E. ON RUSSIA GROUP

CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND
AUDITOR'S REPORT

31 DECEMBER 2012

Contents

OAO E.ON Russia Group
Consolidated Statement of Financial Position as at 31 December 2012
(RUB thousand)

	Note	At 31 December 2012	At 31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	6	88,625,688	86,716,212
Intangible assets	7	467,245	881,195
Long-term financial assets	5, 23	2,279,206	43,640
Other non-current assets	23	706,479	322,646
Total non-current assets		**92,078,618**	**87,963,693**
Current assets			
Cash and cash equivalents	23	5,813,097	10,523,873
Accounts receivable and prepayments	9	6,507,581	5,300,131
Inventories	8	1,679,769	1,727,092
Income tax prepayments		-	583,551
Short-term financial assets	10, 23	27,515,492	14,175,215
Assets held for sale		893	-
Total current assets		**41,516,832**	**32,309,862**
TOTAL ASSETS		**133,595,449**	**120,273,555**
EQUITY AND LIABILITIES			
Capital			
Ordinary shares	11	25,219,482	25,219,482
Share premium		40,052,405	40,052,405
Other reserves	11	293,573	501,397
Retained earnings		57,302,257	42,696,355
Total equity attributable to shareholders of OAO E.ON Russia		**122,867,717**	**108,469,639**
Non-controlling interest		5,724	5,669
Total equity		**122,873,441**	**108,475,308**
Non-current liabilities			
Deferred income tax liabilities	15	4,519,031	4,570,509
Pension liabilities	12	940,873	699,960
Total non-current liabilities		**5,459,904**	**5,270,469**
Current liabilities			
Accounts payable and accruals	13	3,537,502	5,045,215
Income tax payable		199,479	-
Taxes payable other than income tax	14	1,525,123	1,482,563
Total current liabilities		**5,262,104**	**6,527,778**
Total liabilities		**10,722,008**	**11,798,247**
TOTAL EQUITY AND LIABILITIES		**133,595,449**	**120,273,555**

Approved and signed	1 April 2013
General Director	M.G. Shirokov
Financial Director	U. Backmeyer

OAO E.ON Russia Group
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012
(RUB thousand)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
Revenue	16	75,023,210	66,089,285
Operating expenses	18	(54,439,780)	(48,603,062)
Other operating income	17	260,532	249,372
Operating profit		**20,843,962**	**17,735,595**
Finance income	19	2,260,233	1,117,469
Finance expense	19	(279,920)	(675,831)
Profit before income tax		**22,824,275**	**18,177,233**
Income tax charge	15	(4,569,072)	(3,580,250)
Profit for the year		**18,255,203**	**14,596,983**
Other comprehensive income:			
Fair value (loss)/gain on available-for-sale financial assets		35,063	(30,217)
Actuarial loss, net of tax		(74,469)	(18,037)
Cash flow hedge loss, net of tax		(113,520)	(190,295)
Reclassification of hedge gain to profit or loss, net of tax		(54,898)	(34,301)
Total other comprehensive loss for the period		**(207,824)**	**(272,850)**
Total comprehensive income for the period		**18,047,379**	**14,324,133**
Net profit/(loss) for the period attributable to:			
Shareholders of OAO E.ON Russia		**18,255,148**	**14,606,661**
Non-controlling interest		**55**	**(9,678)**
Comprehensive income / (loss) attributable to:			
Shareholders of OAO E.ON Russia		**18,047,324**	**14,333,811**
Non-controlling interest		**55**	**(9,678)**
Earnings per ordinary share for profit attributable to the shareholders of OAO E.ON Russia – basic and diluted (in Russian roubles)	20	**0.290**	**0.232**

Approved and signed 1 April 2013

General Director M.G. Shirokov

Financial Director U. Backmeyer

OAO E.ON Russia Group
Consolidated Statement of Changes in Equity
for the year ended 31 December 2012
(RUB thousand)

	Attributable to shareholders of OAO E.ON Russia						
	Ordinary share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
At 1 January 2011	**25,219,482**	**40,052,405**	**774,247**	**28,089,694**	**94,135,828**	**15,347**	**94,151,175**
Profit/ (Loss) for the period	-	-	-	14,606,661	**14,606,661**	(9,678)	**14,596,983**
Other comprehensive income:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Available-for-sale financial assets revaluation	-	-	(30,217)	-	**(30,217)**	-	**(30,217)**
Actuarial gain/(loss), net of tax	-	-	(18,037)	-	**(18,037)**	-	**(18,037)**
Cash flow hedges, net of tax	-	-	(190,295)	-	**(190,295)**	-	**(190,295)**
Reclassification of hedge gain to profit or loss, net of tax			**(34,301)**		**(34,301)**		**(34,301)**
Total comprehensive income for the period	**-**	**-**	**(272,850)**	**14,606,661**	**14,333,811**	**(9,678)**	**14,324,133**
Dividends	-	-	-	-	**-**	-	**-**
At 31 December 2011	**25,219,482**	**40,052,405**	**501,397**	**42,696,355**	**108,469,639**	**5,669**	**108,475,308**
At 1 January 2012	**25,219,482**	**40,052,405**	**501,397**	**42,696,355**	**108,469,639**	**5,669**	**108,475,308**
Profit/ (Loss) for the period	-	-	-	18,255,148	**18,255,148**	**55**	**18,255,203**
Other comprehensive income:							
Available-for-sale financial assets revaluation	-	-	35,063	-	**35,063**	-	**35,063**
Actuarial gain/(loss), net of tax	-	-	(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 / (loss) for the period	**-**	**-**	**(207,824)**	**18,255,148**	**18,047,324**	**55**	**18,047,379**
Dividends	-	-	-	(3,649,246)	**(3,649,246)**	-	**(3,649,246)**
At 31 December 2012	**25,219,482**	**40,052,405**	**293,573**	**57,302,257**	**122,867,717**	**5,724**	**122,873,441**

