AO TVEL

Consolidated Financial Statements
for 2014
and Auditors' Report

Contents

Auditors' Report 3
Consolidated Statement of Financial Position 5
Consolidated Statement of Profit or Loss and Other Comprehensive Income 7
Consolidated Statement of Changes in Equity 9
Consolidated Statement of Cash Flows 12

Notes to the Consolidated Financial Statements 14
1. Background 14
2. Basis of accounting 15
3. Significant accounting policies 17
4. New standards and interpretations not yet adopted 29
5. Determination of fair values 30
6. Significant subsidiaries 32
7. Non-controlling interests 33
8. Change in non-controlling interests 35
9. Investments in equity accounted investees 35
10. Revenue 36
11. Income and expenses 37
12. Employee benefits 38
13. Personnel costs 41
14. Income tax expense 41
15. Property, plant and equipment 47
17. Other long-term investments 50
18. Other short-term investments 52
19. Inventories 53
20. Trade and other receivables 54
21. Cash and cash equivalents 54
22. Disposal group classified as held-for-sale 55
23. Equity 55
24. Capital management 56
25. Long-term loans and borrowings 56
26. Non-current provisions 57
27. Deferred income 59
28. Finance lease liabilities 60
29. Short-term loans and borrowings 60
30. Trade and other payables 61
31. Current provisions 62
32. Fair value and risk management 62
33. Contingencies 71
34. Related party transactions 73
35. Capital commitments 77
36. Events subsequent to the reporting date 77

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Auditors' Report

To the Shareholder and Board of Directors

JSC TVEL

We have audited the accompanying consolidated financial statements of JSC TVEL (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Audited entity: JSC TVEL.

Registered by the Moscow Registration Chamber on 12 September 1996, Registration No. 061.775.

Entered in the Unified State Register of Legal Entities on 28 February 2015 by the Moscow Inter-Regional Tax Inspectorate No.46 of the Ministry for Taxes and Duties of the Russian Federation. Registration No. 1027739121475, Certificate series 77 No.016958811.

24, Bolshaya Ordynka street, Moscow, Russian Federation, 119017.

JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.

Kim A.A., Director

(power of attorney dated 16 March 2015 No. 11/15)

JSC KPMG

15 June 2015

Moscow, Russian Federation

	Note	31 December 2014	31 December 2013
Assets			
Non-current assets			
Property, plant and equipment	15	141 028 883	153 540 825
Intangible assets	16	3 522 767	3 680 415
Advances for non-current assets		2 153 483	1 148 908
Other long-term investments	17	15 770 929	14 948 487
Investments in equity accounted investees	9	619 193	745 192
Trade and other receivables		409 077	492 310
Deferred tax assets	14	10 494 530	10 389 297
Other non-current assets		515 313	473 581
Total non-current assets		**174 514 175**	**185 419 015**
Current assets			
Inventories	19	105 849 231	98 158 574
Trade and other receivables	20	43 063 233	37 771 828
Income tax receivables		3 081 549	1 413 385
Other short-term investments	18	1 201 465	10 263 203
Cash and cash equivalents	21	17 497 675	13 597 800
Assets classified as held for sale	22	598 450	-
Total current assets		**171 291 603**	**161 204 790**
Total assets		**345 805 778**	**346 623 805**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 77.

AO TVEL
Consolidated Statement of Financial Position as at 31 December 2014
'000 RUB

	Note	31 December 2014	31 December 2013
Equity and liabilities			
Equity			
Share capital	23	45 191	45 191
Share premium		91 414 451	91 414 451
Reserves		7 697 701	5 802 816
Retained earnings		120 065 033	117 551 601
Equity attributable to owners of the Company		**219 222 376**	**214 814 059**
Non-controlling interests	7	13 617 601	15 267 226
Total equity		**232 839 977**	**230 081 285**
Non-current liabilities			
Long-term loans and borrowings	25	12 751 384	7 993 031
Employee benefits	12	5 334 501	7 560 388
Non-current provisions	26	9 510 137	16 804 498
Deferred tax liabilities	14	1 248 427	1 022 609
Deferred income, long-term	27	5 989 017	6 712 231
Finance lease liabilities, long-term	28	8 935 304	10 964 589
Trade and other payables	30	3 381 970	4 623 097
Total non-current liabilities		**47 150 740**	**55 680 443**
Current liabilities			
Short-term loans and borrowings	29	21 144 439	15 931 365
Trade and other payables	30	39 606 092	40 898 793
Finance lease liabilities, short-term	28	2 057 602	2 141 688
Income tax payable		1 464 914	919 649
Deferred income, short-term	27	1 181 468	909 945
Current provisions	31	249	60 637
Liabilities classified as held for sale	22	360 297	-
Total current liabilities		**65 815 061**	**60 862 077**
Total liabilities		**112 965 801**	**116 542 520**
Total equity and liabilities		**345 805 778**	**346 623 805**

Senior Vice-President for finance, economics and corporate governance

_____ / Nikipelova N. V./

Chief Accountant

_____ / Guseva M. N./

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 77.

	Note	2014	2013
Revenue	10	144 917 691	137 456 516
Personnel costs	13	(31 251 989)	(30 503 561)
Raw materials		(31 094 913)	(37 518 942)
Depreciation and amortization	15,16	(17 903 826)	(14 236 556)
Electricity, gas and fuel, water supply		(11 811 815)	(11 300 914)
Mandatory contributions to reserves for the nuclear industry entities		(3 499 498)	(3 891 667)
Taxes other than income taxes		(2 685 452)	(2 788 986)
Research and development		(2 456 607)	(2 628 440)
Transportation		(2 277 366)	(1 615 345)
Repairs and maintenance		(2 505 265)	(1 983 042)
Insurance		(1 547 408)	(1 257 455)
Goods for resale		(63 618)	-
Change in finished goods, goods for resale and work in progress		9 435 702	18 747 356
Other operating income	11	4 756 199	4 664 563
Other operating expenses	11	(14 596 382)	(16 365 604)
Results from operating activities		**37 415 453**	**36 777 923**
Finance income	11	1 551 939	1 025 782
Finance costs	11	(12 961 664)	(7 681 458)
Share of profit/(loss) of equity accounted investees (net of income tax)		(27 182)	2 644
Profit before income tax		**25 978 546**	**30 124 891**
Income tax expense	14	(5 793 006)	(7 048 882)
Profit for the year		**20 185 540**	**23 076 009**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets	17	1 002 095	(922 788)
Deferred tax on change in fair value of available-for-sale financial assets	14	(215 615)	(159 913)
Hedging reserve		210 237	(210 237)
Deferred tax on hedging reserve	14	(42 047)	42 047
Total items that are or may be reclassified to profit or loss		*954 670*	*(1 250 891)*
Items that will never be reclassified to profit or loss :			
Defined benefit plan actuarial gains/(losses)		1 477 126	2 165 950
Deferred tax on defined benefit plan actuarial gain	14	(295 425)	(433 190)
Total items that will never be reclassified to profit or loss		*1 181 701*	*1 732 760*
Total other comprehensive income for the year, net of income tax		**2 136 371**	**481 869**
Total comprehensive income for the year		**22 321 911**	**23 557 878**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 77.

AO TVEL
Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2014
'000 RUB

	2014	2013
Profit attributable to:		
Owners of the Company	18 457 635	23 014 243
Non-controlling interests	1 727 905	61 766
Profit for the year	**20 185 540**	**23 076 009**
Total comprehensive income attributable to:		
Owners of the Company	20 511 902	23 445 612
Non-controlling interests	1 810 009	112 266
Total comprehensive income for the year	**22 321 911**	**23 557 878**

These consolidated financial statements were approved by management on 15.06.2015 and were signed on its behalf by:

Senior Vice-President for finance,
economics and corporate governance

_____/ Nikipelova N.V./

Chief Accountant

_____/Guseva M.N./

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 77.

AO TVEL
Consolidated Statement of Changes in Equity for 2014
'000 RUB

		Attributable to equity holders of the Company								
	Note	Share capital	Share premium	Fair value reserve for available-for-sale investments	Property, plant and equipment revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2013, as previously reported		45 191	91 414 451	1 722 354	4 670 029	(1 094 134)	104 485 578	201 243 469	8 835 483	210 078 952
Impact of change in accounting policy		-	-	-	-	73 198	566 365	639 563	45 755	685 318
Balance at 1 January 2013		45 191	91 414 451	1 722 354	4 670 029	(1 020 936)	105 051 943	201 883 032	8 881 238	210 764 270
Total comprehensive income										
Profit for the year		-	-	-	-	-	23 014 243	23 014 243	61 766	23 076 009
Other comprehensive income										
Currency risk hedging reserve		-	-	-	-	(210 237)	-	(210 237)	-	(210 237)
Net change in fair value of available-for-sale financial assets		-	-	(922 788)	-	-	-	(922 788)	-	(922 788)
Remeasurements of defined benefit liability		-	-	-	-	2 102 825	-	2 102 825	63 125	2 165 950
Income tax on other comprehensive income	14	-	-	(159 913)	-	(378 518)	-	(538 431)	(12 625)	(551 056)
Total other comprehensive income		-	-	(1 082 701)	-	1 514 070	-	431 369	50 500	481 869
Total comprehensive income for the year		-	-	(1 082 701)	-	1 514 070	23 014 243	23 445 612	112 266	23 557 878
Transactions with owners of the Company										
Dividends		-	-	-	-	-	(18 937 475)	(18 937 475)	(22 615)	(18 960 090)
Change in ownership interest in subsidiaries		-	-	-	-	-	8 422 890	8 422 890	6 296 337	14 719 227
Total transactions with owners of the Company		-	-	-	-	-	(10 514 585)	(10 514 585)	6 273 722	(4 240 863)
Balance at 31 December 2013		45 191	91 414 451	639 653	4 670 029	493 134	117 551 601	214 814 059	15 267 226	230 081 285

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 77.

AO TVEL
Consolidated Statement of Changes in Equity for 2014
'000 RUB

		Attributable to equity holders of the Company								
	Note	Share capital	Share premium	Fair value reserve for available-for-sale investments	Property, plant and equipment revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2014		45 191	91 414 451	639 653	4 670 029	493 134	117 551 601	214 814 059	15 267 226	230 081 285
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	18 457 635	18 457 635	1 727 905	20 185 540
Other comprehensive income										
Currency risk hedging reserve		-	-	-	-	210 237	-	210 237	-	210 237
Net change in fair value of available-for-sale financial assets		-	-	1 002 095	-	-	-	1 002 095	-	1 002 095
Remeasurements of defined benefit liability	14	-	-	-	-	1 374 496	-	1 374 496	102 630	1 477 126
Income tax on other comprehensive income		-	-	(215 615)	-	(316 946)	-	(532 561)	(20 526)	(553 087)
Total other comprehensive income		-	-	786 480	-	1 267 787	-	2 054 267	82 104	2 136 371
Total comprehensive income for the year		-	-	786 480	-	1 267 787	18 457 635	20 511 902	1 810 009	22 321 911

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 77.

AO TVEL
Consolidated Statement of Changes in Equity for 2014
'000 RUB

	Note	Attributable to equity holders of the Company								
		Share capital	Share premium	Fair value reserve for available-for-sale investments	Property, plant and equipment revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Transactions with owners of the Company										
Dividends		-	-	-	-	-	(16 256 830)	(16 256 830)	(60 270)	(16 317 100)
Change in ownership interest in subsidiaries		-	-	-	-	(159 382)	(981 323)	(1 140 705)	(3 475 837)	(4 616 542)
Effect of the transaction under common control		-	-	-	-	-	1 293 950	1 293 950	76 473	1 370 423
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**(159 382)**	**(15 944 203)**	**(16 103 585)**	**(3 459 634)**	**(19 563 219)**
Balance at 31 December 2014		**45 191**	**91 414 451**	**1 426 133**	**4 670 029**	**1 601 539**	**120 065 033**	**219 222 376**	**13 617 601**	**232 839 977**

Senior Vice-President for finance,
economics and corporate governance

/ Nikipelova N.V./

Chief Accountant

/Guseva M.N./

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 77.

