YAKUTSKENERGO GROUP

CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED), PREPARED IN ACCORDANCE WITH IFRS 34

AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2013

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Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Joint Stock Company Yakutskenergo and its subsidiaries (the "Group") as of 30 June 2013 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

26 August 2013

Moscow, Russian Federation

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Yakutskenergo Group
Consolidated Interim Condensed Statement of Financial Position (unaudited)
(in millions of Russian Rubles unless noted otherwise)

	Note	30 June 2013	31 December 2012 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	4	13,539	12,465
Available-for-sale financial assets		29	29
Deferred tax assets		179	124
Other non-current assets	5	323	201
Total non-current assets		**14,070**	**12,819**
Current assets			
Cash and cash equivalents	6	449	289
Accounts receivable and prepayments	7	5,732	2,968
Inventories	8	5,794	6,925
Other current assets		6	6
Total current assets		**11,981**	**10,188**
TOTAL ASSETS		**26,051**	**23,007**
EQUITY AND LIABILITIES			
Equity			
Share capital	9	14,575	14,575
Accumulated losses and other reserves		(7,173)	(7,868)
Equity attributable to shareholders of parent company		**7,402**	**6,707**
Non-current liabilities			
Deferred tax liabilities		294	158
Non-current debt	11	2,993	2,609
Other non-current liabilities	12	1,081	846
Total non-current liabilities		**4,368**	**3,613**
Current liabilities			
Current debt and current portion of non-current debt	11	9,530	7,335
Accounts payable and accruals	13	3,915	4,139
Current income tax payable		185	303
Other taxes payable	14	651	910
Total current liabilities		**14,281**	**12,687**
Total liabilities		**18,649**	**16,300**
TOTAL EQUITY AND LIABILITIES		**26,051**	**23,007**

Deputy General Director A. S. Sloik

Acting Chief Accountant Y. G. Nabokina

26 August 2013

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012 (restated)
Revenue	15	11,214	10,269
Government grants	16	1,814	1,765
Expenses	17	(11,803)	(10,670)
Impairment loss on property, plant and equipment	4	-	(135)
Operating profit		**1,225**	**1,229**
Finance expenses, net	18	(350)	(348)
Profit before income tax		**875**	**881**
Total income tax expense	10	(209)	(269)
Profit for the period attributable to the shareholders of parent company		**666**	**612**
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss			
Remeasurements of pension benefit obligations		29	64
Total items that will not be reclassified to profit or loss		**29**	**64**
Total comprehensive income attributable to the shareholders of parent company		**695**	**676**
Profit per ordinary share attributable to the shareholders of parent company – basic and diluted (in Russian Rubles per share)	19	0.0716	0.0644
Profit per preference share attributable to the shareholders of parent company – basic and diluted (in Russian Rubles per share)	19	0.0716	0.0745

(in millions of Russian Rubles unless noted otherwise)

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**875**	**881**
Depreciation of property, plant and equipment	17	516	487
Impairment loss of property, plant and equipment	4	-	135
Loss/(profit) from disposal of property, plant and equipment	17	3	(26)
Finance expense, net	18	350	348
(Reversal)/accrual of impairment of accounts receivable	17	(3)	231
Other expenses/(income)		7	(7)
Operating cash flows before working capital changes and income tax paid		**1,748**	**2,049**
Working capital changes:			
Increase in accounts receivable and prepayments		(3,052)	(2,973)
Decrease in inventories		1,142	676
(Decrease)/increase in accounts payable and accruals		(163)	86
Decrease in other taxes payable		(259)	(152)
Decrease/(increase) in other non-current assets		7	(47)
Increase in other non-current liabilities		255	-
Income tax paid		(334)	(206)
Net cash used in operating activity		**(656)**	**(567)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(974)	(1,102)
Proceeds from sale of property, plant and equipment		2	3
Net cash used in investing activity		**(972)**	**(1,099)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt		6,892	6,484
Repayment of debt		(4,638)	(4,491)
Interest paid		(397)	(400)
Finance lease payments		(69)	(44)
Net cash generated in financing activity		**1,788**	**1,549**
Increase/(decrease) in cash and cash equivalents		**160**	**(117)**
Cash and cash equivalents at the beginning of the period	**6**	**289**	**491**
Cash and cash equivalents at the end of the period	**6**	**449**	**374**