Approved and signed 01 April 2013

General Director M.G. Shirokov

Financial Director U. Backmeyer

OAO E.ON Russia Group
Consolidated Statement of Cash Flows
for the year ended 31 December 2012
(RUB thousand)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before income tax		**22,824,275**	**18,177,233**
Adjustments for non-cash items**:**			
Depreciation and amortisation	6, 7	8,317,699	5,206,195
Reclassification of hedge gain to profit or loss		(68,623)	(42,876)
Impairment of PP&E	6	30,248	16,360
Reversal of provision for the impairment of inventories	8	-	(2,583)
Provision for impairment of accounts receivable	9	620,696	296,931
Foreign exchange loss, net		(82,506)	94,949
Interest income	19	(2,019,296)	(647,786)
Interest expense and effect of discounting	19	121,489	111,199
Loss/(gain) on disposal of property, plant and equipment	6	10,688	7,887
Change in pension liabilities	12	115,548	123,867
Other non-cash items		(117,396)	152,756
Operating cash flows before working capital changes and income tax paid		**29,752,822**	**23,494,132**
Working capital changes:			
Increase in accounts receivable and prepayments	9	(2,548,419)	(3,092,688)
Decrease in VAT recoverable	9	96,205	4,386,287
(Increase)/ decrease in inventories	8	(222,294)	(315,033)
Decrease in accounts payable and accruals	13	388,467	(474,769)
Contribution paid to pension fund	12	(49,137)	(50,553)
Increase/(decrease) in taxes payable other than income tax	14	42,560	602,637
Income tax paid		(3,998,649)	(2,023,287)
Net cash generated from operating activities		**23,461,555**	**22,526,726**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment and other non-current assets	6	(11,270,130)	(13,090,684)
Proceeds from sale of property, plant and equipment and other non-current assets	6	33,576	32,555
Change in short-term financial assets	10	(14,988,372)	318,571
Loans issued		(375,898)	(72,380)
Loans returned		29,472	2,533
Interest received	19	1,723,385	459,921
Net cash used in investing activities		**(24,847,967)**	**(12,349,484)**

OAO E.ON Russia Group
Consolidated Statement of Cash Flows
for the year ended 31 December 2012
(RUB thousand)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
CASH FLOW FROM FINANCING ACTIVITIES:			
Dividends paid to shareholders of OAO E.ON Russia	11	(3,395,422)	-
Dividends paid to non-controlling interest shareholders		-	(51)
Net cash used in financing activities		**(3,395,422)**	**(51)**
Effect of exchange rate changes on cash and cash equivalents		71,058	77,832
Increase/ (decrease) in cash and cash equivalents		**(4,710,776)**	**10,255,023**
Cash and cash equivalents at the beginning of the year		10,523,873	268,850
Cash and cash equivalents at the end of the year		5,813,097	10,523,873

Approved and signed 1 April 2013

General Director M.G. Shirokov

Financial Director U. Backmeyer

(RUB thousand)

Note 1. The Group and its operations

On 8 July 2011, Open Joint-Stock Company Fourth Power Generating Company of the Wholesale Energy Market ("OAO OGK-4") was officially renamed E.ON Russia, JSC. This company rebranding was intended to demonstrate E.ON SE's (former E.ON AG's) commitment to further expanding its business presence in Russia to all its employees and public as well as the fact that Russia remains a strategically important market for E.ON Group.

Open Joint-Stock Company E.ON Russia ("OAO E.ON Russia" or the "Company") was initially established on 4 March 2005.

The Company is primarily engaged in the generation and sale of electricity and heat.

OAO E.ON Russia shares are listed on the Russian Trading System (RTS) stock exchange and the Moscow Interbank Currency Exchange (MICEX).

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

The Company operates five power plants as branches: Surgutskaya GRES-2, Shaturskaya GRES, Berezovskaya GRES, Smolenskaya GRES and Yayvinskaya GRES. It 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:

	Principal activity	Ownership, %	
		At 31 December 2012	**At 31 December 2011**
Subsidiaries of OAO E.ON Russia			
OOO E.ON Connecting Energies	Provision of distributed energy solutions to all types of customers	100	-
OOO Teplosbyt	Securities trading	100	100
OAO Shaturskaya Management Company	Municipal services	51	51

Operating environment

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs laws are subject to varying interpretations, which contributes to the challenges faced by companies operating in Russia.

The global financial crisis, stock market volatility, and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The future economic development of the Russian Federation considerably depends on economic, financial and monetary measures undertaken by the government and tax, legal, regulatory and political developments. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

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 2012, the "governmental share" of OAO E.ON Russia consisted of 0.006% of the ordinary voting shares of OAO E.ON Russia (in 2011: 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 Russian government has a direct influence on the Group's operations through the Federal Tariff Agency (FTS), which regulates wholesale electrical energy and capacity sales. As well, Regional Energy Commission regulates the Group's heat sales. To efficiently meet system requirements, the OAO System Operator of the Unified Energy System (SO UES) coordinates all generating facilities' operations. 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 determinations 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.

Establishment of the Group

Under Resolution No. 1254-r of 1 September 2003, which approved the structure of wholesale generating companies, OAO OGK-4 was to consist of the following power station entities: OAO Berezovskaya GRES-1, OAO Shaturskaya GRES-5, OAO Yayvinskaya GRES, OAO Smolenskaya GRES and OAO 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 OAO OGK-4.

After the merger, RAO UES held an 89.6% share in OAO OGK-4. RAO UES was liquidated on 1 July 2008. RAO UES reorganisation included spinning-off of OAO OGK-4 Holding which held OAO OGK-4's ordinary shares and property previously owned by RAO UES. The Company's shares attributable to minority shareholders of RAO UES were then transferred to OAO OGK-4 Holding. After its spin-off from RAO UES on 1 July 2008, OAO OGK-4 Holding merged with OAO OGK-4, and its shares were converted into OAO OGK-4 shares. Both the Company's treasury shares and additionally issued shares were used in this conversion. On 8 July 2011, OAO OGK-4 was officially renamed OAO E.ON Russia. E.ON Russia Holding GmbH is currently the majority shareholder in E.ON Russia, with a charter capital stake of approximately 83.73%.

Note 2. 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 consolidated financial statements of RAO UES. The formation of the Group was completed in June 2006.

(RUB thousand)

Principles of consolidation. The financial statements comprise the financial statements of OAO E.ON Russia and the financial statements of those entities whose operations are controlled by OAO E.ON Russia. Control is presumed to exist when OAO E.ON Russia owns, directly or indirectly through subsidiaries, more than 50% of the voting rights in an entity.

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

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.

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.

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.

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.

Emission reduction units. Emission reduction units are held for sale and thus are accounted as inventory. Emission reduction units granted in the reporting period are recognised initially at nominal value (which is equal to nil). Emission reduction units are generated over the period and recognised in the following period after corresponding verification by Sberbank, then they are credited on the Company's special account. Revenue from sales of emission reduction units is recognised when they are transferred to the customer's account. Any profit or loss on disposal is taken to the consolidated statement of comprehensive income. See details in Note 22.

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, if the commencement date for capitalisation is on or after 1 January 2009.

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 2012 and 2011.

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 and unrecognised past service cost. Actuarial gains and losses are reflected in full in other comprehensive income.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, past-service costs are amortised on a straight-line basis over the vesting period.

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 2012 and 2011.

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). 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 associated 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 is recognised). The Group has started to reclassify gains and losses that were recognised in other comprehensive income, as part of the acquired assets affected the profit and loss in 2010. In the cash flow statement the cash inflows related to the hedging instrument are classified in the same manner as the cash outflows related to the hedged item.

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 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.