	2014	2013
Cash flows from operating activities		
Profit before income tax	**25 978 546**	**30 124 891**
Adjustments for:		
Depreciation and amortization	17 903 826	14 236 556
Loss on disposal and impairment of property, plant and equipment	3 248 949	2 166 200
Loss on disposal of intangible and other assets	676 810	1 132 224
Loss on disposal of investments	111 405	177 682
Share in (profit)/loss of associates	27 182	(2 644)
Net finance costs	11 298 320	4 284 654
Loss on impairment of available-for-sale financial assets	-	2 193 340
Income from curtailment of pension plans	(224 222)	(2 299 016)
Changes in provisions	(1 850 534)	(565 869)
Loss on other assets impairment	232 647	62 964
Other	(267 176)	(1 615 640)
Cash from operating activities before changes in working capital	**57 135 753**	**49 895 342**
Change in inventories	(8 063 240)	(13 829 465)
Change in trade and other receivables	(3 985 763)	(1 706 824)
Change in employee benefits	(1 129 347)	(1 674 080)
Change in trade and other payables	(1 772 791)	10 278 903
Change of government grants with deferred recognition	(381 111)	1 185 256
Cash flows from operations before income taxes and interest paid	**41 803 501**	**44 149 132**
Income tax paid	(7 746 793)	(7 623 413)
Interest paid	(2 716 256)	(2 095 346)
Net cash from operating activities	**31 340 452**	**34 430 373**
Cash flows from investing activities		
Interest received	1 590 783	848 356
Acquisition of property, plant and equipment	(14 963 930)	(17 748 909)
Acquisition of intangible assets	(2 030 231)	(3 378 603)
Proceeds from loans given to other entities	10 277 682	26 560 000
Proceeds from disposal of property, plant and equipment	2 217 302	1 680 050
Proceeds from sale of investments	362 713	180 150
Loans given to other entities	(700 000)	(36 464 140)
Proceeds on disposal of intangible assets	236 987	998 457
Acquisition of investments	-	(3 041 235)
Net cash used in investing activities	**(3 008 694)**	**(30 365 874)**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 77.

	2014	2013
Cash flows from financing activities		
Proceeds from borrowings	17 439 738	23 852 766
Repayment of borrowings	(20 791 430)	(22 437 784)
Dividends paid to shareholders and owners of non-controlling interests	(16 309 086)	(18 960 090)
Repayment of finance lease liabilities	(2 856 037)	(3 833 466)
Cash on disposal of interests in subsidiaries	1 878 787	18 089 434
Acquisition of non-controlling interests	(6 804 868)	(2 560)
Net cash used in financing activities	**(27 442 896)**	**(3 291 700)**
Net increase in cash and cash equivalents	**888 862**	**772 799**
Cash and cash equivalents at the beginning of the year	13 597 800	12 373 892
Effect of exchange rate fluctuations on cash and cash equivalents	3 011 013	451 109
Cash and cash equivalents at the end of the year (Note 21)	**17 497 675**	**13 597 800**

Senior Vice-President for finance, economics and corporate governance

/ Nikipelova N.V./

Chief Accountant

/Guseva M.N./

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 77.

1. Background

(a) Organisational structure and operations

AO TVEL[1] (the "Company") and its subsidiaries (the "Group") consist of Russian Joint Stock Companies and Limited Liability Companies, in accordance with the legislation of the Russian Federation.

The Company was established as a state-owned company on the 12 September 1996 in compliance with the Decree of the President of the Russian Federation dated 8 February 1996 № 166 "Concerning Improvement of Nuclear Fuel Cycle Entities Management".

The Company is registered by the Moscow Registration Chamber on the 12 September 1996 at:

24/26 Bolshaya Ordynka St., Moscow, Russian Federation, 119017.

The sole shareholder of the Company is AO Atomic Energy Power Corporation (hereinafter referred to as AO Atomenergoprom)[2], which in turn is 100% owned by the State Corporation Rosatom (hereinafter referred to as the SC Rosatom).

In September 2009, under the decision of the State Corporation Rosatom the Fuel Company (the "Group") of State Corporation Rosatom was established on the basis of AO TVEL. In 2010 establishment of the Fuel Company was completed. The entities of separation and sublimation and gas-centrifuge complex, as well as research and development organizations were integrated into the Company.

Thus, as at 31 December 2010 the Company became responsible for the whole value cycle of nuclear fuel in the Russian nuclear industry and combined the following:

- entities of nuclear fuel fabrication complex which produce components for fuel elements, nuclear fuel in the form of fuel assemblies and their components in the form of fuel elements and fuel pellets, control and regulative rods for reactors of various types;
- entities of separation-sublimation complex which provide services for conversion and enrichment of uranium and isotopes;
- entities of gas-centrifuge complex which produce main and auxiliary equipment for uranium enrichment;
- entities of research and development complex.

The main activities of the Group include:

- production and sale of nuclear fuel and its components;
- production (conversion) of uranium tetrafluoride and hexafluoride, enrichment of natural and reprocessed uranium and its compounds used to make fuel for nuclear power plants, ships and nuclear research facilities and for the supply of enriched uranium products to external customers;
- production and sale of components technologically related to production of nuclear fuel, nuclear and non-nuclear components of complex processing of raw materials;
- implementation of research, development, design and survey works in various fields.

[1] In accordance to paragraph 7, article 3 of the Federal law №99 dated 05 May 2014 on "Introducing changes to chapter 4 of the Part 1 of the Civil Code of the Russian Federation and annulment of certain acts of legislation of the Russian Federation" and in accordance with the decision of the sole shareholder dated 11 February 2015 №28 on adoption of the restated charter of AO "TVEL", the entity's official name was changed to AO "TVEL"

[2] In accordance to paragraph 7, article 3 of the Federal law №99 dated 05 May 2014 on "Introducing changes to chapter 4 of the Part 1 of the Civil Code of the Russian Federation and annulment of certain acts of legislation of the Russian Federation" and in accordance with the decision of the sole shareholder dated 17 September 2014 №3 on adoption of the restated charter of AO "Atomenergoprom" the entity's official name was changed to AO "Atomenergoprom".

The Group’s activities are conducted in the following cities of the Russian Federation: Angarsk, Vladimir, Glazov, Zelenogorsk, Kovrov, Krasnoyarsk, Moscow, Novouralsk, Novosibirsk, Seversk, Elektrostal. The products are sold in the Russian Federation and abroad.

(b) Business environment in the Russian Federation

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display some characteristics of an emerging market. The legal, tax and и administrative frameworks continue development, but are subject to varying interpretations and frequent changes, which together with other legal and fiscal impediments contribute to the challenges faced by companies doing business in the Russian Federation. The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

Ongoing conflict in Ukraine and events related to it has led to the revision and increase of the risk estimation of conducting business in the Russian Federation. Imposing economic sanctions on Russian citizens and legal entities by the European Union, the United States of America, Japan, Canada, Australia and other countries and also imposing of retaliatory sanctions by the Government of the Russian Federation, have led to increase of economic uncertainty including high volatility in the capital exchange markets, weakening rouble exchange rate, reduction of foreign and domestic direct investments and significant decrease of availability of debt financing. The long-term estimation of the sanctions consequences and of the possibility of new sanctions being imposed is complicated.

Management takes appropriate measures to maintain stable operations of the Group in the current circumstances, but the continuation of the current unstable business environment may adversely affect its financial results and financial position to the extent that is impossible to predict. These consolidated financial statements reflect management's assessment of the impact of the business environment in Ukraine on its operations and financial position. The future environment may differ from management's assessment. These consolidated financial statements do not include any adjustments to reflect the impact of events in Ukraine that occurred prior or after the reporting period date.

2. Basis of accounting

(a) Statement of compliance

These consolidated financial statements (hereinafter referred to as “financial statements”) have been prepared based on the requirements of the Federal law dated 27 July 2010 № 208-FZ “About consolidated financial statements” in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for measurement

The consolidated financial statements are prepared on the historical cost basis except for:

- revaluation of fixed assets was made under transition to IFRS as at 1 January 2002 in order to determine their deemed cost;
- the carrying value of non-monetary assets, liabilities and equity as of 31 December 2002 included inflation adjustments, calculated using conversion factors based on the Consumer Price Index published by the State Statistics Committee of the Russian Federation – the body of State Statistics of the Russian Federation. With regard to the preparation of financial statements in accordance with IFRS Russian economics ceased to be considered as hyperinflationary since 1 January 2003;
- investments stated at their fair value and classified as financial assets available-for-sale.

(b) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand, except when otherwise indicated.

(c) Use of estimates and judgments

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Useful lives of property, plant and equipment – Note 3(c)(iii);
- Useful lives of intangible assets – Note 3(d)(iii);
- Deferred tax assets and liabilities– Note 14 (c);
- Provision for inventory obsolescence - Note 19;
- Bad debt provision – Note 20;
- Employee benefits – Note 12;
- Provisions – Notes 26, 31;
- Lease classification – Note 28;
- Contingent liabilities – Note 33.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes valuation specialists who have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 32 – Financial instruments.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform to the current year presentation.

(a) Basis of consolidation

(i) Business combinations, except for transactions between entities under common control

Business combinations except for transactions between entities under common control are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not subsequently remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(ii) Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative periods presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements.

(iii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Acquisitions (disposals) of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests

arising from transactions are based on the proportionate amount of the net assets of the subsidiary. The difference between the carrying amounts of the acquired (disposed) non-controlling interest and the consideration paid (transferred) is recognised within equity.

(iv) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(v) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds directly or indirectly (for example, through subsidiaries) between 20% and 50% of the voting power of another entity except for the situations when there is evidence to the contrary. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Interests in associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at actual cost less accumulated depreciation and any accumulated impairment losses. Under preparation of consolidated financial statements as at 1 January 2002, date of transition to IFRS, the Group recorded fixed assets at fair value and used it as deemed cost at this date. In order to identify fair value of fixed assets at the date of transition to IFRS, results of evaluation by independent appraiser were used.

The actual cost includes expenditures that are directly attributable to the acquisition of the asset. The actual cost of constructed (built) assets includes the cost of materials, direct labour costs, all other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling, removing the items and restoring land that they occupy at the end of their useful lives. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized in the value of such assets. A qualifying asset is an asset with substantial period of preparation for its intended use.

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

Any gain or loss on disposal of an item of property, plant and equipment is recognized on a net basis within other income/other expense in profit or loss in the consolidated statement of profit or loss and other comprehensive income.

(ii) Subsequent costs

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

Costs of performing mandatory technical inspections and capital repairs of property, plant and equipment are identified and accounted for as separate component, if the component is used for more than one period. Costs of mandatory inspections and repairs, recognised as separate components of property, plant and equipment, are depreciated over the period until the subsequent inspection or repair will be performed.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year.

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

- Buildings 6 – 75 years;
- Plant and equipment 1 – 34 years;
- Constructions and transmission facilities 3 – 44 years;
- Transport 1 – 18 years;
- Other 1 – 28 years.

(d) Intangible assets

(i) Recognition and measurement

Intangible assets with finite useful lives acquired by the Group are measured at cost less accumulated amortization and accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

Amortisation is calculated based on the initial cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Development expenditure 1-5 years;
- Computer software 1-10 years;
- Licenses 1-5 years.