(in millions of Russian Rubles unless noted otherwise)

	Share capital	Revaluation of pension liabilities	Accumulated loss	Total equity
Balance as at 01 January 2012	**14,575**	**-**	**(8,129)**	**6,446**
Restatement due to application of IAS 19 revised	**-**	24	(27)	(3)
Balance as at 01 January 2012 (restated)	**14,575**	**24**	**(8,156)**	**6,443**
Profit for the period	-	-	612	612
Other comprehensive income Remeasurements of pension benefit obligations	-	64	-	64
Total comprehensive income for the period	**-**	**64**	**612**	**676**
Dividends declared	-	-	(13)	(13)
Balance as at 30 June 2012 (restated)	**14,575**	**88**	**(7,557)**	**7,106**
Balance as at 01 January 2013 (restated) (Note 2)	**14,575**	**(31)**	**(7,837)**	**6,707**
Profit for the year	-	-	666	666
Other comprehensive income Remeasurements of pension benefit obligations	-	29	-	29
Total comprehensive income for the period	**-**	**29**	**666**	**695**
Balance as at 30 June 2013	**14,575**	**(2)**	**(7,171)**	**7,402**

Note 1. Yakutskenergo Group and its Operations

Open Joint Stock Company Yakutskenergo (OJSC Yakutskenergo, hereinafter - the Company) is a regional energy company that together with its subsidiaries (hereinafter – the Group) generates and distributes electricity and heat in the Republic of Sakha (Yakutia).

The Company's subsidiaries are: OJSC Sakhaenergo, OJSC Teploenergoservis, OJSC Energotranssnab, OJSC Yakutskaya energoremontnaya company. The shares of the Company in its subsidiaries have not changed during the six months ended 30 June 2013 and composed 100 percent of ownership and voting rights.

There are 3 large power stations (Yakutskaya TPP, Yakutskaya CHPP and the Cascade of Vilyuisk Hydroelectric Power Stations) and 168 diesel power stations, out of which 125 are operated by OJSC Sakhaenergo. Electric power distribution to consumers is provided by the power grids belonging to the Group. The Group uses heating network and power grids belonging to local administration of the Republic of Sakha (Yakutia) under service concession agreements.

OJSC Yakutskenergo was registered by the Ministry of Justice of the Republic of Sakha (Yakutia) on 08 June 1994. As a result of privatization of the Russian power engineering industry, OJSC Yakutskenergo was incorporated as an open joint stock company and certain assets and liabilities formerly controlled by the Ministry of Fuel and Energy of the Russian Federation were transferred to the Company.

As at 30 June 2013 and at 31 December 2012 the most significant shareholders of the Company were OJSC RAO Energy System of East with 49.37 percent and 57.63 percent of voting shares as at 30 June 2013 and 31 December 2012 respectively, and OJSC RusHydro with 29.80 percent and 29.00 percent of voting shares as at 30 June 2013 and 31 December 2012. The Government of the Russian Federation is the ultimate controlling party for the Group.

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

The registered office is located at: 14 Fedora Popova Str., Yakutsk, 677000, Republic of Sakha (Yakutia).

Relations with the State and current regulation. Many consumers of electricity and heat are controlled by or affiliated with Government of Russian Federation. Moreover, Government of Russian Federation controls a number of fuel suppliers and other suppliers of the Group (Note 3).

The Government affects the Group's operations through:

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

The Russian Federation directly influences the activities of the Group by regulating the wholesale purchases of electricity via the Federal Tariff Service (hereinafter, "FTS") and the retail sale of electricity, capacity and heat via executive bodies of constituents of the Russian Federation in charge of state price (tariffs) regulation.

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

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

Operating environment. The economy of Russian Federation has some characteristics of an emerging economy. The tax, currency and customs legislation of Russian Federation continues to develop and is subject to varying interpretations (Note 20).

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

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

Seasonality of business. The demand for the Group's heat and electricity generation and supply depends on weather conditions and the season. Heat and electricity production by the heat generation assets is significantly higher in autumn and in winter than in spring and in summer. The seasonal nature of heat and electricity generation has a significant influence on the volume of fuel consumed by heat generation assets and volume of purchases performed by the Group (Notes 3, 7).