The Group has applied an accounting policy to reclassify associated 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 acquired asset affects profit or loss (that is, in the periods when depreciation charge is recognised). In the cash flow statement the cash flows related to the hedging instrument are classified in the same manner as the cash flows related to the hedged item.

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).

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 (OAO E.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.

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.

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.

Note 4. Adoption of new or revised standards and interpretations

The following new standards and interpretations became effective for the Group from 1 January 2012:

(a) The following new standards, interpretations and amendments became effective from 1 January 2012:

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The adoption of this amendment had no material effect on the Group's financial statements.

Amendment to IAS 12 Income Taxes: Recovery of Underlying Assets **(issued in December 2010 and effective for annual periods beginning on or after 1 January 2012).** This amendment introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Interpretation SIC 21, Income Taxes – Recovery of Revalued Non-Depreciable Assets, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, Property, Plant and Equipment, was incorporated into IAS 12 after excluding investment properties measured at fair value from the scope of IAS 16. The adoption of this amendment had no material effect on the Group's financial statements.

Amendment to IFRS 1, First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011). This amendment contains a number of changes and exemptions for severe hyperinflation and removal of fixed dates required by IFRS 1. They will not have any effect on these consolidated financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

IFRS 9, Financial Instruments. Part 1. Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key elements 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, they have 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 instruments, 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 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.

IASB issued an amendment to IFRS 9, Financial Instruments to change its effective date to annual periods beginning on or after 1 January 2015. This amendment was issued as a result of IASB's decision to extend deadline for the remaining stages of the project to replace IAS 39 which should have been completed in June 2011. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), 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 Group is currently assessing the impact of the new standard on its financial statements.

IFRS 11, Joint Arrangements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The adoption of IFRS 11 is not expected to have any material effect on the Group's financial position or comprehensive income.

IFRS 12, Disclosure of interest in other entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), 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 is not expected to have any effect on the Group's financial position or comprehensive income, however, additional disclosures will be required.

IFRS 13, Fair value measurement (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), 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 is not expected to have any material effect on the Group's financial position or comprehensive income.

Amendment to IAS 27, Separate Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with an early adoption option), contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements**.** The adoption of this amendment is not expected to have any material effect on the Group's financial position or comprehensive income.

Amendment to IAS 28, Accounting for investments in associates (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013, with an early adoption option), prescribes accounting treatment for investments in associates and requires accounting for investments in associates and joint ventures using the equity method**.** The adoption of this amendment is not expected to have any material effect on the Group's financial position or comprehensive income.

Improvements and other amendments to IAS 1, Presentation of Financial Statements (issued in June 2011 and effective for annual periods beginning on or after 1 July 2012), change the disclosure of items presented in other comprehensive income. These changes require that entities classify the items of the statement of comprehensive income into two categories based on whether these items can be subsequently recycled to income or loss. According to the amendment, the title used by IAS 1 has been changed to 'Statement of profit or loss and other comprehensive income'. The Group's management expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Amendment to IAS 19, Employee Benefits (issued in June 2011 and effective for annual periods beginning on or after 1 July 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. Adoption of this standard will significantly increase the Group's liabilities as a result of immediate recognition of actuarial gains and losses within other comprehensive income and lead to increased volatility of the Group's balance sheet liabilities and other comprehensive income. There is no recycling of actuarial gains and losses recognised within other comprehensive income to profit or loss in subsequent periods. In addition, as a result of applying revised IAS 19, all unrecognised past service costs will be recognised within the Group's liabilities. Other changes in IAS 19 will have a less significant impact on the Group's consolidated financial statements.

Disclosures – offsetting financial assets and financial liabilities, Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires additional disclosures that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including the right of set-off. The Group is currently assessing the impact of the amendment on disclosures in its financial statements.

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 Group is considering the impact of the amendment on disclosures in its financial statements and the timing of its adoption by the Group.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective from 1 January 2013). The improvements consist of a mixture of substantial changes and clarifications in the following standards and interpretations:

Amendment to IFRS 1, *First Time Adoption of International Financial Reporting Standards*, (i) explains that when a company discontinues preparing IFRS statements it can either readopt IFRS 1 or adopt all IFRSs retrospectively, as if it has never discontinued using them, (ii) exempts first-time adopters of IFRS from the adoption of IFRS 23 *Borrowing Costs* retrospectively.

Amendment to IAS 1, *Presentation of Financial Statements*, clarifies that notes to the balance sheet are not required for preparing the additional balance sheet at the commencement date of the comparative period if it is prepared in connection with significant impact of retrospective amendments and adjustments to the financial statements, changes in accounting policies or reclassifications for presentation purposes in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* while such notes will be required if management voluntarily provides additional comparative information.

Amendment to IAS 16, *Property, Plant and Equipment*, clarifies that if service equipment is used for more than one annual period, then such equipment shall be classified as property, plant and equipment.

Amendment to IFRS 32, *Financial instruments: Presentation*, clarifies that tax implications of distributing profits to shareholders shall be recognised in the statement of comprehensive income, in accordance with IAS 12, *Income Taxes*.

Amendment to IFRS 34, *Interim Financial Statements*, aligns IAS 34 and IFRS 8, *Operating Segments*. IAS 34 clarifies that an operating segment in interim financial statements requires disclosure of the estimate of total assets and liabilities only if such information is regularly provided to the chief operating decision maker (CODM), and such estimates underwent considerable changes since the issue of the most recent financial statements.

(RUB thousand)

Transition Guidance to Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective from or after 1 January 2013). This amendment regulates transition to IFRS 10. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from that under IAS 27 and SIC 12, the information for the immediately preceding comparative period are changed in accordance with the new standard, unless impracticable. The changes also deal with the transition to amendments to IFRS 10, IFRS 11 and IFRS 12 in terms of requirements to present restated comparative information only for the prior period. The amendment removes the requirement to present comparative information in the disclosures related to unconsolidated companies before the period of IFRS 12 adoption.

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

Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards – Government Loans (issued in March 2012 and effective from 1 January 2013). This amendment releases the first-time adopters of IFRS from retrospective assessment of their below-market-rate government loans.

This amendment is not applicable to the Group.

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:

Accounts receivable from related parties:

	At 31 December 2012	**At 31 December 2011**
E.ON SE (formerly E.ON AG)	24,556	21,918
OOO E.ON E & P Russia (formerly OOO E.ON Ruhrgas Exploration & Production (E & P) Russia)	118	562
OOO E.ON Russia Power	37	-
E.ON New Build & Technology GmbH	-	31,674
E.ON Carbon Sourcing GmbH	-	9,367
OOO E.ON Russia	-	567
E.ON Ruhrgas AG	-	267
Total	**24,711**	**64,355**

The above related parties are companies under common control, except for E.ON SE (formerly E.ON AG), which is the Group's ultimate parent.