(iv) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalized expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in the profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(e) Leased assets

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

Other leases are operating leases and the leased assets are not recognized on the Group's statement of financial position.

(f) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity and debt securities, trade and other receivables, and cash and cash equivalents.

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the contract date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables, financial assets held-for-maturity, financial assets available-for-sale, financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables category comprise the following classes of financial assets: trade and other receivables and loans given (see Notes 17, 20).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investment, subject to an insignificant risk of changes in their fair value, with maturities of three months or less from the acquisition date.

Financial assets held-to-maturity

If the Group has the positive intent and ability to hold to maturity debt securities that are quoted in an active market, then such financial assets are classified to held-to-maturity category. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Financial assets at fair value through profit or loss for the period

A financial asset is classified into fair value through profit or loss -category if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss for the period.

Financial assets available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized or impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot be reliably measured are carried at cost.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities are classified into other financial liabilities. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

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

(iii) Derivative financial instruments

The Group uses certain hedging instruments, which include forward contracts and currency options for hedging the risk of changes in foreign currency exchange rates that compensate for adverse effects of the change of asset fair value, cumulative cash flows or net investments in foreign operations. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in the profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined by using the following cost formulas:

- for nuclear and fissile materials – individual cost of an inventory batch;
- for all other inventories – weighted average.

The cost of inventories includes direct material costs, customs duties, transportation and handing costs and also, if applicable, labour costs and an appropriate share of production overheads incurred in bringing inventories to their existing location and condition. The cost of inventories is calculated on the base of the weighted average cost of acquisition.

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

(h) Share capital

(i) Ordinary shares

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

(i) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indicators that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables and held-to-maturity investment securities

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's

original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject subject to a provision stating that the level of impairment testing could not be higher than operating segments' level for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans, including Russian State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the results of the calculations obtained reveal profits for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

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

(iv) Termination benefits

Termination benefits are recognized as an expense when the Group is committed evidently, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement

date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(v) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and if the obligation can be estimated reliably.

(k) Provisions

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

(i) Assets retirement obligation

The provision for decommissioning an item of property, plant and equipment is included in its cost during initial recognition and is depreciated over the estimated useful life using the method applied for depreciation of the asset.

The obligation for decommissioning of property, plant and equipment is calculated based on estimated costs of the liquidation of constructions and equipment at current prices that is the estimated cost of dismantling and liquidation of the relevant objects.

The provisions are reconsidered at the end of each reporting date taking account of changes in the estimates of future cash flows (for example, the cost of item dismantling) or discount rates. Any changes in the amount of the obligation are included in the cost of item of property, plant and equipment. The cost of an item of property, plant and equipment is not allowed to be negative nor to exceed its recoverable amount.

(ii) Provision for site restoration and territory rehabilitation

The Group recognizes a provision in respect of the Group's obligation to rectify any environmental damage arising as a result of the operating activity of other Group entities. The obligation to rectify environmental damage is recognized in other operating expenses as incurred. The obligation is calculated based on estimated decontamination costs at current prices.

(iii) Provision for decommissioning of radioactive waste (RAW)

The amount of the provision for decommissioning RAW is determined by the estimation of future cost of storage, conversion, conditioning, containerisation, RAW transportation to burial sites and burying of the RAW formed as a result of mining and processing of uranium ore, and the operating activity of the Group's entities that use the nuclear facilities and nuclear-related items. The obligation for decommissioning RAW is recognized in other operating expenses as incurred. Special features of the recognition of these liabilities in the consolidated financial statements are disclosed in Note 26.

(iv) Compensation of expenses

If it is expected with a high degree of confidence that the obligation stated in Note 3 (k) (i) – (iii) will be financed by any third party, for example the state, than the amount of such compensation is recognized as a non-current asset. The asset is discounted, using the same rate and schedule as the appropriate part of the

recognized provision for decommissioning of property, plant and equipment, except for cases when the dates/periods of repayment of the obligation and assets are not consistent.

(l) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Sales of electricity

Revenue from sales of electricity, heat and power is recognised at the moment of delivery to customers.

(iii) Services

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

(m) Government grants and other financing

Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant and are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset for the grants in the form of assets or cash for acquisition of assets. Grants that compensate the Group for expenses incurred are recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized. Accounting for grants and other financing, including financing from public authorities and international organizations is conducted based on the same principles.

(n) Other expenses

(i) Lease payments

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

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

(ii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

(iii) Social expenditures

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognized in profit or loss as incurred.

(o) Financial income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the discounting of financial assets and liabilities, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss and gains on remeasurement to fair value of any pre-existing interest in an acquiree. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, except for interest expenses capitalised as part of the cost of the Group's qualifying assets, interest expense on finance leases, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss and impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit and loss except to the extent that they relate to a business combination, or items recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends and any adjustment to tax payable in respect of previous years, including provisions accrued in respect of possible tax risks.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

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

(q) Declared dividends

Dividends and the related tax liabilities are recognized as a liability in the period in which they are declared and legally payable.

4. New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2014, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective:

- IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in process of evaluating the potential impact of IFRS 9 on the consolidated financial statements.
- IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11

Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning at or after 1 January 2017, with early adoption permitted. The Group is in process of evaluating the potential impact of IFRS 15 on the consolidated financial statements.

The following new or amended standards are not expected to have a significant impact to the Group's consolidated financial statements.

- IFRS 14 Regulatory Deferral Accounts;
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19);
- Annual Improvements to IFRSs 2010–2012 Cycle;
- Annual Improvements to IFRSs 2011–2013 Cycle.

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement or/and for disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property, plant and equipment is the estimated amount for which an item of property, plant and equipment could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The property, plant and equipment fair value is based on a market approach using quoted market prices for similar items when available or on a cost approach.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

(b) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method (MEEM), whereby the subject asset is valued after deducting a fair return on all other assets that are involved in generating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(d) Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(e) Trade and other receivables

The fair value of trade and other receivables, excluding those relating to construction in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

(f) Derivative financial assets and liabilities

The fair value of derivative financial assets and liabilities is estimated as the present value of future cash flows from forward transactions. The fair value of European-style options is estimated on the basis of Black-Scholes model with regard to the option conditions.

(g) Non-derivative financial liabilities and assets

Fair value, which is determined only for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

6. Significant subsidiaries

Significant subsidiaries included into these consolidated financial statements are presented below:

Subsidiary	Country of incorpora-tion	Ownership/voting 31 December 2014	Ownership/voting 31 December 2013
AO TVEL (as at 31 December 2014 – OAO TVEL)	Russia	-	-
AO Chepetsk mechanical plant	Russia	99,98%	99,98%
AO Industrial innovations	Russia	100%	100%
AO TVEL-Stroy	Russia	91,57%	91,20%
AO Moscow Plant of Polymetals	Russia	100%	100%
AO A.A. Bochvar High-Technology Scientific Research Institute for Inorganic Materials (as at 31 December 2014 - OAO VNIINM by A.A.Bochvar)	Russia	97,04%	93,12%
AO United Company "Razdelitelno-Sublimatny Kompleks" (RSK) (as at 31 December 2014 - OAO United Company "RSK")	Russia	100%	100%
AO Angarsk electrochemical plant (as at 31 December 2014 - OAO Angarsk electrochemical plant)	Russia	100%	100%
AO Siberian chemical plant (as at 31 December 2014 - OAO Siberian chemical plant)	Russia	100%	95,24%
AO Ural electrochemical plant (as at 31 December 2014 – OAO Ural electrochemical plant)	Russia	87,50%	87,50%
AO Production Association "Electrochemical Plant" (as at 31 December 2014 - OAO Production Association "Electrochemical Plant")	Russia	100%	100%
AO Engineering Center "Russian Gas Centrifuge" (as at 31 December 2014 - OAO Engineering Center "Russian Gas Centrifuge")	Russia	100%	100%
AO Vladimir Production Association "Tochmash" (as at 31 December 2014 - OAO Vladimir Production Association "Tochmash")	Russia	100%	100%
AO Commercial Center (as at 31 December 2014 - OAO Commercial Center)	Russia	97,83%	97,83%
PAO Novosibirsk chemical concentrates plant (as at 31 December 2014 - OAO Novosibirsk chemical concentrates plant)	Russia	89%	89%
PAO Machine building plant (as at 31 December 2014 - OAO Machine building plant)	Russia	81,72%	75,79%
PAO Kovrovsk mechanical plant (as at 31 December 2014 - OAO Kovrovsk mechanical plant)	Russia	94,19%	93,93%
OOO Ural plant of gas centrifuges	Russia	100%	100%

7. Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

31 December 2013

	AO SKhK	AO UEKhK	PAO KMZ	AO VNIINM by A.A. Bochvar	PAO MSZ	PAO NZKhK
NCI percentage	**4,8%**	**12,5%**	**6,1%**	**6,9%**	**24,2%**	**11,0%**
Non-current assets	14 022 752	46 539 516	2 784 241	4 973 072	20 018 141	10 341 706
Current assets	11 523 257	15 820 186	1 605 126	1 931 150	20 744 209	6 384 834
Non-current liabilities	(11 800 412)	(9 709 954)	(125 081)	(1 544 985)	(7 228 832)	(2 460 504)
Current liabilities	(1 932 313)	(3 261 022)	(691 545)	(1 058 492)	(5 166 549)	(1 417 476)
Net assets	**11 813 284**	**49 388 726**	**3 572 741**	**4 300 745**	**28 366 969**	**12 848 560**
Carrying amount of NCI	567 038	6 173 591	217 937	296 751	6 864 806	1 413 342
Revenue	15 117 350	19 395 241	5 044 860	4 378 620	15 064 941	7 805 181
Profit	1 108 430	3 971 771	131 762	349 577	2 690 984	73 342
Other comprehensive income/(loss)	256 023	734 375	(15 151)	(20 099)	1 237	154 568
Total comprehensive income	**1 364 453**	**4 706 146**	**116 611**	**329 478**	**2 692 221**	**227 910**
Profit allocated to NCI	53 205	496 471	8 037	24 121	651 218	8 068
Other comprehensive income/(loss) allocated to NCI	12 289	91 797	(924)	(1 387)	299	17 002
Cash flows from operating activities	779 499	4 011 642	106 098	240 891	6 864 333	234 780
Cash flows from investment activities	(6 859 022)	(545 543)	(653 683)	(322 520)	(4 569 822)	(851 689)
Cash flows from financing activities (dividends to NCI: nil)	6 244 527	(3 397 563)	527 019	267 968	774 889	680 237
Effect of exchange rate fluctuations on cash and cash equivalents	8 111	10 213	-	26 169	25 577	1 092
Net increase/(decrease) in cash and cash equivalents	**173 115**	**78 749**	**(20 566)**	**212 508**	**3 094 977**	**64 420**

31 December 2014

	AO SKhK	AO UEKhK	PAO KMZ	AO VNIINM by A.A. Bochvar	PAO MSZ	PAO NZKhK
NCI percentage	**0,00%**	**12,50%**	**5,81%**	**2,96%**	**18,28%**	**11,00%**
Non-current assets	11 578 159	45 912 130	2 474 248	5 216 045	21 845 271	9 717 184
Current assets	12 305 655	18 433 992	1 633 959	1 726 162	26 312 668	7 260 657
Non-current liabilities	(6 670 664)	(7 588 540)	(119 477)	(1 196 735)	(8 416 112)	(1 793 803)
Current liabilities	(2 548 814)	(3 893 805)	(373 053)	(951 418)	(6 511 909)	(1 944 187)
Net assets	**14 664 336**	**52 863 777**	**3 615 677**	**4 794 054**	**33 229 918**	**13 239 851**
Carrying amount of NCI	-	6 607 972	210 071	141 904	6 074 429	1 456 384
Revenue	14 721 567	20 542 635	3 388 034	3 996 240	19 843 541	5 453 287
Profit	(25 416)	3 324 935	36 325	(173 618)	4 273 949	592 175
Other comprehensive income/ (loss)	(68 543)	312 317	7 314	4 642	148 216	79 276
Total comprehensive income	**(93 959)**	**3 637 252**	**43 639**	**(168 976)**	**4 422 165**	**671 451**
Profit allocated to NCI	-	415 617	2 110	(5 139)	781 278	65 139
Other comprehensive income/ (loss) allocated to NCI	-	39 040	425	137	27 094	8 720
Cash flows from operating activities	(128 049)	9 900 563	584 192	(539 732)	3 203 126	340 896
Cash flows from investment activities	(1 545 253)	(8 160 849)	(363 651)	(249 466)	(3 596 303)	(172 037)
Cash flows from financing activities (dividends to NCI: nil)	1 785 648	(1 686 328)	(196 268)	391 118	876 944	58 113
Effect of exchange rate fluctuations on cash and cash equivalents	28 929	120 783	-	109 493	(8 458)	41 925
Net increase (decrease) in cash and cash equivalents	**141 275**	**174 169**	**24 273**	**(288 587)**	**475 309**	**268 897**

8. Change in non-controlling interests

In 2014, Group's interest in AO VNIINM, AO SKhK, PAO MSZ, PAO KMZ, AO ChMZ and AO VPO Tochmash has changed without loss of control due to additional issuances and purchase of shares from minority shareholders.