Liquidity risk. As at 30 June 2013 current liabilities of the Group exceeded current assets of Group by RR 2,300 million (as at 31 December 2012 by RR 2,499 million).

Net cash outflow from operating activity for the six months ended 30 June 2013 comprised RR 656 million (for the six months ended 30 June 2012: RR 567 million). The main reasons for negative cash flow from operating activity for interim period are seasonality of Group production and purchasing activity and peculiarities of trade accounts receivable accrual and redemption (Notes 3, 7).

The Group manages the liquidity risk of encountering difficulties in meeting its obligations under various scenarios covering both normal and more severe market conditions.

The Group maintains its current liquidity position and covers the liquidity shortage through following instruments:

- tariffs for electricity and heat are set on cost plus basis, which covered the majors of Group's entities expenses;
- the Group received continuing strong support from Government in the form of grants received for compensation of low electricity tariff (Note 16);
- the Group considers the possibility of restructuring of current borrowings and loans to postpone the payments and increase liquidity.

To increase current liquidity the Group has attracted in August 2013 additional finance in amount of RR 3,000 million from RAO Energy Systems of East with maturity in October 2024 and interest rate amounted to MosPrime 3M + 3.87 percent. The loan will be used to refinance unsecured bonds issued by the Company (Note 11).

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

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

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

Accounting policies. The accounting policies followed in the preparation of this Consolidated Interim Condensed Financial Information are consistent with those applied in the annual Consolidated Financial Statements as at and for the year ended 31 December 2012 except for accounting policies described below.

New standards and interpretations effective since 1 January 2013. The Group applied all new standards and interpretations effective since 1 January 2013. New standards and interpretations are not affected significantly on this Consolidated Interim Condensed Financial Information except application of the amendments to IAS 19 retrospectively in accordance with the transition provisions of the standard. Amended IAS 19 makes significant changes to the recognition and measurement of defined benefit pension expenses and to disclosures of all employee benefits. The material impacts of IAS 19 (revised) on the Group's consolidated interim condensed financial information are as follows:

(in millions of Russian Rubles unless noted otherwise)

- "Actuarial gains and losses" are renamed "remeasurements" and now are recognized immediately in "other comprehensive income" (OCI) and thus, will no longer be deferred using the corridor approach or recognised in profit or loss;
- Past-services costs are recognized immediately though profit and loss when they occur;
- The annual expense for the funded benefit plan now include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. This replaces the finance charge and expected return on plan assets.

The resulting impacts on the Group's consolidated interim condensed financial information are presented below:

	31 December 2012	Recalculation due to IAS 19 amendments	31 December 2012 (restated)
Deferred tax assets	120	4	124
Total effect on assets		**4**	
Retained losses and other reserves	(7,821)	(47)	(7,868)
Total effect on equity		**(47)**	
Deferred tax liabilities	165	(7)	158
Other non-current liabilities	788	58	846
Total effect on liabilities		**51**	

	Six months ended 30 June 2012	Recalculation due to (IAS) 19 amendments	Six months ended 30 June 2012 (restated)
Expenses	(10,672)	2	(10,670)
Operating profit	1,227	2	1,229
Finance cost, net	(350)	2	(348)
Profit before income tax	877	4	881
Total income tax expense	(276)	7	(269)
Profit for the period attributable to the shareholders of parent company	**601**	**11**	**612**
Remeasurements of pension benefit obligations		**64**	**64**
Total comprehensive income for the period attributable to the shareholders of parent company	**601**	**75**	**676**
Profit per ordinary share attributable to the shareholders of parent company – basic and diluted (in Russian Rubles per share)	0.0632	0.0012	0.0644
Profit per preference share attributable to the shareholders of parent company – basic and diluted (in Russian Rubles per share)	0.0733	0.0012	0.0745

The effect of the change in accounting policy on the Consolidated Interim Condensed Statement of Cash Flows was immaterial.

Reclassifications. Certain reclassifications have been made to prior period data to confirm to the current period presentation. These reclassifications are not material (Note 15).

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

Other new standards and interpretations. Certain new standards and interpretations disclosed in Consolidated Financial Statements as at and for the year ended 31 December 2012 not applicable for the annual periods beginning on 1 January 2013 or later and were not early adopted by the Group.