(RUB thousand)

Accounts payable and accruals to related parties:

	At 31 December 2012	**At 31 December 2011**
OOO E.ON IT (formerly OOO E.ON IS)	1,953	2,918
E.ON SE (formerly E.ON AG)	566	580
E.ON New Build & Technology GmbH	462	-
OOO E.ON Russia	-	15,980
OOO E.ON Russia Power	9	8
E.ON Risk Consulting GmbH	-	2,500
Total	**2,990**	**21,986**

The Group's sales of services to related parties amounted to (VAT excluded):

	Year ended 31 December 2012	**Year ended 31 December 2011**
OOO E.ON Russia	4,383	6,618
E.ON New Build & Technology GmbH	1,953	-
OOO E.ON E & P Russia (formerly OOO E.ON Ruhrgas Exploration & Production (E & P) Russia)	1,318	3,555
OOO E.ON IT (formerly E.ON IS)	344	227
E.ON Carbon Sourcing GmbH	312	9,374
E.ON United Kingdom	276	-
OOO E.ON Russia Power	184	152
E.ON Risk Consulting GmbH	128	-
E.ON Ruhrgas AG	50	3,996
E.ON SE (formerly E.ON AG)	47	-
Total	**8,995**	**23,922**

Services and work performed by the related parties for the Group, PP&E sold by the related parties to the Group (VAT excluded):

	Year ended 31 December 2012	**Year ended 31 December 2011**
E.ON New Build & Technology GmbH	102,075	11,420
OOO E.ON Russia	43,721	87,884
E.ON United Kingdom	12,147	5,660
OOO E.ON IT (formerly E.ON IS)	6,551	8,921
E.ON Risk Consulting GmbH	2,438	5,015
E.ON SE (formerly E.ON AG)	2,335	2,855
E.ON Kraftwerke GmbH	-	1,187
E.ON AG – Academy	-	4,564
Total	**169,267**	**127,506**

On 30 November 2010, the Group provided a loan to E.ON SE (formerly E.ON AG) in the amount of RUB 1,750,000 thousand with pay-back period to 30 November 2017. During the period from 1 January 2012 to 31 December 2012 the interest rate was 6.00–7.55% per annum. Due to capitalisation of a portion of accrued interest over the reporting period, the loan amount increased to RUB 2,246,027 thousand as of 31 December 2012.

(RUB 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.

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 paid to members of the Board of Directors and Management Board for the year ended 31 December 2012 was RUB 159,311 thousand (31 December 2011: RUB 130,111 thousand).

	Year ended 31 December 2012	Year ended 31 December 2011
Salary and bonuses, other benefits	141,993	120,306
Termination benefits	17,184	9,739
Contributions to non-state pension fund	134	66
Total	**159,311**	**130,111**

(RUB thousand)

Note 6. Property, plant and equipment (PP&E)

	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	58,788	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.		8,616,079	(149,680)	(3,652)	-	(8,462,747)	**-**
Disposals	(31)	(327,348)	(31,025)	(4,473)	(23,472)	(219,519)	**(605,868)**
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	7,338	(2,110)	-	(5,544,359)	-
Disposals	-	(323,938)	(29,230)	(3,913)	-	(204,523)	(561,604)
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**

(RUB thousand)

	Land	Electricity and heat generation	Electricity distribution	Heating network	Construction in progress	Other	Total
Cost							
Balance at 31 December 2010	**67,916**	**47,687,500**	**896,993**	**748,001**	**42,301,069**	**13,343,843**	**105,045,321**
Additions	-	1,899,115	69,874	-	10,985,632	-	12,954,621
Transfers	-	42,771,078	402,210	111,159	(44,793,634)	1,509,187	-
Reclassification of expenses on grid connection to intangible assets	-	(394,907)	-	-	-	-	(394,907)
Change in estimate of capital expenditure		(308,427)					(308,427)
Disposals	-	(103,304)	(24,133)	(5,073)	(5,744)	(108,286)	(246,540)
Balance at 31 December 2011	**67,916**	**91,551,055**	**1,344,944**	**854,087**	**8,487,323**	**14,744,744**	**117,050,068**
Accumulated depreciation (including impairment)							
Balance at 31 December 2010	**-**	**16,232,870**	**635,208**	**422,434**	**-**	**8,155,125**	**25,445,637**
Charge for the period	-	3,566,843	49,079	41,784	-	1,362,256	5,019,962
Impairment loss	-	16,360	-	-	-	-	16,360
Reclassification of expenses on grid connection to intangible assets	-	(2,633)	-	-	-	-	(2,633)
Disposals	-	(15,594)	(24,098)	(5,073)	-	(100,705)	(145,470)
Balance at 31 December 2011	**-**	**19,797,846**	**660,189**	**459,145**	**-**	**9,416,676**	**30,333,856**
Net book value at 31 December 2010	**67,916**	**31,454,630**	**261,785**	**325,567**	**42,301,069**	**5,188,717**	**79,599,684**
Net book value at 31 December 2011	**67,916**	**71,753,209**	**684,755**	**394,942**	**8,487,323**	**5,328,068**	**86,716,212**

Note 6. Property, plant and equipment (continued)

At 31 December 2012, the carrying amount of property, plant and equipment reflects impairment and obsolescence loss of RUB 167,440 thousand (31 December 2011: RUB 261,475 thousand).

At 31 December 2012, the Group did not perform revaluation of the PP&E to determine their recoverable amount as the Group's management had not identified any indicators of impairment.

The Group reclassified a number of PP&E items, see detailed breakdown below:

Reclassification was performed as follows:
(a) review and update of earlier classification;
(b) disaggregation of PP&E items commissioned in prior reporting periods;
(c) identification of individual asset number 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 based on existing agreements.

Operating lease charges are payable as follows:

	At 31 December 2012	At 31 December 2011
Less than one year	32,576	41,821
Between one and five years	91,978	100,181
More than five years	904,192	965,165
Total	**1,028,746**	**1,107,167**

OAO 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. Lease prices are subject to regular review.