In 2014, the Group sold 100% shares in AO "ODC UGR" to AO "Atomenergoprom". Due to the fact that this is a transaction with the parent company, the effect has been recognized directly in equity. The effect recognized within changes of retained earnings in the consolidated statement of changes in equity amounts to RUB 1 293 950 thousand (increase). The effect recognized in the consolidated statement of changes in equity as changes in non-controlling interest amounts to RUB 76 473 thousand (increase).

On 26 December 2014 the Group purchased from AO "Atomenergoprom" 799 831 000 shares (3.57%) of AO "SKhK" and 44 175 shares (2.78%) of PAO "MSZ". The consideration paid by the Group amounted to RUB 2 281 069 thousand.

Also, on 26 December 2014 the Group entered into a forward contract to purchase from AO "Atomenergoprom" 1 030 815 250 shares of AO "SKhK" (4.6%), 71 041 shares of PAO "MSZ" (4.48%), 209 450 832 shares AO "VNIINM" (7.65%) for total remuneration of RUB 4 380 799 thousand, which was paid to AO "Atomenergoprom" as advance. In accordance with IAS 32.23 the advance payment was offset against obligations under the forward contract, and the deal was recognized in equity as a transaction between shareholders. As part of this deal, the carrying amount of the disposed non-controlling interest amounted to RUB 3 072 429 thousand, the excess of the contract value of non-controlling interest over the carrying value in the amount of RUB 1 308 370 thousand is recognized in equity (retained earnings) (decrease).

In 2013 the Group's ownership interest in AO UEKhK decreased due to a sale of 25% and 1 share to joint venture company ZAO UEC (Uranium Enrichment Center). The Group received compensation in the amount of RUB 17 278 250 thousand. ZAO UEC is a joint Russian-Kazakh project with AO NAK Kazatomprom that is aimed at enrichment of uranium. The Group holds 50% in ZAO UEC and accounts for this investment using the equity method. The value of investment as at 31 December 2013 is RUB 0. At the date of transaction the book value of AO UEKhK net assets equaled to RUB 48 212 190 thousand. The effect of this transaction on retained earnings totaled RUB 7 296 006 thousand (increase). The effect disclosed in the consolidated statement of changes in equity as changes in non-controlling interests amounts to RUB 6 364 167 thousand (increase).

Other changes of investments in subsidiaries in 2013 are individually non-significant. Effect of these transactions on retained earnings totaled RUB 1 126 884 thousand (increase). The effect disclosed in the consolidated statement of changes in equity as changes in non-controlling interests amounts to RUB 67 830 thousand (decrease).

9. Investments in equity accounted investees

Name	Country of incorporation	Ownership 31 December 2013	Ownership 31 December 2014
ZAO Uranium Enrichment Center	Russia	50%	50%
OOO Inter-Smart	Russia	50%	50%
ZAO SP "UKRTVS"	Ukraine	33%	33%
AO "ALVEL"	the Czech Republic	50%	50%
ChAO "Nuclear fuel production plant"	Ukraine	50%	50%
OAO "Russian industrial house "Rainbow"	Russia	31%	31%
OOO "Scientific-production company "Heat resistant textiles"	Russia	32%	32%
OOO "Publishing firm "Neiva-press"	Russia	44%	44%
OOO "MK ChMZ"	Russia	99,98%	49%

OOO "MK ChMZ"

In 2013, OOO MK ChMZ was part of the Group. 14 February 2014 the Group's share decreased to 49% because a third-party company made an additional contribution to the share capital and obtained control over the company.

OOO «Inter-Smart»

Decrease in the Group's contribution was due to reduction of statutory capital of OOO «Inter-Smart» before state registration thereof in connection with expired deadline for payment of the remaining part of contribution by Company members.

The change of the carrying amount of the Group investments in associates and jointly controlled entities is listed below:

	The initial cost of investments as at 31 December 2013	Accumulated and restored share of profit/(loss)	Share of profit/(loss)	Acquisition/ (disposal)	Carrying value of investments as at 31 December 2014
Jointly controlled entities					
ZAO Uranium Enrichment Centre	-	-	-	-	-
OOO "Inter-Smart"	426 500	(762)	102	(213 250)	212 590
	426 500	**(762)**	**102**	**(213 250)**	**212 590**
Associates					
ChAO "Nuclear fuel production plant"	308 880	(3 680)	(34 304)	-	270 896
ZAO "SP UKRTVS"	4 547	(52)	(122)	-	4 373
AO "ALVEL"	1 572	6 408	3 654	-	11 634
OAO "Russian industrial house "Rainbow"	557	53	35	-	645
OOO "Publishing firm "Neiva-press"	4	20	23	-	47
OOO "Scientific-production company "Heat resistant textiles"	3	1 142	(1 145)	-	-
OOO "MK ChMZ"	-	-	4 575	114 433	119 008
	315 563	**3 891**	**(27 284)**	**114 433**	**406 603**
	742 063	**3 129**	**(27 182)**	**(98 817)**	**619 193**

10. Revenue

	2014	2013
Revenue from nuclear fuel sales	85 532 131	77 235 799
Revenue from conversion and enrichment services	14 697 843	17 351 706
Revenue from other uranium-containing goods	14 595 491	12 292 164
Revenue from sales of research and development	6 516 267	5 933 090
Revenue from sales of special technological equipment	2 590 203	3 991 136
Revenue from sales of produced electricity, heat and power	6 428 844	4 351 149
Revenue from other goods sales	6 816 373	8 344 768
Revenue from other activities	7 740 539	7 956 704
	144 917 691	**137 456 516**

Revenue from sales of other uranium-containing goods comprises proceeds mainly from sales of uranium hexafluoride (HFC) enriched of brand N, and products under government contracts.

Revenue from sales of other goods and revenue from other type of activities comprise proceeds mainly from sales of products and services (works) of processing and non-core activities (iodide zirconium, titanium tubes and etc.) and proceeds under government contracts.

11. Income and expenses

Other operating income

	Note	2014	2013
Income from changes in estimates of provision for ARO, site restoration and land rehabilitation, RAW	26	1 988 830	397 958
Grants and material assistance		814 973	1 871 343
Gains and losses of previous years		240 029	-
Inventory surplus identified in stocktake		215 109	303 462
Bad debt allowance reversal		34 141	-
Cost of goods recognized on property disposal		9 669	287 920
Reversal of provisions for tax litigations and claims		-	200 417
Other operating income		948 406	1 003 561
		4 756 199	**4 664 563**

(a) Other operating expenses

	2014	2013
Loss on impairment of fixed assets (other than exploration and evaluation assets)	(2 868 793)	(825 435)
Security services	(1 261 054)	(1 119 815)
Software expenses	(1 086 103)	(1 358 357)
Maintenance of objects on conservation	(875 980)	(200 934)
Expenses financed by subsidies	(521 433)	(571 587)
Consulting and other professional services	(474 313)	(171 523)
Other services provided by third parties	(404 310)	(814 594)
Loss from disposal of property, plant and equipment	(380 156)	(1 340 765)
Rent expenses	(357 181)	(1 170 074)
Loss on disposal of other assets	(350 170)	(750 536)
Loss on disposal of intangible assets	(326 640)	(381 688)
Selling expense	(325 952)	(334 752)
Business trip expenses	(323 435)	(345 136)
Utilities	(311 735)	(346 628)
Social and cultural sphere expenses	(308 902)	(548 792)
Inventory obsolescence provision	(232 647)	(62 964)
Communication services	(211 875)	(259 221)
Expenses for radioactive wastes treatment (RAW)	(138 447)	(282 930)
Environmental expenses	(113 974)	(122 786)
Advertising and marketing expenses	(94 974)	(103 481)
Charity and financial aid	(87 506)	(185 310)
Expenses for licensing	(75 992)	(41 194)
Donations	(20 976)	(278 512)
Expenses for cultural events, sports and recreation	(16 574)	(263 986)
Storage expenses	(5 173)	(13 377)
Shortage write-off	(2 595)	(171 824)
Bad debt allowance accrual	-	(395 186)
Other expenses	(3 419 492)	(3 904 217)
	(14 596 382)	**(16 365 604)**

(b) Net finance costs

	Note	2014	2013
Interest income		1 536 955	776 207
Gain on discounting of long-term payables		-	189 097
Other finance income		14 984	60 478
		1 551 939	**1 025 782**
Foreign exchange loss		(7 619 966)	(1 160 171)
Interest expenses on financial lease and liabilities		(2 267 382)	(1 441 058)
Unwinding of discount on asset retirement provision and provision for site restoration	26	(1 260 784)	(1 643 710)
Loss on change of fair value of financial instruments used for hedging	32	(851 676)	(231 566)
Interests on retirement benefit plans		(604 808)	(810 256)
Loss on investments disposal		(111 405)	(177 682)
Loans given impairment		(25 097)	-
Unwinding of discount on asset retirement provision and provision for site restoration		(31 449)	(23 675)
Loss on impairment of available-for-sale financial assets	32	-	(2 193 340)
Other finance expenses		(189 097)	-
		(12 961 664)	**(7 681 458)**
		(11 409 725)	**(6 655 676)**

12. Employee benefits

Pension and other long-term employee benefit plans are provided by the Group.

Group's program on other long-term employee benefits and retirement benefit plans includes defined benefit retirement plan. Retirement benefit plans include life-long monthly retirement payments or lump-sum retirement payments or both of them.

The Group provides other long-term benefits, including compensation for death caused by discharging professional duties, compensations paid in case of pensioner's death and disability benefits under the defined benefit plan.

All retirement benefit plans are unfunded. The plans described above include payment of retirement benefits. The retirement benefits are accrued if an employee complies with the criteria for retirement benefit accrual stated by law.

A significant number of employees are eligible for early retirement under pension law and early retirement pension accrual order.

The Group also provides financial assistance under a defined benefit plan. Assistance is provided to old-aged pensioners and people with disabilities who do not receive a pension under occupational pension plan.