In addition from April till June 2013 amendments to IAS 36 – Recoverable amount disclosures for non-financial assets and amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting were published. Amendments are effective for the periods beginning after 1 January 2014 and were not early adopted by the Group. Other new standards and interpretations effective for the periods beginning after 1 January 2014 have no material influence on the Group Consolidated Financial Statements.

Critical accounting estimates and judgements. The preparation of Consolidated Interim Condensed Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this Consolidated Interim Condensed Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2012 with the exception of changes in estimates that are required in determining the provision for income taxes (Note 10).

Note 3. Related party transactions

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

Government-related entities

In the normal course of business the Group enters into transactions with the entities controlled by the Government. The Group had transactions during the six months ended 30 June 2013 and 30 June 2012 and balances outstanding as at 30 June 2013 and 31 December 2012 with the following government-related banks: OJSC Sberbank of Russia, OJSC Gazprombank, OJSC Bank of Moscow and etc. (Note 11). Loans are provided at commercial terms.

The Group sells electricity, capacity and heat to government-related entities. Prices for such electricity and capacity sales are based on tariffs set by FST and Regional Energy Commissions. The Group's sales to government-related entities comprised approximately 54 percent of total sales for the six months ended 30 June 2013 (for the six months ended 30 June 2012: 51 percent). The Group's purchases from government-related entities comprised approximately 14 percent of total expenses on purchased for the six months ended 30 June 2013 (for the six months ended 30 June 2012: 13 percent).

Transactions with Key management of the Group

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

Fees, compensation or allowances to the members of the Board of Directors of the Company and the major subsidiaries are paid for attending Board meetings.

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

Total remuneration paid to the members of the Management Boards and Boards of Directors of the Company and the major subsidiaries for the six months ended 30 June 2013 was RR 79 million (for the six months ended 30 June 2012: RR 51 million).

Transactions with OJSC RusHydro, OJSC RAO Energy System of East and its subsidiaries. In the normal course of business the Group enters into transactions with the entities controlled by the OJSC RusHydro. OJSC RAO Energy System of East is a part of RusHydro Group.

(in millions of Russian Rubles unless noted otherwise)

At 30 June 2013 and at 31 December 2012 the outstanding balances with entities controlled by OJSC RAO Energy System of East were as follows:

	30 June 2013	31 December 2012
Trade and other receivables and advances given	2,004	51
Trade and other payables	262	278
Current debt and current portion of non-current debt	385	-
Non-current debt	-	385

The income and expense items with entities controlled by OJSC RAO Energy System of East were as follows:

	Six months ended 30 June 2013	Six months ended 30 June 2012
Revenue including:	**226**	**230**
Electric and heat power sales	223	224
Other income	3	6
Expenses including:	**1,808**	**1,745**
Purchased energy	458	556
Purchased power	397	370
Energy and heat power distribution	646	662
Other expenses	307	157

There were no material income and expenses items with entities controlled by OJSC RusHydro except those above.

(in millions of Russian Rubles unless noted otherwise)

Note 4. Property, plant and equipment

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

Cost	Production buildings	Facilities	Machinery and equipment	Construction in progress	Other	Total
Opening balance as at 1 January 2013	**4,393**	**19,572**	**12,968**	**3,923**	**842**	**41,698**
Additions	-	-	14	1,519	113	**1,646**
Transfers	1	224	207	(432)	-	**-**
Disposals	-	-	(53)	(5)	(12)	**(70)**
Closing balance as at 30 June 2013	**4,394**	**19,796**	**13,136**	**5,005**	**943**	**43,274**
Accumulated depreciation (including impairment)						
Opening balance as at 1 January 2013	**(2,575)**	**(15,093)**	**(9,884)**	**(1,230)**	**(451)**	**(29,233)**
Depreciation charge	(57)	(175)	(232)	-	(61)	**(525)**
Transfers	-	(36)	(45)	81	-	**-**
Disposals	-	-	16	-	7	**23**
Closing balance as at 30 June 2013	**(2,632)**	**(15,304)**	**(10,145)**	**(1,149)**	**(505)**	**(29,735)**
Net book value as at 30 June 2013	**1,762**	**4,492**	**2,991**	**3,856**	**438**	**13,539**
Net book value as at 1 January 2013	**1,818**	**4,479**	**3,084**	**2,693**	**391**	**12,465**