Note 7. Intangible assets

	Computer software	Licenses	Grid connection	Total
Cost				
Balance at 31 December 2011	**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 31 December 2011	**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 31 December 2011	**323,018**	**62,992**	**495,185**	**881,195**
Net book value at 31 December 2012	**308,241**	**2,590**	**156,414**	**467,245**

	Computer software	Licenses	Grid connection	Total
Cost				
Balance at 31 December 2010	**803,120**	**44,779**	**-**	**847,899**
Additions	76,094	32,110	157,392	265,596
Reclassification of expenses on grid connection from property, plant and equipment	-	-	394,907	394,907
Disposals	(37,970)	(12,924)	-	(50,894)
Balance at 31 December 2011	**841,244**	**63,965**	**552,299**	**1,457,508**
Accumulated amortisation				
Balance at 31 December 2010	**414,833**	**5,761**	**-**	**420,594**
Charge for the period	141,966	8,136	54,481	204,583
Reclassification of expenses on grid connection from property, plant and equipment	-	-	2,633	2,633
Impairment	(603)	-	-	(603)
Disposals	(37,970)	(12,924)		(50,894)
Balance at 31 December 2011	**518,226**	**973**	**57,114**	**576,313**
Net book value at 31 December 2010	**388,287**	**39,018**	**-**	**427,306**
Net book value at 31 December 2011	**323,018**	**62,992**	**495,185**	**881,195**

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 Surgutskaya GRES-2 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 2012	At 31 December 2011
Fuel production supplies	1,082,606	1,238,910
Materials and supplies	604,086	513,625
Other inventory	24,420	4,457
Provision for impairment of inventory	(31,343)	(29,900)
Total	**1,679,769**	**1,727,092**

Note 9. Accounts receivable and prepayments

	At 31 December 2012	At 31 December 2011
Trade and other receivables		
Trade receivables	7,329,745	5,572,998
Other financial receivables	394,654	169,284
Less provision for impairment of accounts receivable	(1,539,977)	(967,232)
Total financial assets within trade and other receivables	**6,184,422**	**4,775,050**
Prepayments to suppliers	234,477	355,691
VAT recoverable	63,026	159,231
Due from budget (excluding VAT)	25,656	10,159
Total accounts receivable and prepayments	**6,507,581**	**5,300,131**

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 OAO Sberbank (Moody's credit rating Baa1), OAO Vneshtorgbank (Moody's credit rating Baa1), Gazprombank (OAO) (Moody's credit rating Baa3), ZAO Unicreditbank (Fitch credit rating BBB+), OAO 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 2012 (hard currency, thousand)	Balance at 31 December 2012 (RUB, thousand)	Balance at 31 December 2011 (hard currency, thousand)	Balance at 31 December 2011 (RUB, thousand)
Total short-term deposits			**27,254,094**		**12,185,231**
Short-term deposits in US dollars	0.3	**47,043**	**1,428,822**	**9,500**	**305,815**
Short-term deposits in Euros	0.07-0.69	**43,011**	**1,730,272**	**5,175**	**215,666**
Short-term deposits in Russian roubles	3.00-8.50	**-**	**24,095,000**	**-**	**11,663,750**
Total promissory notes	**-**		**261,398**		**178,563**
Total foreign exchange forward contracts and options	**-**	**-**	**-**	**-**	**1,474**
Total loans issued to E.ON SE (formerly E.ON AG), see Note 5	**3.24-6.8**	**-**	**-**	**-**	**1,809,947**
Total short-term financial assets		**-**	**27,515,492**	**-**	**14,175,215**

The loan issued to E.ON SE (formerly E.ON AG) was reclassified to long-term investments due to its extension through 2017.

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:

In thousands of Russian roubles	**2012**			**2011**		
	Pre-tax amount	**Income tax expense**	**Post-tax amount**	**Pre-tax amount**	**Income tax expense**	**Post-tax amount**
Available-for-sale financial assets	(10,461)	-	(10,461)	(45,524)	-	(45,524)
Actuarial gain/(loss)	(73,341)	14,668	(58,673)	19,743	(3,947)	15,796
Cash flow hedges	453,384	(90,677)	362,707	663,906	(132,781)	531,125
Total	**369,582**	**(76,009)**	**293,573**	**638,125**	**(136,728)**	**501,397**

Share capital

The share capital consists of 63,048,706,145 shares with nominal value of 0.40 roubles totalling RUB 25,219,482 thousand. There were no changes in share capital in 2012 and 2011.

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 2012, the current year net statutory profit for the Company as reported in the published annual statutory reporting forms was RUB 18,386,151 thousand (2011: RUB 15,051,925 thousand) and the closing balance of the accumulated profit including the current year net statutory profit totalled RUB 52,454,153 thousand (2011: RUB 37,713,254 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 29 June 2012 made the decision to pay dividends based on FY2011 results for the amount of RUB 3,649,246 thousand, or RUB 0.05787978807 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 2012 and 31 December 2011. Amounts recognised in the consolidated statement of financial position:

	At 31 December 2012	At 31 December 2011
Present value of funded obligations	903,550	775,338
Fair value of plan assets	(84,016)	(81,758)
Funded status	819,534	693,580
Present value of unfunded obligations	285,101	247,391
Unrecognised past-service cost	(163,762)	(241,011)
Net liability in the consolidated statement of financial position	**940,873**	**699,960**

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

	Year ended 31 December 2012	Year ended 31 December 2011
Current service cost	52,614	52,095
Interest cost	89,199	71,984
Expected return on plan assets	(7,781)	(6,295)
Amortisation of past-service cost	71,772	71,772
Other	(8,838)	-
Net expense recognised in profit and loss	**196,966**	**189,556**

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

	At 31 December 2012	At 31 December 2011
Net liability at the beginning of the year	699,960	538,407
Net expense recognised in profit and loss	196,966	189,556
Contributions	(49,136)	(50,552)
Actuarial loss recognised in other comprehensive income	93,083	22,549
Net liability at the end of the period	**940,873**	**699,960**

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

	Year ended 31 December 2012	Year ended 31 December 2011
Present value of pension obligations at the beginning of the year	1,022,729	937,142
Current service cost	52,614	52,095
Interest cost	89,199	71,984
Actuarial gains	90,299	20,417
Past-service cost	(14,315)	-
Benefits paid	(51,875)	(58,909)
Present value of defined benefit obligations (DBO) at the end of the year	**1,188,659**	**1,022,729**

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

	At 31 December 2012	At 31 December 2011	At 31 December 2010	At 31 December 2009	At 31 December 2008
Present value of defined benefit obligations (DBO)	1,188,651	1,022,729	937,142	754,402	1,037,715
Fair value of plan assets	(84,016)	(81,758)	(85,952)	(83,620)	(85,703)
Deficit in plan	1,104,635	940,971	851,190	670,782	952,012
Gains arising from experience adjustments for plan liabilities	(19,820)	(31,911)	(16,796)	(42,272)	(8,148)
Losses/(gains) arising from experience adjustments for plan assets	2,784	2,133	8,442	(24,337)	38,351

The principal actuarial assumptions are as follows:

	At 31 December 2012	At 31 December 2011
Discount rate at 31 December	7.50%	8.50%
Expected return on plan assets at 31 December	7.86%	9.13%
Future salary increase	9.72%	9.72%
Future financial support increases	5.5%	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 2012	Year ended 31 December 2011
Fair value of plan assets at 1 January	81,758	85,952
Expected return on plan assets	7,781	6,295
Actual actuarial loss	(2,785)	(2,132)
Employer contributions	49,137	50,552
Benefits paid	(51,875)	(58,909)
Fair value of plan assets at 31 December	**84,016**	**81,758**

Contributions expected to be paid to the plan during the annual period starting from the reporting date are RUB 55,000 thousand.