(a) Defined benefit obligations recognized in the statement of financial position

Defined benefit obligations recognized in the statement of financial position are represented below:

	2014	2013
Obligations for post-employment defined benefit plans	5 334 501	7 555 975
Obligations for other long-term employee benefits	-	4 413
	5 334 501	**7 560 388**

(b) Movement in discounted value of defined benefit obligations

	Obligations for post-employment defined benefit plans		Obligations for other long-term employee benefits		Total defined benefit obligations	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Balance at 1 January	7 555 975	11 528 546	4 413	26 718	7 560 388	11 555 264
Included in profit or loss						
Current service cost	79 318	233 849	240	560	79 558	234 409
Past service cost	(694 744)	(1 992 232)	(4 892)	(19 444)	(699 636)	(2 011 676)
Net interest cost	604 455	808 359	353	1 897	604 808	810 256
Remeasurement(gain) loss :						
Actuarial loss - experience adjustment	-	-	(114)	6 255	(114)	6 255
Actuarial (gain) loss– change in financial assumptions	-	-	-	(11 502)	-	(11 502)
Included in OCI						
Remeasurement (gain) loss:	72 374	(460 408)	-	-	72 374	(460 408)
Actuarial loss - experience adjustment	(15 495)	-	-	-	(15 495)	-
Actuarial (gain) loss– change in financial assumptions	(1 534 005)	(1 705 542)	-	-	(1 534 005)	(1 705 542)
Other						
Defined benefits paid	(733 377)	(856 597)	-	(71)	(733 377)	(856 668)
Balance at 31 December	**5 334 501**	**7 555 975**	**-**	**4 413**	**5 334 501**	**7 560 388**

Past service cost includes the curtailment in the amount of RUB 224 222 thousand in 2014 (in 2013 – RUB 2 299 016 thousand (past service cost includes in addition to curtailment changes to the plan leading to increase of obligations)), occurred due to staff redundancy and staff transfer to subsidiaries with loss of rights to retirement benefits.

(c) Defined benefit obligations

Change in remeasurement of obligations included in OCI for the period:

	2014	2013
Remeasurement at 1 January	(709 905)	1 456 045
Change in remeasurement	(1 477 126)	(2 165 950)
Remeasurement at 31 December	**(2 187 031)**	**(709 905)**

The principal actuarial assumptions at the reporting date (expressed as weighted averages) are disclosed below:

	2014	2013
Financial assumptions		
Discount rate	13,00%	8,00%
Future salary growth	7,80%	6,10%
Inflationary rate	5,70%	4,00%
Social contribution rate	27,00%	27,00%
Demographic assumptions		
Expected retirement age (years):		
- Males	60	60
- Females	57	57
Staff turnover	Probability distribution in respect of age	
Mortality	Mortality table of the Russian Federation (1998), adjusted for 30% for employees and for 70% for pensioners	

(d) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

31 December 2014	**Defined benefit obligation**			
	Increase		**Decrease**	
	%	**'000 RUB**	**%**	**'000 RUB**
Discount rate (1% change)	7%	373 415	-7%	(373 415)
Inflationary rate (for 1% per annum)	8%	426 760	-8%	(426 760)
Future mortality adjusted by 10% for employees and for pensioners	4%	213 380	-4%	(213 380)
Staff turnover for all ages (for 1% per annum)	1%	53 345	-1%	(53 345)
Retirement dynamics for all ages (for 3% per annum)	2%	106 690	-2%	(106 690)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

13. Personnel costs

	2014	2012
Wages and salaries	25 312 563	25 699 885
Social security contributions and contributions to State pension fund	6 559 617	6 586 190
Expenses related to defined benefit plans	(620 191)	(1 782 514)
	31 251 989	30 503 561

14. Income tax expense

(a) Amounts recognised in profit or loss

The Group's applicable tax rate is the income tax rate of 20% for Russian companies.

	2014	2013
Current tax expense		
Current year	(6 645 906)	(6 794 305)
Adjustment for prior years	22 012	(64 588)
	(6 623 894)	(6 858 893)
Deferred income tax expense		
Origination and reversal of temporary differences	830 888	(125 647)
The change in recognized deductible temporary differences (due to write-off or recovery of deferred tax assets)	-	(64 342)
Total income tax expense	**(5 793 006)**	**(7 048 882)**

(b) Tax recognized in other comprehensive income

	2014			2013		
	Before tax	**Tax**	**Net of tax**	**Before tax**	**Tax**	**Net of tax**
Revaluation of available-for-sale financial assets	1 002 095	(215 615)	786 480	(922 788)	(159 913)	(1 082 701)
Hedging reserve	210 237	(42 047)	168 190	(210 237)	42 047	(168 190)
Actuarial gains and losses from retirement defined benefit plans	1 477 126	(295 425)	1 181 701	2 165 950	(433 190)	1 732 760
	2 689 458	**(553 087)**	**2 136 371**	**1 032 925**	**(551 056)**	**481 869**

Reconciliation of effective tax rate:

	2014		2013	
	'000 RUB	**%**	**'000 RUB**	**%**
Profit before income tax	25 978 546	100%	30 124 891	100%
Income tax expense at 20%	(5 202 653)	20%	(6 024 979)	20%
Non-deductible expenses	(612 365)	2%	(896 176)	3%
Current tax adjustments in respect of prior periods	22 012	0%	(64 588)	0%
Effect of income taxed at lower rate	-	0%	1 203	0%
The change in recognized deductible temporary differences (due to the write-off or recovery of deferred tax assets)	-	0%	(64 342)	0%
Current income tax	**(5 793 006)**	**22%**	**(7 048 882)**	**23%**

(c) Recognized deferred tax assets and liabilities

Tax effects of temporary differences that give rise to deferred tax assets and liabilities as at 31 December 2014 and 31 December 2013 was as follows:

	Assets		Liabilities		Net amount	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Property, plant and equipment	1 877 571	2 283 515	(2 059 085)	(3 495 143)	(181 514)	(1 211 628)
Intangible assets	147 283	202 073	(24 149)	(294 706)	123 134	(92 633)
Other investments	916 395	162 152	(1 173)	(242 771)	915 222	(80 619)
Inventories	3 313 098	3 237 838	(653 273)	(1 050 620)	2 659 825	2 187 218
Trade and other receivables	444 767	405 757	(57 191)	(69 180)	387 576	336 577
Loans and borrowings	-	-	(22 936)	(5)	(22 936)	(5)
Provisions	1 828 698	3 429 652	(2 189)	(75 590)	1 826 509	3 354 062
Other	150 870	55 367	(144 777)	(1 576)	6 093	53 791
Trade and other payables and financial lease liabilities	3 524 114	5 546 527	(4 550)	(798 370)	3 519 564	4 748 157
Tax loss carry-forward	12 630	71 768	-	-	12 630	71 768
Tax assets / (liabilities)	12 215 426	15 394 649	(2 969 323)	(6 027 961)	9 246 103	9 366 688
Tax off-set	(1 720 896)	(5 005 352)	1 720 896	5 005 352	-	-
Net tax assets / (liabilities)	**10 494 530**	**10 389 297**	**(1 248 427)**	**(1 022 609)**	**9 246 103**	**9 366 688**

'000 RUB	**2014**	**2013**
Balance at the beginning of the year	9 366 688	10 114 635
Accrued in the statement of profit or loss	830 889	(189 989)
Accrued in other comprehensive income	(553 087)	(551 056)
Disposal	(33 007)	(6 902)
Written off within equity under common control transaction	(365 380)	-
Balance at the end of the year	**9 246 103**	**9 366 688**

(d) Unrecognized deferred tax assets and liabilities

As of 1 January 2013 AO "Atomenergoprom" and its 29 subsidiaries merged into a consolidated group of taxpayers for the calculation and payment of income tax. In accordance with the tax legislation of the Russian Federation tax losses accumulated by the participants before they entered the consolidated group of taxpayers, do not reduce the consolidated tax base for the entire period of their stay in the consolidated group of taxpayers. However, at an exit of the taxpayer from the consolidated group of taxpayers such losses can be again used for offset. The period during which the taxpayer has the right to offset such losses, is increased by the number of years during which the taxpayer has been the participant of the consolidated group of taxpayers. As at 31 December 2014 the consolidated group of taxpayers included AO "Atomenergoprom" and its 33 subsidiaries.

As at 31 December 2014 the amount of unrecognized deferred tax asset related to losses comprised RUB 75 285 thousand (as at 31 December 2013 - RUB 74 906 thousand).

(e) Movement in deferred tax balances

	1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income	Disposed of	Written off within equity under common control transaction	31 December 2014
Property, plant and equipment	(1 211 628)	1 030 113				(181 515)
Intangible assets	(92 633)	215 767				123 134
Other investments	(80 619)	1 211 456	(215 615)			915 222
Inventories	2 187 218	472 607				2 659 825
Trade and other receivables	336 577	50 999				387 576
Loans and borrowings	(5)	(22 931)				(22 936)
Provisions	3 354 062	(1 162 173)	-		(365 380)	1 826 509
Other items	53 791	27 356	(42 047)	(33 007)		6 093
Trade and other payables	4 748 157	(933 168)	(295 425)			3 519 564
Tax loss carry-forward	71 768	(59 138)				12 630
Net tax assets / (liabilities)	**9 366 688**	**830 888**	**(553 087)**	**(33 007)**	**(365 380)**	**9 246 102**

	1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	Disposed of	31 December 2013
Property, plant and equipment	(428 223)	(783 405)	-	-	(1 211 628)
Intangible assets	141 948	(234 581)	-	-	(92 633)
Other investments	187 776	(106 047)	(162 348)	-	(80 619)
Inventories	1 643 962	543 256	-	-	2 187 218
Trade and other receivables	(62 754)	399 331	-	-	336 577
Loans and borrowings	(9)	4	-	-	(5)
Provisions	4 297 242	(943 180)	-	-	3 354 062
Other	104 631	(43 938)	-	(6 902)	53 791
Trade and other payables	4 116 064	1 020 801	(388 708)	-	4 748 157
Tax loss carry-forward	113 998	(42 230)	-	-	71 768
Net tax assets / (liabilities)	**10 114 635**	**(189 989)**	**(551 056)**	**(6 902)**	**9 366 688**

15. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Constructions	Transport	Other	Construction-in-progress	Total
Cost or deemed cost								
Balance at 1 January 2013	1 096 586	45 653 534	125 319 989	15 948 747	3 070 144	8 888 793	18 177 149	218 154 942
Additions	2	67 847	9 313 319	192 072	157 492	461 530	15 199 065	25 391 327
Disposals	(90 286)	(610 772)	(1 818 149)	(587 978)	(73 256)	(513 122)	(1 654 375)	(5 347 938)
Put into operation	-	1 963 544	7 712 305	1 305 492	22 880	387 218	(11 391 439)	-
Reclassification	-	-	111 697	-	(221 722)	110 025	-	-
Movement in ARO	-	(2 209 440)	(4 057 936)	(376 701)	-	(252 220)	-	(6 896 297)
Impairment reversal/(impairment)	(66)	208 116	(771 557)	(178 684)	(48 025)	(102 375)	(49 116)	(941 707)
Balance at 31 December 2013	**1 006 236**	**45 072 829**	**135 809 668**	**16 302 948**	**2 907 513**	**8 979 849**	**20 281 284**	**230 360 327**
Balance at 1 January 2014	1 006 236	45 072 829	135 809 668	16 302 948	2 907 513	8 979 849	20 281 284	230 360 327
Additions	25	103 938	4 281 637	468 925	91 757	322 040	9 162 240	14 430 562
Disposals	(23 044)	(1 683 813)	(2 361 606)	(529 327)	(101 093)	(406 697)	(1 590 721)	(6 696 301)
Put into operation	-	897 868	1 595 802	309 795	14 027	148 219	(2 965 711)	-
Reclassification	(335)	637	(3 253)	(33 924)	74 264	(34 162)	(3 227)	-
Movement in ARO	-	(1 785 962)	(3 136 437)	(76 344)	-	-	-	(4 998 743)
Impairment reversal / (impairment)	-	(720 715)	(4 392 870)	(175 179)	(299 049)	(31 581)	302 630	(5 316 764)
Balance at 31 December 2014	**982 882**	**41 884 782**	**131 792 941**	**16 266 294**	**2 687 419**	**8 977 668**	**25 186 495**	**227 779 081**