Cost	Production buildings	Facilities	Machinery and equipment	Construction in progress	Other	Total
Opening balance as at 1 January 2012	**3,887**	**18,916**	**11,839**	**3,340**	**846**	**38,828**
Additions	2	30	51	1,226	58	**1,367**
Transfers	13	139	91	(243)	-	**-**
Disposals	(3)	-	(32)	(6)	(23)	**(64)**
Closing balance as at 30 June 2012	**3,899**	**19,085**	**11,949**	**4,317**	**881**	**40,131**
Accumulated depreciation (including impairment)						
Opening balance as at 1 January 2012	**(2,299)**	**(13,933)**	**(9,307)**	**(846)**	**(446)**	**(26,831)**
Impairment charge	(1)	-	(10)	(116)	(8)	**(135)**
Depreciation charge	(42)	(140)	(245)	-	(60)	**(487)**
Transfers	(7)	-	(11)	18	-	**-**
Disposals	1	-	33	6	20	**60**
Closing balance as at 30 June 2012	**(2,348)**	**(14,073)**	**(9,540)**	**(938)**	**(494)**	**(27,393)**
Net book value as at 30 June 2012	**1,551**	**5,012**	**2,409**	**3,379**	**387**	**12,738**
Net book value as at 1 January 2012	**1,588**	**4,983**	**2,532**	**2,494**	**400**	**11,997**

The Group leases equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. As at 30 June 2013 the net book value of leased equipment was RR 477 million (31 December 2012: RR 150 million). The leased equipment is pledged as a security for the lease obligation.

Note 5. Other non-current assets

	30 June 2013	31 December 2012
Non-current accounts receivable (Net of provision for impairment of accounts receivable of RR 15 million as at 30 June 2013 and RR 87 million as at 31 December 2012)	101	79
Other non-current assets	222	122
Total other non-current assets	**323**	**201**

Note 6. Cash and cash equivalents

	30 June 2013	31 December 2012
Cash at bank	447	288
Cash in hand	2	1
Total cash and cash equivalents	**449**	**289**

Note 7. Accounts receivable and prepayments

	30 June 2013	31 December 2012
Trade receivables (Net of provision for impairment of accounts receivable of RR 439 million as at 30 June 2013 and RR 460 million as at 31 December 2012)	2,152	1,795
Advances to suppliers and prepayments (Net of provision for impairment of accounts receivable of RR 12 million as at 30 June 2013 and RR 9 million as at 31 December 2012)	2,727	351
Income tax receivables	102	22
Value added tax recoverable	398	413
Other receivables (Net of provision for impairment of accounts receivable of RR 81 million as at 30 June 2013 and RR 68 million as at 31 December 2012)	353	387
Total accounts receivable and prepayments	**5,732**	**2,968**

Note 8. Inventories

	30 June 2013	31 December 2012
Fuel	3,683	4,787
Materials and supplies	1,603	1,655
Spare parts	450	477
Other materials	61	20
Total inventories, gross	**5,797**	**6,939**
Provision for inventory obsolescence	(3)	(14)
Total inventories	**5,794**	**6,925**

Note 9. Equity

	Number of fully paid shares (in thousands)			
	Ordinary shares	**Preference shares**	**Total**	**Total share capital (in RR thousand)**
As at 31 December 2012	7,963,563	1,332,635	9,296,198	14,574,669
As at 30 June 2013	7,963,563	1,332,635	9,296,198	14,574,669

Nominal value per each share equals 1 RR for ordinary share and 1 RR for preference share.

Dividends. In accordance with Russian legislation the Company distributes its reserves that are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Standards of Accounting. For the year ended 31 December 2012 the Company had declared no dividend, for the year ended 31 December 2011: RR 13 million of dividends on preference shares (RR 0.0098 per share).

(in millions of Russian Rubles unless noted otherwise)

Note 10. Income tax

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

The tax effect of the exceptional or one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the six months ended 30 June 2013 was 22 percent (for the six months ended 30 June 2012: 24 percent).