Plan asset structure:

	At 31 December 2012	At 31 December 2011
Corporate bonds	27.70%	61.0%
Bank deposits	26.6%	13.3%
Shares in mutual funds	11.9%	13.0%
Government bonds	4.5%	4.5%
Cash	1.0%	1.0%
Other	28.3%	7.2%

To determine the expected plan assets return for 2012, the Group assumed that the investment return on bonds and bank deposits will be equal to 7.5% p.a. and that investment return on shares will be equal to 10.5% p.a. in the long-term period.

Note 13. Accounts payable and accruals

	At 31 December 2012	At 31 December 2011
Financial liabilities	**2,722,792**	**4,015,860**
Trade payables	1,781,662	1,401,742
Accounts payable to capital construction contractors	755,016	2,160,081
Dividends payable	40,302	-
Accrual for intangible asset purchases	33	382,287
Other payables	145,779	71,750
Non-financial liabilities	**814,710**	**1,029,355**
Advances from customers	10,037	76,884
Staff payables	804,673	952,471
Total	**3,537,502**	**5,045,215**

Note 14. Taxes payable other than income tax

	At 31 December 2012	At 31 December 2011
VAT	1,200,037	1,168,485
Property tax	241,835	247,797
Employee taxes	47,020	19,546
Other	36,231	46,735
Total	**1,525,123**	**1,482,864**

Note 15. Income tax

Income tax charge

	Year ended 31 December 2012	Year ended 31 December 2011
Current income tax charge	(4,559,830)	(1,298,352)
Deferred income tax charge	(9,242)	(2,281,898)
Total	**(4,569,072)**	**(3,580,250)**

During the year ended 31 December 2012, the Group entities were subject to income tax on taxable profits at the following rates:

- 20% for such branches as Smolenskaya GRES, Berezovskaya GRES, Berezovskaya GRES Heat Supply Network, and OAO E.ON Russia's Moscow head office;
- 19.66% for Shaturskaya GRES Branch (according to Article 11, Moscow Region Tax Benefits Law No. 151/2004-OZ of 24 November 2004);
- 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 2012	Year ended 31 December 2011
Profit before income tax	**22,824,275**	**18,177,233**
Theoretical tax charge at the statutory tax rate (20% for the year ended 31 December 2012 and 2011)	(4,564,855)	(3,635,447)
Non deductible expenses/ non-taxable income	(4,217)	55,197
Total income tax charge	**(4,569,072)**	**(3,580,250)**

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 2012 and 31 December 2011. 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 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	188,174	29,567	18,615	139,992
Accounts payable and other accruals	124,552	(151,774)	-	276,326
Accounts receivable	75,320	42,635	-	32,685
Other non-current assets	33,515	95,590	-	(62,075)
Intangible assets	9,366	46,395	-	(37,029)
Other	6,934	(56,629)	42,105	21,458
Deferred tax liability at the end of the year	**(4,519,031)**	**(9,242)**	**60,720**	**(4,570,509)**

	At 31 December 2011	Movement for 2011 recognised in the income statement	Movement for 2011 recognised in the statement of comprehensive income	At 31 December 2010
Property, plant and equipment	(4,941,866)	(2,089,577)	-	(2,852,289)
Accounts payable and other accruals	276,326	(96,766)	-	373,092
Pension liabilities	139,992	27,800	4,511	107,681
Other non-current assets	(62,075)	(77,521)	-	15,446
Intangible assets	(37,029)	(36,684)	-	(345)
Accounts receivable	32,685	12,666	-	20,019
Other	21,458	(21,816)	56,148	(12,874)
Deferred tax liability at the end of the year	**(4,570,509)**	**(2,281,898)**	**60,659**	**(2,349,270)**

Note 16. Revenue and other operating income

	Year ended 31 December 2012	Year ended 31 December 2011
Electricity and capacity	72,983,999	64,225,875
Heat	1,070,198	1,012,177
Other	969,013	851,233
Total	**75,023,210**	**66,089,285**

This increase in revenue is mainly associated with the commissioning of new combined-cycle plants.

The Group sells electricity through the wholesale electricity and capacity market ("WEM"), 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 WEM directly to retail companies. At the same time, some WEM 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 WEM participants. Its principal function is to provide a range of services regarding the calculation of WEM participants' receivables and liabilities, as well as those regarding the fulfilment of financial settlements between them.

The actual counterparties in WEM transactions that are conducted through the CFS (as commissioner) may be retail companies, industrial customers or generating companies (purchasing electricity and capacity to secure their own supply under regulated contracts). Government-controlled entities may also act as counterparties. CFS's system of financial settlements does not automatically provide the final counterparty with information about WEM participants' transactions or settlement balances. CFS's financial settlement system is substantially automated and does not allow input and output data flows to be adjusted, and settlement operations do not require the operator's intervention. As a result, it is not currently possible to analyse settlement balances by the end-consumers of the Group's electricity and capacity.

Note 17. Other operating income

	Year ended 31 December 2012	Year ended 31 December 2011
Penalties from other market participants	103,336	61,847
Gain on inventory disposal	40,839	25,113
Release of provision for bonuses and insurance provision	39,804	-
Release of contingency provision	23,890	-
Prior year profit	9,610	26,341
Insurance reimbursement	150	12,366
Release of provision for impairment of inventory	-	2,584
Gain on PP&E disposal	-	19,519
Other income	42,903	101,602
Total	**260,532**	**249,372**

Note 18. Operating expenses

	Year ended 31 December 2012	Year ended 31 December 2011
Fuel	33,436,716	30,762,617
Depreciation and amortisation	8,249,076	5,163,319
Staff costs	4,813,471	4,511,527
Repairs and maintenance	1,427,673	1,223,667
Purchase of electricity and heat	1,262,453	1,669,993
Operational dispatch management	1,050,757	926,539
Taxes other than income tax	1,027,137	996,486
Provision for impairment of accounts receivable	620,696	296,935
Security	369,264	326,838
Raw materials and supplies	284,058	227,209
Water usage expenses	185,620	188,121
Insurance cost	170,822	121,224
Rent expenses	129,420	133,872
Transportation expenses	122,497	121,913
Social expenditure	23,238	34,361
Bank services	12,034	14,504
Other expenses	1,254,848	1,883,937
Total	**54,439,780**	**48,603,062**

Staff costs include:

	Year ended 31 December 2012	Year ended 31 December 2011
Salaries and wages, including payroll taxes	4,168,905	3,902,888
Pension costs – defined contribution plans (including state pension fund)	475,321	465,750
Termination benefits	44,858	19,021
Pension costs – defined benefit plans	124,387	123,868
Total staff costs	**4,813,471**	**4,511,527**

Note 19. Finance income and expense

Finance income

	Year ended 31 December 2012	Year ended 31 December 2011
Interest income (deposits and cash)	1,972,527	623,766
Foreign exchange gains	240,937	469,683
Other interest income	46,769	24,020
Total	**2,260,233**	**1,117,469**

Finance expense

	Year ended 31 December 2012	Year ended 31 December 2011
Foreign exchange losses	158,430	564,632
Effect of liability discounting	121,490	111,199
Total	**279,920**	**675,831**

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 2012	Year ended 31 December 2011
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)	18,255,148	14,606,661
Basic and diluted earnings per share attributable to shareholders of OAO E.ON Russia (in RUB)	**0.290**	**0.232**

In 2012 and 2011, 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 commitment 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 Sibugol and OAO Siberian Coal and Energy Company. Contracts with these suppliers have been concluded for the term of up to five years.