	Land	Buildings	Machinery and equipment	Constructions	Transport	Other	Construction-in-progress	Total
Depreciation and impairment losses								
Balance at 1 January 2013	-	(12 844 251)	(38 671 825)	(7 340 188)	(1 731 952)	(4 586 668)	-	(65 174 884)
Depreciation for the year	-	(1 359 572)	(9 599 225)	(1 154 150)	(222 527)	(930 096)	-	(13 265 570)
Impairment	-	(309 057)	364 921	47 650	12 136	622	-	116 272
Reclassification	-	-	(75 643)	-	99 817	(24 174)	-	-
Disposals	-	58 470	899 137	83 460	26 561	437 052	-	1 504 680
Balance at 31 December 2013	**-**	**(14 454 410)**	**(47 082 635)**	**(8 363 228)**	**(1 815 965)**	**(5 103 264)**	**-**	**(76 819 502)**
Balance at 1 January 2014	-	(14 454 410)	(47 082 635)	(8 363 228)	(1 815 965)	(5 103 264)	-	(76 819 502)
Depreciation for the year	-	(1 851 131)	(12 504 067)	(961 304)	(224 637)	(851 629)	-	(16 392 768)
Impairment	-	356 170	1 891 868	76 193	78 560	45 180	-	2 447 971
Reclassification	-	119	3 478	13 581	(26 296)	9 118	-	-
Movement in ARO	-	295 496	-	-	-	-	-	295 496
Disposals	-	1 226 747	1 823 099	231 676	69 252	367 831	-	3 718 605
Balance at 31 December 2014	**-**	**(14 427 009)**	**(55 868 257)**	**(9 003 082)**	**(1 919 086)**	**(5 532 764)**	**-**	**(86 750 198)**
Carrying amounts								
At 1 January 2013	**1 096 586**	**32 809 283**	**86 648 164**	**8 608 559**	**1 338 192**	**4 302 125**	**18 177 149**	**152 980 058**
At 31 December 2013	**1 006 236**	**30 618 419**	**88 727 033**	**7 939 720**	**1 091 548**	**3 876 585**	**20 281 284**	**153 540 825**
At 31 December 2014	**982 882**	**28 359 271**	**75 924 710**	**6 362 288**	**768 333**	**3 444 904**	**25 186 495**	**141 028 883**

Interest expenses on loans and borrowings capitalized in the cost of qualifying assets amounted to RUB 348 319 thousand in 2014 using capitalization rate 6,64% (RUB 608 068 thousand in 2013 using capitalization rate 7,94%). Expenses on loans and borrowings capitalized in advances for non-current assets amounted to RUB 102 958 thousand in 2014 (RUB 99 800 thousand in 2013).

In 2014 depreciation in the amount of RUB 16 392 581 thousand was included in expenses and depreciation in the amount of RUB 113 194 thousand was capitalized.

In 2013 depreciation in the amount of RUB 12 577 817 thousand was included in expenses and depreciation in the amount of RUB 687 753 thousand was capitalized.

(a) Security

As at 31 December 2014 there were no properties pledged as collateral for bank loans (RUB 3 661 thousand as at 31 December 2013), (Note 29).

(b) Finance lease

Property, plant and equipment with a carrying value of RUB 17 998 141 thousand as at 31 December 2014 (RUB 19 382 076 thousand as at 31 December 2013) is subject to lease, including machinery and equipment in the amount of RUB 17 980 215 thousand and vehicles in the amount of RUB 15 450 thousand as at 31 December 2014 (RUB 19 357 416 thousand and RUB 21 197 thousand respectively as at 31 December 2013).

(c) Loss on impairment

Loss on fixed assets impairment as at 31 December 2014 in the amount of 8 174 644 thousand RUB is represented by book value of fixed assets under full or partial conservation. (RUB 6 002 126 thousand as at 31 December 2013). Conservation of fixed assets is caused by the fact that the Group does not have any plans to use fixed assets or due to obsolescence or unviability of further use of fixed assets, plans for reconstruction, modernization or liquidation of fixed assets.

(d) Construction-in-progress

Property, plant and equipment under construction include property, plant and equipment items not put into operation.

16. Intangible assets

	Patents, licenses and other intangible assets	Development expenses	Total
Cost			
Balance at 1 January 2013	**1 744 751**	**3 509 227**	**5 253 978**
Additions	955 019	2 497 951	3 452 970
Disposals	(578 378)	(894 297)	(1 472 675)
Balance at 31 December 2013	**2 121 392**	**5 112 881**	**7 234 273**
Additions	1 246 557	783 674	2 030 231
Disposals	(504 660)	(389 945)	(894 605)
Balance at 31 December 2014	**2 863 289**	**5 506 610**	**8 369 899**
Depreciation			
Balance at 1 January 2013	**(621 328)**	**(1 610 552)**	**(2 231 880)**
Amortization for the year	(465 901)	(1 192 838)	(1 658 739)
Disposals	249 348	87 413	336 761
Balance at 31 December 2013	**(837 881)**	**(2 715 977)**	**(3 553 858)**
Amortization for the year	(560 146)	(1 064 106)	(1 624 252)
Disposals	283 802	47 176	330 978
Balance at 31 December 2014	**(1 114 225)**	**(3 732 907)**	**(4 847 132)**
Carrying amounts			
At 1 January 2013	**1 123 423**	**1 898 675**	**3 022 098**
At 31 December 2013	**1 283 511**	**2 396 904**	**3 680 415**
At 31 December 2014	**1 749 064**	**1 773 703**	**3 522 767**

In 2013 and 2014 amortization in the amount of RUB 1 624 252 thousand and RUB 1 658 739 thousand respectively was included in expenses.

17. Other long-term investments

	31 December 2014	31 December 2013
Available-for-sale investments	15 552 002	14 627 313
Loans to employees	171 791	321 174
Loans to third-party companies	47 136	-
	15 770 929	**14 948 487**

The amount of available-for-sale investments and ownership interests were as follows:

	31 December 2014		31 December 2013	
	Share of ownership %	**Investment '000 RUB**	**Share of ownership %**	**Investment '000 RUB**
AO Atomredmetzoloto	16,19	14 441 410	17,25	13 368 334
AO Atomenergomash	5,02	919 928	5,14	1 014 900
PAO PPGHO	0,95	190 636	1,82	166 645
AO Atomstroyexport	-	-	0,02	72 359
Other		28		5 075
		15 552 002		**14 627 313**

As at 31 December 2014 fair value assessment of shares of AO Atomredmetzoloto, PAO PPGHO and AO Atomenergomash was performed.

As a result of the revaluation of the shares of AO Atomredmetzoloto, PAO PPGHO and AO Atomenergomash the Group recognized other comprehensive income in the amount of RUB 1 002 095 thousand.

Valuation technique and significant unobservable inputs

In order to estimate fair value of shares of AO Atomenergomash and AO Atomredmetzoloto (including PAO PPGHO) income approach (cash flow discounting method) was used as primary approach. At the same time, comparative approach was used as checking one.

Cash flow discounting method takes into account the amount of revenue for the period from 1 January 2014 to 31 December 2030 for AO Atomenergomash and up to depletion of uranium reserves for AO Atomredmetzoloto and PAO PPGHO which the owner plans to earn during the period of assets holding, term of receiving these revenues and risk level related to the revenue flows.

Cash flow forecast was made on invested capital in nominal values in roubles (free cash flow).

Inflation rate in the Russian Federation in 2014 was 11,4 % (2013 – 6,7%).

Exchange rate for US dollar and EUR as at 31 December 2014 was 56,2584 roubles and 68,2427 roubles respectively (exchange rate for US dollar and EUR as at 31 December 2013 was 32,7292 roubles and 44,9699 roubles respectively).

Uranium prices used for fair value appraisal in 2014 equalled to RUB 4 180 thousand per tonne (2013 – RUB 2 778 thousand per tonne). For the forecast of uranium prices market growth rate was used.

Tax rate applicable to estimated companies is 20%.

The discount rate (the nominal pre-tax) used for determination of the fair value equalled to 14,4% for AO Atomenergomash and 17% for AO Atomredmetzoloto and PAO PPGHO (in 2013 14,46% and 18,57%, respectively) which was calculated on the basis of capital structure data, cost of equity and cost of debt capital, and taking into account income tax rate.

The effect of changes in assumptions used to calculate fair value of available-for-sale investments is as follows:

- A 2% increase/(decrease) in average discount rate would have (decreased)/increased the amount of fair value of investments as at 31 December 2014 by RUB (2 424 912) thousand/ RUB 3 387 467 thousand (as at 31 December 2013 by RUB (1 627 823) thousand/RUB 2 081 189 thousand);
- A 5% increase/(decrease) in uranium prices and prices for machinery and equipment (for nuclear industry) would have increased/(decreased) the amount of fair value of investments as at 31 December 2014 by RUB 1 215 327 thousand/RUB (1 235 082) thousand (as at 31 December 2013 by RUB 1 460 604 thousand/ RUB (1 460 604) thousand).

Conditions of outstanding loans and other investments were as follows:

Debtor	Currency	Effective rate %	31 December 2013	31 December 2012
Employees	RUB	7,75 – 21,00	171 791	321 174
Other	RUB	0,00 - 7,75	47 136	-
Total			**218 927**	**321 174**

18. Other short-term investments

	31 December 2014	31 December 2013
Loans given	1 071 450	10 158 225
Financial assets held to maturity	130 015	-
Derivative financial instruments used for currency risks hedging	-	14 978
Bank deposits with maturity from 3 to 12 months	-	90 000
	1 201 465	**10 263 203**

To mitigate negative consequences related to possible impairment of USD and EURO exchange rates the Group purchased currency forwards, hedging future expected sales, in the amount of RUB 1 850 mln. with maturity dates in January 2014 – May 2014, the Group simultaneously acquired put options and sold call options, hedging future expected sales, in the amount of RUB 6 082 mln. with maturity dates in January 2014 – December 2014. The Group classifies these contracts as hedging instruments and accounts them at fair value. The net change in fair value of hedging instruments which indicates its efficiency is recognized in OCI. The change of profits and losses attributable to hedging instrument which indicates its inefficiency is immediately recognized as profit or loss for the period.

In the reporting period, the Group has not entered into new forward foreign exchange contracts and other hedging instruments.

As at 31 December 2013 these financial instruments were disclosed as short-term investments and short-term trade and other accounts payable (see Note 29) in the amount of RUB 14 978 thousand and RUB 273 222 thousand respectively.

The results of changes in fair value of hedging instruments were reflected in 2014 in other financial expenses in the amount of RUB 851 676 thousand.

The effects of fair value changes of hedging instruments in 2013 are disclosed in the consolidated statement of comprehensive income in the amount of RUB 210 237 thousand and in financial expenses in the amount of RUB 231 566 thousand.

Terms of existing loans:

Borrower	Currency	Effective rate %	31 December 2014	31 December 2013
Employees	RUB	6,00 – 21,00	61 317	109 250
AO Atomenergoprom	RUB	4,30 – 7,85	911 800	9 932 837
Other	RUB	0,00 – 5,50	98 333	116 138
Total			**1 071 450**	**10 158 225**

Terms of deposits were as follows:

Borrower	Currency	Effective rate %	31 December 2014	31 December 2013
OAO Russian Agricultural Bank	RUB	5,60- 7,00	-	60 000
Other	RUB	6,3	-	30 000
Total			**-**	**90 000**

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 32.