	Six months ended 30 June 2013	Six months ended 30 June 2012
Current income tax expense	(135)	(32)
Deferred income tax expense	(74)	(237)
Total income tax expense	**(209)**	**(269)**

Note 11. Current and non-current debt

Non-current debt

	Year of maturity	30 June 2013	31 December 2012
OJSC Sberbank of Russia	2013-2015	4,256	4,025
Unsecured bonds issued (OJSC Yakutskenergo)	2013	3,000	3,000
OJSC Gasprombank	2013-2016	455	357
OJSC RAO Energy System of East	2014	385	385
OJSC Nota-Bank	2013-2014	280	374
OJSC Bank of Moscow	2015	177	177
OJSC NOMOS-BANK	2014	140	140
OJSC AKB Rosbank	2013-2015	100	712
Ministry of Finance of Republic of Sakha (Yakutia)	2013	79	158
OJSC Sobinbank	2013	-	130
Finance lease liabilities		412	97
Total		**9,284**	**9,555**
Less current portion of loans and borrowings		(6,152)	(6,898)
Less current finance lease liabilities		(139)	(48)
Total non-current borrowings		**2,993**	**2,609**

Current debt

	30 June 2013	31 December 2012
OJSC Gasprombank	2,543	-
OJSC AKB Rosbank	600	300
Other	96	89
Current portion of loans and borrowings	6,152	6,898
Current finance lease liabilities	139	48
Total current borrowings and current part of non-current borrowings	**9,530**	**7,335**

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

(in millions of Russian Rubles unless noted otherwise)

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

	Due in 1 year	Due between 2 and 5 years	Total
Minimum lease payments as at 30 June 2013	**145**	**380**	**525**
Less future finance charges	(6)	(107)	(113)
Present value of minimum lease payments as at 30 June 2013	**139**	**273**	**412**
Minimum lease payments as at 31 December 2012	**56**	**64**	**120**
Less future finance charges	(8)	(15)	(23)
Present value of minimum lease payments as at 31 December 2012	**48**	**49**	**97**

Note 12. Other non-current liabilities

	30 June 2013	31 December 2012
Pension benefit obligations	319	342
Other non-current liabilities	762	504
Total other non-current liabilities	**1,081**	**846**

Other non-current liabilities include non-current advances received under the contracts of technological connection to the grids, in the amount of RR 734 million as at 30 June 2013 and RR 475 million as at 31 December 2012.

Principal actuarial assumptions as at 30 June 2013 were the same as those that applied to the Consolidated Financial Statements as at 31 December 2012 with the exception of changes in discount rate, which increased up to 7.80% as at 30 June 2013 (as at 31 December 2012: 7.00%).

As a result the following movements in net liability occurred:

	30 June 2013	31 December 2012
Fair value plan assets	(70)	(70)
Present value of defined benefit obligations	389	412
Net liability	**319**	**342**

Note 13. Accounts payable and accruals

	30 June 2013	31 December 2012
Trade payables	1,432	1,759
Advances received	1,263	1,209
Settlements with personnel	954	973
Dividends payable	4	4
Other accounts payable	262	194
Total accounts payable and accruals	**3,915**	**4,139**

All accounts payables are nominated in Russian rubles.

Payables to suppliers of property, plant and equipment of RR 337 million (31 December 2012: RR 405 million) included in current accounts payable.

The carrying amount of accounts payable and accruals approximates their fair value.

(in millions of Russian Rubles unless noted otherwise)

Note 14. Other taxes payable

	30 June 2013	31 December 2012
Value added tax	280	626
Social contribution	249	178
Property tax	64	48
Other taxes	58	58
Total other taxes payable	**651**	**910**

Note 15. Revenue

	Six months ended 30 June 2013	Six months ended 30 June 2012
Sales of electricity and capacity	8,088	7,580
Heat and hot water sales	1,949	1,734
Other revenue	1,177	955
Total revenue	**11,214**	**10,269**

Other revenue includes revenue earned from transportation of electricity and heat, technical connection to the grid, rendering of construction, repairs and other services.

Starting from the second half of 2012 the Group records revenue from sales of hot water together with revenue from sales of heat as sales of heat provides supply of heat for the entities' technological needs and supply of heat and heat transfer public utilities relating to hot water and heating supply needs. For comparability in presentation of data the revenue from sales of hot water for the six months ended 30 June 2012 was reclassified from other revenue to sales of heat and hot water (Note 2).

