1,000 minimum (monthly) wages as of the company's registration date;
- If the company's share capital exceeds its net assets, the company must decrease its share capital to a value not exceeding its net assets;
- If the company's net assets are below the minimum allowed share capital, the company will be subject to liquidation.

As of 31 December 2013 and 31 December 2012, OAO E.ON Russia's capital complied with these requirements.

The Group's capital ensures the Group's ability to continue operating, provide returns to shareholders and remuneration to other stakeholders, and to maintain an optimal structure for increasing return on capital.

To support or adjust the capital structure, the Group can regulate the amount of dividends that have been paid out, return capital to shareholders, issue new shares or sell assets to repay debts.

The Group uses the debt factor to manage capital structure.

The debt factor is calculated as net debt divided by EBITDA. The value of net debt is determined as the sum of total financial and pension liabilities in the consolidated statement of financial position less total financial assets.

The Group's strategy in 2013 was to maintain the debt factor at a level not exceeding 3. The debt factor at 31 December 2013 and 2012 is presented below:

	At 31 December 2013	At 31 December 2012
		Restated
Trade and other receivables (Note 9)	6,002,430	6,184,422
Short-term financial assets (Note 10)	8,845,451	27,515,492
Cash and cash equivalents	18,026,997	5,813,097
Long-term financial assets	3,132,460	2,984,098
Total financial assets	36,007,338	42,497,109
Accounts payable and accruals (Note 13)	(3,226,921)	(3,312,932)
Total financial liabilities	(3,226,921)	(3,312,932)
Pension liabilities	(1,027,866)	(1,104,635)
Excess of financial assets over financial and pension liabilities	31,752,551	38,079,542
EBITDA	29,094,902	29,200,535
Debt factor	-	-

Nil debt factor demonstrates low dependence on external financing at the reporting date.

Note 25. Segment information

The Group's chief operating decision-maker is the General Director and Management board (hereinafter

«Chief operating decision-maker»), who review the Group's internal reporting forms prepared in accordance with E.ON's Accounting Manual in order to assess the Group's performance and allocate resources efficiently. E.ON's Accounting Manual is based on IFRS, however, the amounts may differ as the Company's internal reporting forms are intended for the purposes of preparing the consolidated financial statements for the entire E.ON Group. Operating segments are determined based on the analysis of the above internal reporting forms.

The Chief operating decision-maker considers business from the power plants' perspective, i.e. assessing the performance of each of the 5 power plants: Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES, Yayvinskaya GRES and Smolenskaya GRES. Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES, and Yayvinskaya GRES are aggregated into a single operating segment, comprising more than 90% of the Group's revenue, as they have similar economic and other characteristics. The operating segment Smolenskaya GRES comprises less than 4% of the total revenue and 1% of assets. Other segments include expenses of Moscow representative office, heat sales at Berezovskaya GRES and financial information of subsidiaries.

The Chief operating decision-maker assesses operating segments' performance based on earnings before interest, tax, depreciation and amortisation (EBITDA). In addition, the Chief operating decision-maker is provided with information on depreciation/amortisation of non-current assets and earnings before interest and tax (EBIT).

	Year ended 31 December 2013	Year ended 31 December 2012
Earnings before interest, tax, depreciation and amortisation (EBITDA) for five power plants	31,523,682	30,604,792
Other segments	(2,502,689)	(1,486,943)
Total earnings before interest, tax, depreciation and amortisation (EBITDA)	29,020,993	29,117,849
Depreciation/amortisation	(8,264,325)	(7,333,780)
Total earnings before interest and tax (EBIT)	20,756,668	21,784,069

Reconciliation of earnings before interest and tax (EBIT) by reporting segments as provided to the Chief operating decision-maker to profit before income tax according to this financial information of the Group:

Earnings before interest and tax (EBIT)	20,756,668	21,784,069
Finance income	2,251,234	2,101,803
Finance expense	(175,481)	(121,490)
Other adjustments	(5,018,167)	(862,858)
Profit before income tax	17,814,254	22,901,524

Other adjustments are mainly related to the following items:

	Year ended 31 December 2013	Year ended 31 December 2012
Difference in depreciation and capitalised repair costs	(1,766,323)	(1,006,869)
Difference in impairment of property, plant and equipment	(3,342,764)	138,193
Other	90,920	5,818
Differences in amounts for the purposes of E.ON SE (formerly E.ON AG) consolidated financial statements	(5,018,167)	(862,858)

Reconciliation of revenue from external customers for all 5 power plants to total revenue:

	Year ended 31 December 2013	Year ended 31 December 2012
External revenue of 5 power plants	77,761,007	74,205,066
Other segments	1,017,853	819,849
Other adjustments	1,644	(1,705)
Total	78,780,504	75,023,210

The Group's revenues are analysed by products and services in Note 16.

Revenues from customers representing 10% or more of the total revenues are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
ZAO CFS (see Note 16)	49,878,649	48,550,735
Others (mainly distribution companies, under 10% each)	28,901,855	26,472,475
Total revenues according to the Group's financial statements	78,780,504	75,023,210

The Group operates and owns the assets only on the territory of the Russian Federation.

Note 26. Events After the End of the Reporting Period

On 24 January 2014, E.ON Connecting Energies acquires 67% share in Noginsky Heat Center from AMG Industrial Investment Corporation AG (member of the DEGA Group) for 24 million euros (1.2 billion rubles). The acquisition price of the share may further increase in the amount of more than 272 million rubles in the aggregate up to 31 December 2018 in excess of the contracted capacity of the current level. Currently, this Company owns and manages 2 CCGTs with aggregate capacity of 30 MW in industrial park in Noginsk (Moscow region).

On 29 January 2014, E.ON Connecting Energies and DEGA Group (AMG) have signed Joint Activity Agreement for provision of energy solutions for industrial and business parks in the RF territory. The Agreement defines terms and conditions under which these companies will cooperate in production and delivery of heat and electricity and their responsibilities.

Under this Agreement during the construction of new industrial parks in the Russian Federation DEGA Group shall work only with E.ON Connecting Energies as concerns decentralized delivery of the heat and electricity, generating and distributing equipment.