In total, contracts concluded in 2012 with natural gas suppliers for 2013 are worth RUB 33,368,406 thousand (concluded in 2011 and early 2012 for supply in 2013: RUB 29,958,839 thousand), contracts with coal suppliers were valued at RUB 2,907,858 thousand (for 2012: RUB 2,904,699 thousand). No contracts with fuel oil suppliers were concluded for supply in 2013, as fuel oil is purchased and, accordingly, contracts are concluded as soon as such needs arise. For 2013, the Group plans to purchase fuel oil for the amount of RUB 94,554 thousand (for Berezovskaya GRES).

Capital commitments. As of 31 December 2012, the Group had contractual capital expenditure commitments with respect to property, plant and equipment totalling RUB 29,843,463 thousand (2011: RUB 29,644,680 thousand).

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. To this end, 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 49,058 thousand on these programmes in 2012 (in 2011: RUB 52,656 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 2012 the amount of the provision was RUB 3,892 thousand (31 December 2011: RUB 25,702 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 2012, 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.

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 2011, 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.

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 (with similar area 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).

The Group initiated construction of pollution control facilities for waste water at Yayvinskaya GRES with the aim to meet strict requirements for maximum allowable concentration levels for water released to fishery water bodies.

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

The Company is actively involved in a joint implementation projects under Article 6 of the Kyoto Protocol. In 2010, construction work was completed on the new power unit operating at a highly efficient CCGT-400 MW at Shaturskaya GRES. This project was registered as a joint implementation project in 2010 and was the first Russian UN-approved project under the Kyoto Protocol mechanism. The operation of Shaturskaya GRES in 2010 resulted in a volume of emission reduction units equal to 56,904 tons of CO2. In 2011 and 2012, they were certified by Sberbank, credited to the Company’s carbon units account and then transferred to the customer’s account. In 2012, the sales revenue was nil due to the price decrease on exchanges in Europe (2011: RUB 9,374 thousand).

In 2011, E.ON Russia commissioned two new combined-cycle units at its Surgutskaya GRES-2 power station (total capacity 800 MW) and another unit at Yayvinskaya GRES power station (capacity 400 MW). The decision on compliance with the Kyoto Protocol requirements was taken by Sberbank late in 2011, then the new combined-cycle power unit projects for Yayvinskaya GRES and Surgutskaya GRES-2 were approved by Russian Ministry of Economic Development and registered as joint implementation projects.

Russian companies do not bear any liabilities regarding emission reduction under the Kyoto protocol.

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 its investment programme. A hedging strategy was developed and implemented against financial risks related to currency purchases for future investments. The Group also has commitments that are not hedged. The Group's total capital commitments are disclosed in Note 21.

Hedge accounting. 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. The amount of foreign exchange loss on a hedging instrument recognised within other comprehensive income for the year ended 31 December 2011 was RUB 1,216 thousand, net of income tax. 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 68,962 thousand was transferred from other comprehensive income to the profit and loss (2011: RUB 46,723 thousand).

Cash flow hedging proved effective, and correspondingly no inefficiency was recognised in profit or loss during the reporting period. In Q1 2011 the deposits were fully utilised and therefore the hedge was terminated as of the reporting date.

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 2012 is RUB 26,383 thousand (2011: loss of RUB 65,722 thousand), net of income tax. The total gain in 2012 in profit and loss was RUB 339 thousand (2011: gain of RUB 200,118 thousand).

The table below sets out fair values of the Group's foreign exchange forward contracts and option at the end of the reporting period:

	At 31 December 2012		**At 31 December 2011**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forwards:	**-**	**-**	**1,474**	**-**
USD	-	-	-	-
Euro	-	-	1,474	-
Option:	**-**	**-**	**-**	**-**
Euro	-	-	-	-
Total financial instruments	**-**	**-**	**1,474**	**-**

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 loss on a hedging instrument recognised within other comprehensive income during the year ended 31 December 2012 was 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 2012			At 31 December 2011		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Russian rouble	39,298,584	(3,289,191)	36,009,393	28,217,048	(2,295,269)	25,921,779
US Dollar	1,434,324	(10,630)	1,423,694	871,131	(559,333)	311,799
Euro	1,731,022	(13,111)	1,717,911	709,998	(1,833,276)	(1,123,279)
Total	**42,463,930**	**(3,312,932)**	**39,150,998**	**29,798,177**	**(4,687,878)**	**25,110,299**

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 2012		**At 31 December 2011**	
	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%	(2,126)	286,865	(111,867)	174,226
Incremental profit / (loss) from US Dollar weakening by 20%	2,126	(286,865)	111,867	(174,226)
Incremental (loss) / profit from Euro strengthening by 20%	(2,622)	346,204	(366,655)	142,000
Incremental profit / (loss) from Euro weakening by 20%	2,622	(346,204)	366,655	(142,000)

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.

Unless otherwise stated above, the Group does not apply the policy of financial risk hedging.

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 2012	**At 31 December 2011**
Bank deposits	27,254,094	12,185,231
Cash	5,813,097	10,523,873
Trade receivables	5,789,768	4,605,766
Loans	2,246,027	1,809,947
Other long-term assets	704,892	322,646
Other receivables	394,654	169,284
Debt securities	261,398	178,563
Available-for-sale financial assets	33,179	43,640
Financial assets at fair value through other comprehensive income	-	1,474
Total	**42,497,109**	**29,840,424**

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 (NOREM), 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 specific customer identification, customer 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.

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

	At 31 December 2012	**At 31 December 2011**
Current	6,089,793	4,432,948
Past-due but not impaired	94,685	342,103
Impaired	1,539,977	967,232
Total trade and other receivables	**7,724,455**	**5,742,283**

Current trade and other receivables are represented by customers which timely fulfil their obligations and that have no history of defaults.