19. Inventories

	31 December 2014	31 December 2013
Raw materials	8 063 074	9 042 024
Fuel	486 547	496 615
Spare parts and auxiliary materials	2 681 288	3 230 358
Other materials	2 758 938	3 343 034
Work in progress – nuclear fuel	69 655 693	60 120 303
Work in progress – other goods for nuclear fuel cycle	312 714	242 686
Work in progress – works for uranium enrichment and conversion	3 992 315	4 929 245
Work in progress – other uranium containing goods	2 668 113	2 151 202
Work in progress - other	4 544 344	3 827 648
Finished goods – nuclear fuel	8 451 442	9 038 526
Finished goods - other	3 079 762	1 638 259
Goods for resale	44 274	281 480
Goods shipped	79 734	544 311
	8 063 074	**9 042 024**
Provision for raw materials obsolescence	(351 687)	(238 065)
Provision for fuel obsolescence	(2 189)	(1 314)
Provision for spare parts and auxiliary materials obsolescence	(272 063)	(157 603)
Provision for other materials obsolescence	(319 194)	(305 985)
Provision for work in progress – nuclear fuel	(359)	(4 227)
Provision for work in progress - other	(8 989)	-
Provision for finished goods - nuclear fuel	-	-
Provision for finished goods - other	(12 301)	(17 707)
Provision for goods for resale	(2 225)	(2 216)
Provision for goods shipped	-	-
	105 849 231	**98 158 574**

Other finished products include chemical products, pipe products, spare parts and fittings.

As at 31 December 2014 under the contract with AO Chez (ČEZ Group, Czech Republic) for production of nuclear fuel the Group received materials for reprocessing in the amount of RUB 2 729 844 thousand (RUB 1 024 522 thousand as at 31 December 2013). The materials are not accounted at the Group's consolidated Statement of financial position as the ownership for the materials is not transferred to the Group as stipulated by the terms of the contract.

The cost of materials received by the Group from SC Rosatom on consignment and reprocessing amounted to RUB 80 441 thousand and RUB 108 668 thousand respectively as at 31 December 2014 (RUB 475 650 thousand and RUB 194 784 thousand respectively as at 31 December 2013).

The cost of materials from the companies under SC Rosatom control received on consignment and for reprocessing amounted to RUB 6 824 747 thousand and RUB 6 378 858 thousand respectively as at 31 December 2014 (RUB 16 159 880 thousand and RUB 4 993 350 thousand respectively as at 31 December 2013).

20. Trade and other receivables

	31 December 2014	31 December 2013
Trade receivables	16 856 307	11 507 005
Advances given to suppliers	5 954 894	5 119 313
Other receivables	3 800 293	4 582 729
VAT recoverable	17 291 517	17 424 780
Other taxes receivables	51 247	43 404
Other current assets	118 307	103 793
Other prepayments	223 019	312 543
	44 295 584	**39 093 567**
Bad debt provision for trade receivables	(275 801)	(656 942)
Bad debt provision for advances given to suppliers	(427 821)	(427 632)
Bad debt provision for other receivables	(528 729)	(237 165)
	43 063 233	**37 771 828**

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 32.

21. Cash and cash equivalents

	31 December 2014	31 December 2013
Petty cash, RUB	6 493	8 090
Petty cash, foreign currency	578	397
Bank balances, RUB	10 770 281	10 188 013
Bank balances, foreign currency	5 921 560	3 146 878
Short-term deposits with original maturity less than 3 months (or call deposits), RUB	400 668	152 550
Short-term deposits with original maturity less than 3 months (or call deposits), foreign currency	337 550	-
Other cash equivalents, RUB	40 016	101 872
Other cash equivalents, foreign currency	20 529	-
Cash and cash equivalents in the consolidated statements of cash flows and in the consolidated statements of financial position	**17 497 675**	**13 597 800**

The Group's exposure to credit and currency risks and information concerning trade and other receivables impairment are disclosed in Note 32.

22. Disposal group classified as held-for-sale

As a result of the auction held at the end of 2014, AO TVEL signed a contract on 2 February 2015 with OOO "Tekhnologii bezopasnosty" for the sale of the Group's interest in the charter capital of OOO "Katodno Litievye Materialy" (including its subsidiary AO " KhMZ ") for RUB 662 000 thousand. As of 31 December 2014 these assets have been classified as a disposal group, and comprised the following:

	Note	31 December 2014
Assets classified as held for sale		
Property, plant and equipment		289 947
Inventories	19	86 006
Trade and other receivables	20	51 134
Other assets		171 363
		598 450
Liabilities classified as held for sale		
Trade and other payables	28	247 192
Long-term provisions	26	108 164
Deferred tax liabilities		4 941
		360 297

23. Equity

(a) Share capital and additional paid-in capital

	Ordinary shares	
	31 December 2014	**31 December 2013**
Par value (in RUB)	1	1
Authorized shares at the beginning of the period, (shares)	22 961 670	22 961 670
Authorized shares at the end of the period, fully paid , (shares)	**22 961 670**	**22 961 670**
Historic value ('000 RUB)	22 962	22 962
Hyperinflation effect till 31 December 2002 ('000 RUB)	22 229	22 229
Carrying value ('000 RUB)	**45 191**	**45 191**

Up to 31 December 2002, Russian economy was considered hyperinflationary. Therefore, the carrying value of the ordinary shares (RUB 1,97) differs from the nominal value (RUB 1).

As at 31 December 2014 AO Atomenergoprom is the sole shareholder of the Company.

(b) Dividends

Profit earned in 2013 was used in 2014 for payment of dividends to AO Atomenergoprom in the amount of RUB 16 256 830 thousand (RUB 708 per share).

Profit earned in 2012 was used in 2013 for payment of dividends to AO Atomenergoprom in the amount of RUB 18 937 475 thousand (RUB 825 per share).

(c) Revaluation reserve for financial assets available-for-sale

Revaluation reserve for available-for-sale financial assets is a net amount of change in fair value of available-for-sale financial assets, accumulated until the investment is disposed or impaired. In 2014 revaluation reserve for financial available-for-sale assets increased (net of tax) by RUB 786 480 thousand (in 2013 decreased by RUB 1 082 701 thousand). As at 31 December 2014 the amount of the reserve equalled RUB 1 426 133 thousand (as at 31 December 2013 - RUB 639 653 thousand).

24. Capital management

The Group's capital management is aimed at compliance with the requirements of Russian legislation on joint stock companies. As at reporting date the Group met the requirements in relation to equity.

The Group doesn't have an official internal document with capital management principles. However, management of the Group is taking steps to maintain the capital at a level sufficient to meet operational and strategic needs of the Group, as well as to maintain market confidence. This is achieved through effective cash management, continuous monitoring of the Group's revenue and profit, and long-term investments planning, that are financed with funds provided by the Group operations. With these measures the Group aims for steady profits growth.

25. Long-term loans and borrowings

	31 December 2014	31 December 2013
Bank loans - non-current	12 751 384	7 993 031
	12 751 384	**7 993 031**

Creditor	Currency	Nominal interest rate %	31 December 2014	31 December 2013	Maturity
AO Nordea Bank	EUR	2,95-3,35	5 200 879	3 422 209	2016
AO Nordea Bank	USD	3,3	3 806 724	2 214 621	2016
PAO Sberbank	EUR	3,10-4,20	2 337 321	1 537 971	2014-2016
PAO Sberbank	USD	2,9	1 406 460	818 230	2016
			12 751 384	**7 993 031**	

As at 31 December 2014 loans and borrowings received are not secured.

The amount of long-term loans received from state bank redeemable in 2016 year equalled to RUB 3 743 781 thousand as at 31 December 2014, the nominal interest rate for these loans was from 2,9% per annum to 4,2 % per annum for bank loans received in foreign currency (RUB 2 356 201 thousand as at 31 December 2013, the nominal interest rate for these loans was from 2,9% per annum to 3,1 % per annum for bank loans received in foreign currency).

26. Non-current provisions

	Provision for asset retirement obligation	Site restoration and territory rehabilitation	Provision for decommis-sioning of radioactive waste (RAW)	Total
Balance at 1 January 2013	**20 782 324**	**1 030 585**	**335 529**	**22 148 438**
Changes in provision estimates due to changes in inflation forecast	(417 312)	79 205	(2 770)	(340 877)
Change in provision estimates due to discount rate fluctuations	(2 874 745)	(107 365)	(3 996)	(2 986 106)
Unwinding of discount	1 563 620	80 090	23 675	1 667 385
Provisions used during the year	(1 796)	(8)	(181 021)	(182 825)
Changes in provision due to appearance of new objects	6 149	-	249 079	255 228
Other changes in provision estimates	(3 358 169)	(369 790)	(28 786)	(3 756 745)
Balance at 31 December 2013	**15 700 071**	**712 717**	**391 710**	**16 804 498**
Changes in provision estimates due to changes in inflation forecast	8 630 915	253 742	49 662	8 934 319
Change in provision estimates due to discount rate fluctuations	(15 359 011)	(405 929)	(36 647)	(15 801 587)
Unwinding of discount	1 211 589	48 908	31 449	1 291 946
Provisions used during the year	(61 020)	(7 711)	(265 688)	(334 419)
Changes in provision due to appearance of new objects	-	-	297 978	297 978
Other changes in provision estimates	(1 651 151)	73 153	(104 600)	(1 682 598)
Balance at 31 December 2014	**8 471 393**	**674 880**	**363 864**	**9 510 137**

(a) Obligations for nuclear and radiation safety

Group companies and companies whose successors are the companies of the Group has been operating in the Soviet Union and the Russian Federation for many years, this led to the necessity of taking specific measures to ensure nuclear and radiation safety. These measures include site restoration and territory rehabilitation, nuclear waste reprocessing, construction and renovation of existing facilities and retirement of spent fuel reprocessing plants.

Provision for decommissioning of radioactive waste (RAW)

In accordance with the Federal Law No. 190-FZ "On management of radioactive waste and on amendment of certain legislative acts of the Russian Federation" (further– Federal Law No. 190-FZ), the Group companies whose operations resulted in waste formation are financially responsible for all stages of RAW management, including RAW burial and safety till the moment of RAW transfer for burial to the national operator.

Financial responsibility for RAW management arises in respect of RAW occurred since entering into force of the law №190-FZ.

In this regard in these financial statements a provision for decommissioning of radioactive waste is accrued in relation to radioactive waste generated starting from 15 July 2011. In 2011 since the federal law №190-FZ came into force the separation of radioactive waste produced as are of the activities of the Group entities was based on the data of state recording and control of radioactive materials and radioactive waste.

Since 2013 Group entities make contributions to the Special Reserve Fund of the State Corporation Rosatom for financing RAW burial. In estimating the provision on decommissioning of radioactive waste, data on the schemes of engineering and production chains of preparing RAW for burial for each Group entity; data on actual expenses of Group entities on certain works of preparation for RAW burial; data on the cost of certain works of preparation for RAW burial, provided by specialised organizations; and estimated terms of putting burial sites into operation and tariffs on burying were used.

The discount rate applied for calculating this provision was 11,9% as at 31 December 2014, 8,09% as at 31 December 2013 and 7,52% as at 1 January 2013.

Provisions for assets retirement obligation, site restoration and territory rehabilitation

In order to assess the provision for assets retirement obligation, site restoration and territory rehabilitation the following information was used: predicted amounts of the costs across the nuclear industry in the Russian Federation, market data on the cost of certain types of works, as well as past experience gained by the enterprises of the SC Rosatom in this area. The expected timing of the retirement of property, plant and equipment was also taken into account for calculation of the provision.