Note 16. Government grants

In accordance with Federal government law No. 371 dated 30 November 2011 About Federal budget for 2012-2014 and subdivisions of the Russian Federation decrees some subsidiaries are entitled to government subsidies. These government subsidies appropriated for disposition of territory cross-subsidization for the electricity tariffs, compensation of the difference between economic value-added and reduced tariffs at which electricity and heat are sold and for loss compensation on purchased fuel. During the six months ended 30 June 2013 the Group received government subsidies in amount of RR 1,814 million (for the six months ended 30 June 2012 in the amount of RR 1,765 million).

(in millions of Russian Rubles unless noted otherwise)

Note 17. Expenses

	Six months ended 30 June 2013	Six months ended 30 June 2012
Fuel expenses	3,792	3,238
Employee benefit expenses (including payroll taxes and pension benefit expenses)	3,591	3,209
Purchased electricity and capacity	897	966
Electricity distribution expenses	782	772
Other materials	759	519
Depreciation of property, plant and equipment	516	487
Third parties services, including:		
Repairs and maintenance	344	246
Transportation expenses	97	29
Consulting, legal and information expenses	84	191
Services of subcontracting companies	82	110
Security expenses	64	56
Rent	57	89
Other third parties services	371	306
Taxes other than on income	137	104
Water usage expenses	87	101
Loss/(income) on disposal of property, plant and equipment, net	3	(26)
(Reversal)/accrual of impairment for accounts receivable, net	(3)	231
Other expenses	143	42
Total expenses	**11,803**	**10,670**

Note 18. Finance income, expenses

	Six months ended 30 June 2013	Six months ended 30 June 2012
Finance income		
Interest income	3	8
Finance income	**3**	**8**
Finance expenses		
Interest expense	(292)	(286)
Finance lease expenses	(26)	(5)
Discounting expenses	(23)	(53)
Other finance expenses	(12)	(12)
Finance expenses	**(353)**	**(356)**
Finance expenses, net	**(350)**	**(348)**

Note 19. Earnings per share

For the purposes of these Consolidated Interim Condensed Financial Information earnings per share calculation is disclosed by taking into account preference shares rights to participate in profit distribution based on constitutive documents of the Company. Thereafter, earnings per share was calculated separately for ordinary and preference shares. In accordance with Charter of OJSC Yakutskenergo, if dividends paid per ordinary share exceed dividends paid per preference share, the last should be increased up to dividends per ordinary share.

	Six months ended 30 June 2013	Six months ended 30 June 2012
Weighted average number of ordinary shares, in thousands	7,963,563	7,963,563
Weighted average number of preference shares, in thousands	1,332,635	1,332,635
Profit attributable to the owners of the Company, thousands rubles	666,030	612,440
Dividends declared on preference shares, thousands rubles	-	(13,385)
Retained profit, thousands rubles	**666,030**	**599,055**
- attributable to the owners of ordinary shares, thousands rubles	570,553	513,179
- attributable to the owners of preference shares, thousands rubles	95,477	85,876
Basic and diluted Earnings per ordinary share attributable to the owners of the Company (in RR per share)	**0.0716**	**0.0644**
Basic and diluted Earnings per preference share attributable to the owners of the Company (in RR per share)	**0.0716**	**0.0745**

Note 20. Contingencies and commitments

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

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

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

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

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

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

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

Management believes that as at 30 June 2013 its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

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

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

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

The Group was in compliance with covenants during six months ended 30 June 2013 and year ended 31 December 2012 and as at 31 December 2012 and as at 30 June 2013 (Note 11).

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

Capital commitments. As at 30 June 2013 future capital expenditures in accordance with the contractual obligations amounted to RR 1,893 million (31 December 2012: RR 2,287 million).

Note 21. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged at arm's length transaction between knowledgeable willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sales transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Available-for-sale financial assets are carried in the Consolidated Interim Condensed Statement of Financial Position at their fair value that is measured on the basis of the quoted prices in an active market (Level 1 in the fair value hierarchy).

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

Carrying amounts of trade and other financial receivables approximates fair values (Note 7).

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

Carrying amounts of liabilities at amortised cost approximates fair values.

Note 22. Subsequent events

After the reporting date the Group concluded a number of agreements on opening of credit lines with commercial banks. Under agreements with OJSC Sberbank of Russia, total amount of a limit on credit lines comprises RR 886 million, the rate on the credit comprises 7.90-8.10 percent. Under the agreements with

OJSC Gazprombank, the maximum sum on the lines of credit comprises RR 562 million, the rate on the credit comprises 9.00-9.60 percent.