The movement in the provision for impairment of accounts receivable is given in the table below:

	Year ended 31 December 2012	**Year ended 31 December 2011**
Balance at 1 January	967,232	675,384
Provision for impairment of accounts receivable	1,809,282	746,680
Accounts receivable write-down during the reporting period as bad debt	(47,951)	(5,087)
Release of unused provision	(1,188,587)	(449,743)
Balance at 31 December	**1,539,977**	**967,232**

An impairment provision in the amount of RUB 1,809,282 thousand has been created, as the Group's management considers the collection of some debts to be doubtful. An impairment provision in the amount RUB 1,188,587 thousand has been released in connection with the collection of past-due receivables.

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 2012):

Name	Rating	Rating agency	At 31 December 2012	At 31 December 2011
OAO Gazprombank	Baa3	Moody's	983,611	4,228,404
OAO Sberbank of Russia	Baa1	Moody's	903,463	2,294,297
ZAO UniCredit Bank	BBB	Fitch	483,399	2,192,858
OAO VTB Bank	Baa1	Moody's	750,040	1,710,866
OAO Alfa-Bank	Ba1	Moody's	86,057	78,694
OAO Nordea Bank	BBB+	Fitch	1,100,000	-
OOO HSBC Bank (PP)	BBB+	Fitch	1,500,000	-
DZ Bank AG	A1	Moody's	8	-
Other banks and cash in hand			6,519	18,754
Total cash			**5,813,097**	**10,523,873**

The decrease in cash and cash equivalents as of 31 December 2012 is mainly explained by the increase in deposits with a maturity of more than 3 months classified as short-term financial assets.

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.

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 2012 and 2011:

	At 31 December 2012	At 31 December 2011
ASSETS		
Loans and receivables		
Accounts receivable and prepayments (Note 9)	**6,184,422**	**4,775,050**
Trade receivables	5,789,768	4,605,766
Other financial receivables	394,654	169,284
Short-term financial assets (Note 10)	**27,515,492**	**14,173,741**
Bank deposits	27,254,094	12,185,231
Promissory notes	261,398	178,563
Loans	-	1,809,947
Long-term financial assets	**2,950,919**	**322,646**
Promissory notes	611,293	277,949
Loans issued to employees	93,599	44,697
Loans	2,246,027	-
Cash and cash equivalents	**5,813,097**	**10,523,873**
Total loans and receivables	**42,463,930**	**29,795,310**
Available-for-sale financial assets		
Long-term financial assets	33,179	43,640
Total available-for-sale financial assets	**33,179**	**43,640**
Financial assets at fair value through other comprehensive income		
Forward contracts and option	**-**	**1,474**
Total financial assets at fair value through other comprehensive income (Note 10)	**-**	**1,474**
Total financial assets	**42,497,109**	**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 2012 and 31 December 2011, 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 2012 was to maintain the debt factor at a level not exceeding 3. The debt factor at 31 December 2012 and 2011 is presented below:

	At 31 December 2012	**At 31 December 2011**
Trade and other receivables (Note 9)	6,184,422	4,775,050
Short-term financial assets (Note 10)	27,515,492	14,175,215
Cash and cash equivalents	5,813,097	10,523,873
Long-term financial assets	2,984,098	366,286
Total financial assets	**42,497,109**	**29,840,424**
Accounts payable and accruals (Note 13)	(3,312,930)	(4,015,860)
Short-term financial liabilities	-	-
Total financial liabilities	**(3,312,930)**	**(4,015,860)**
Pension liabilities	**(940,873)**	**(699,960)**
Excess of financial assets over financial and pension liabilities	38,243,306	25,124,604
EBITDA	29,123,286	22,914,671
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 has been identified as General Director. Since 1 January 2012 the General Director has reviewed 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 in the most efficient manner. 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 Group's internal reporting forms reviewed by the General Director in prior years were prepared in accordance with Russian accounting regulations.

The General Director considers business from the power plants' perspective, i.e. assessing the performance of each of the 5 power plants: Surgutskaya GRES-2, Berezovskaya GRES (excluding heat sales), Shaturskaya GRES, Yayvinskaya GRES and Smolenskaya GRES. Surgutskaya GRES-2, Berezovskaya GRES (excluding heat sales), 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 General Director assesses operating segments' performance based on earnings before interest, tax, depreciation and amortisation (EBITDA). In addition, the General Director is provided information on depreciation/amortisation and impairment of non-current assets and earnings before interest and tax (EBIT).

	Year ended 31 December 2012	Year ended 31 December 2011
Earnings before interest, tax, depreciation and amortisation (EBITDA) for five power plants	30,604,792	24,759,520
Other segments	(1,486,942)	(2,121,103)
Total earnings before interest, tax, depreciation and amortisation (EBITDA)	**29,117,849**	**22,638,417**
Depreciation/amortisation and impairment	(7,333,780)	(6,364,113)
Total earnings before interest and tax (EBIT)	**21,784,069**	**16,274,304**

Reconciliation of earnings before interest and tax (EBIT) by reporting segments as provided to the General Director to profit before income tax according to this financial information of the Group:

Earnings before interest and tax (EBIT)	**20,245,485**	**16,274,304**
Finance income	2,260,233	1,117,469
Finance expense	(279,919)	(675,831)
Other adjustments	598,476	1,461,291
Other	-	-
Profit before income tax	**22,824,275**	**18,177,233**

Other adjustments are mainly related to the following items:

	Year ended 31 December 2012	Year ended 31 December 2011
Difference in depreciation and capitalised repair costs	(1,006,869)	363,265
Difference in impairment of property, plant and equipment	1,553,861	900,903
Difference in amortisation of past-service cost	(41,679)	(45,510)
Difference in fair value of inventories	25,339	44,566
Difference in provision for impairment of account receivable	(38,471)	(11,500)
Difference in amortisation of intangible assets	17,281	(35,477)
Difference in write-offs of financial assets	(8,904)	189,931
Other	97,918	55,113
Differences in amounts for the purposes of E.ON SE (formerly E.ON AG) consolidated financial statements	**598,476**	**1,461,291**

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

	Year ended 31 December 2012	Year ended 31 December 2011
External revenue of 5 power plants	74,205,066	65,330,274
Other segments	819,849	699,038
Other adjustments	(1,705)	59,973
Total	**75,023,210**	**66,089,285**

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 2012	Year ended 31 December 2011
ZAO CFS (see Note 16)	48,550,735	44,249,479
Others (mainly distribution companies, under 10% each)	26,472,475	21,839,806
Total	**75,023,210**	**66,089,285**

Note 26. Post balance sheet events

On 21 February 2013, OAO E.ON Russia held the Extraordinary General Shareholders' Meeting. The Extraordinary General Shareholders' Meeting of OAO E.ON Russia decided to early terminate the powers of the Company's Board of Directors and elected a new Board of Directors.