For calculation of the required costs for retirement of property, plant and equipment the Group's management based their estimates on the characteristics of the life cycles of nuclear facilities, as well as on the provisions of the Federal Law № 190-FZ, as follows:

- The decommissioning scheme "postponed dismantlement" includes project development (5 years); performance of preparatory stage work (5 years), including final reactor shutdown, nuclear fuel extraction and disposal, acquisition of decommissioning license; preparation for conservation under supervision (5 years); conservation under supervision (30 years); and final dismantlement of the equipment of power generating unit (5-10 years).
- The amount of provision is based on the life cycle of nuclear power plants and other items of property, plant and equipment and calculated proportionally to the total estimated costs and only from the date of the Federal Law №190-FZ entering into force to the date of expected commencement of the decommissioning process.
- Group management believes it is not highly probable that there will be an outflow of economic benefits to cover the proportionate share of total estimated costs relating to the period before the entering into force of the Federal Law №190-FZ. Therefore, estimated costs with regard to this period were not included in the amount of the provision.

(b) Changes in provision estimates

In 2014 the Group revised the estimates of nuclear facilities retirement obligation and site restoration and rehabilitation provision and provision for decommissioning of radioactive waste. These changes are mainly caused by the adjustment of some input data (for example, the tariffs on transportation and burying of RAW, contamination levels of buildings, etc.), the treatment of provisions in relation to items of federal property, storage sites and site restoration, as well as corrections of commissioning dates and the estimated commencement dates of retirement and also by the change of the discounting rate from 8,09% to 11,9%.

The changes in estimates of future cash flows (costs of some works) are represented in "Other changes in provision estimates" in this note.

In 2014 effect of changes in estimates, changes due to usage of provisions during the year and due to appearance of new objects (decrease) in the amount of RUB 8 586 307 thousand was recognized within:

- property, plant and equipment (Note 15) in the amount of RUB 4 703 247 thousand,
- the consolidated statement of comprehensive income in other operating income in the amount of RUB 1 988 830 thousand

- the consolidated statement of changes in equity in line item effect of the transaction under common control in connection with disposal of AO "ODC UGR" in the amount of RUB 1 786 066 thousand.

In 2014 effect of changes in estimates, change due to usage of provisions during the year and due to appearance a new objects (decrease) in amount of RUB 108 164 thousand was disclosed in available-for-sale financial liabilities

In 2013 effect of change in estimates, changes due to usage of provisions during the year and due to appearance of new objects (decrease) in the amount of RUB 7 011 325 thousand was recognized within:

- property, plant and equipment (Note 15) in the amount of RUB 6 896 297 thousand,
- the consolidated statement of comprehensive income in other operating income in the amount of RUB 397 958 thousand,
- the consolidated statement of comprehensive income in other operating expenses in the amount of RUB 282 930 thousand.

(c) Assumptions used in calculation of provisions and sensitivity analysis

The Group used the following key assumptions in the calculation of the provision:

- Life cycle of items of property, plant and equipment is calculated based on the dates of putting them into operation from 1947 to 2014, it is estimated that works on decommissioning of nuclear power plants operating at the reporting date will be performed during the period from 2015 to 2108, the substantial part of the works will be performed from 2025 to 2054.
- The discount rate applied to calculate the provision for retirement of property, plant and equipment and site restoration is a pre-tax risk-free rate that reflects the current market estimates of the time value of money. The discount rates applied to calculate the provision for decommissioning of property, plant and equipment were 8,09% as at 31 December 2013 and 11,9% as at 31 December 2014.

The amount of provision for decommissioning of property, plant and equipment changes in case assumptions change as follows:

- A 5-year change in the commencement date of decommissioning to a later date/(earlier date) would have (decreased)/increased the amount of the provision by (RUB 1 760 011 thousand)/RUB 1 802 759 thousand as at 31 December 2014;
- A 10% increase/(decrease) in the cost of decommissioning works would have increased/(decreased) the amount of provision by RUB 847 988 thousand/ (RUB 847 988 thousand) as at 31 December 2014;
- A 1% increase/(decrease) in the discount rate would have (decreased)/increased the amount of provision by (RUB 1 581 151 thousand)/ RUB 2 009 148 thousand as at 31 December 2014.

Provision for site restoration and territory rehabilitation

Current provision for site restoration and territory rehabilitation of Torgashinskoe field of AO "KhMZ" in the amount of RUB 108 164 thousand is disclosed within liabilities classified as held for sale in connection with the sale of AO "KhMZ" in 2015 year (Note 22).

27. Deferred income

The deferred income is mainly represented by the following assets acquired at the expense of the various government target financing programmes and international financial aid:

	31 December 2014	31 December 2013
Non-current		
Property, plant and equipment	5 986 133	6 665 550
Other	2 884	46 681
	5 989 017	**6 712 231**

	31 December 2014	31 December 2013
Current		
Inventories (including construction materials)	1 117 038	896 415
Other	4 430	13 530
	1 181 468	**909 945**
	7 170 485	**7 622 176**

28. Finance lease liabilities

Finance lease liabilities are payable as follows:

	31 December 2014		
	Minimum future lease payments	**Interest**	**Present value of minimum lease payments**
Less than 1 year	3 696 443	(1 638 841)	2 057 602
Between 1 and 5 years	10 250 566	(3 753 070)	6 497 496
More than 5 years	2 977 413	(539 605)	2 437 808
	16 924 422	**(5 931 516)**	**10 992 906**

	31 December 2013		
	Minimum future lease payments	**Interest**	**Present value of minimum lease payments**
Less than 1 year	4 111 324	(1 969 636)	2 141 688
Between 1 and 5 years	11 802 213	(4 849 083)	6 953 130
More than 5 years	5 091 289	(1 079 830)	4 011 459
	21 004 826	**(7 898 549)**	**13 106 277**

Interest rate used for fair value estimation

Interest rate used for discounting future cash flows was calculated on the base of an effective interest rate method where it is applicable. In the reporting period there were the following interest rates:

	2014	2013
Lease agreements	13,36% – 28,91%	11,4% – 51,7%

The Group's exposure to liquidity risk related to finance lease liabilities is disclosed in Note 32.

29. Short-term loans and borrowings

	31 December 2014	31 December 2013
Bank loans - current	18 879 503	15 930 264
Short-term borrowings and promissory notes	2 264 936	1 101
	21 144 439	**15 931 365**

Current liabilities include interest payable arising from long-term and short-term loans and borrowings in the amount of RUB 9 620 thousand as at 31 December 2014, RUB 7 220 thousand as at 31 December 2013.

Creditor	Currency	Nominal interest rate %	31 December 2014	31 December 2013
AO Gazprombank	USD	2,30 - 2,50	7 446 711	6 736 158
PAO Sberbank RF	EUR	2,38 - 2,55	11 432 792	4 067 697
AO Gazprombank	EUR	2,2	-	2 732 524
PAO Sberbank RF	USD	2,30 - 4,70	-	1 274 134
AO Nordea Bank	EUR	2,6	-	1 119 751
AO Atomenergoprom		4,30 - 8,22	-	-
SC Rosatom	RUB	0,00 - 8,00	-	615
Entities under control of SC Rosatom	USD	2,85	2 253 543	-
Other	RUB	0,00 - 9,00	11 393	486
			21 144 439	**15 931 365**

There are no fixed assets pledged under Bank guarantee and as a security for payment as at 31 December 2014.

PPE transferred as pledge for bank loans as at 31 December 2014 amounted to RUB 3 661 thousand.

As at 31 December 2014 the amount of current loans received from state banks equalled to RUB 18 879 503 thousand (including interest accrued). The nominal interest rate was between 2.3% and 3.10% per annum for loans in foreign currency; there were no loans in RUB. The weighted average interest rate for foreign currency loans – 2,7% per annum.

As at 31 December 2013 the amount of current loans received from state banks equalled to RUB 14 810 513 thousand (including interest accrued). The nominal interest rate was between 2.4% and 5.1% per annum for loans in foreign currency; there were no loans in RUB. Weighted average interest rate for loans in foreign currency amounted to 2,94% per annum.

30. Trade and other payables

Long-term trade and other payables:

	31 December 2014	31 December 2013
Advances from customers	2 999 857	3 102 366
Trade payables	11 891	98 624
Other payables	370 222	1 422 107
	3 381 970	**4 623 097**

Short-term trade and other payables:

	31 December 2014	31 December 2013
Payables to suppliers	4 520 247	4 420 037
Advances from customers	22 640 667	20 570 071
Payables to employees	5 534 280	5 417 932
Other payables	2 125 770	4 231 802
VAT payable	2 227 706	3 252 158
Other taxes payable	1 052 384	1 232 788
Social contribution payable	1 478 916	1 482 675
Derivative financial instruments used for currency risk hedging	-	273 222
Dividends payable	26 122	18 108
	39 606 092	**40 898 793**

The Group's exposure to liquidity and currency risks is disclosed in Note 32.

31. Current provisions

	31 December 2014	31 December 2013
Provision for litigations and claims	5	59 559
Other estimated provisions	244	1 078
	249	**60 637**

As at 31 December 2014 provision for litigations and claims includes provision for legal claims in the amount of RUB 5 thousand and RUB 244 thousand of other provisions (as at 31 December 2013: RUB 59 559 thousand - provision for legal claims and RUB 1 078 thousand - other provisions).

32. Fair value and risk management

(a) Overview

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

- credit risk;
- liquidity risk;
- market risk.

The information about the Group's exposure to each of the aforementioned risks, the Group's objectives, its risk estimation and risk management policy and procedures as well as the Group's approach to capital management is provided in this Note. Additional quantitative information is disclosed throughout the text of the consolidated financial statements.

General risk management guidelines

General guidelines of the corporate risk management system (CRMS) are determined by the Risk management policy:

- integration into general planning processes to ensure that most business risks are taken into account;
- regular risk reassessment;
- transparency of risk management process, potential risk alerts and open dialogue on the possible consequences;
- consideration of mutual effect of risks within different categories relating to various functional areas;
- reliability of business unit information sharing system;
- constant development aimed at complete satisfaction of the Group's objectives;
- segregation of functions of risk management operations and risk management operations control and assessment.

The architecture of the risk management system is aligned with the current operating model of SC Rosatom and its subsidiaries, which determines the extent of risk management operations centralisation.

The Risk Committee of SC Rosatom is a permanent collegiate coordination body overseeing the effective functioning of CRMS. The authority of the Committee includes but is not limited to control over the CRMS organisational structure and due responsibility delegation as well as coordination of the interaction between the participators of the risk management process at different organisational levels.

The independent assessment of CRMS work is conducted by the internal audit and control department. Risk readiness (the level of total risk that the Group can bear in order to achieve its goals) is estimated and regularly updated for control purposes.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations in due time. The risk arises principally from the Group's receivables from customers, loans given and bank deposits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customer base, including the default risk of the industry and country, in which customers operate, particularly in the currently deteriorating economic circumstances. However, geographically there is no concentration of credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, bank references and clients' financial statements. Sales limits are established for each customer, and represent the maximum outstanding debt amount without requiring approval from the senior management. These limits are reviewed annually. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only upon the decision of the Group's senior management. Internal audit and the Committee for receivables and payables management may require the grounds for a decision for sale.

The Group implemented measures for customer credit risk management which include but are not limited to letters of credit, prepayments, funds reservation, bank guarantees, risk hedging against non-payment.

Most of the Group's customers have been transacting with the Group for an extended period, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including geographic location, aging profile, maturity and existence of previous financial difficulties.

(i) Exposure to credit risk

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

	31 December 2014	**31 December 2013**
Financial assets classified as available-for-sale	15 552 002	14 627 313
Financial assets held to maturity	130 015	-
Long-term loans given to third parties	47 136	-
Long-term trade receivables	4 911	33 869
Long-term other receivables	209 993	276 875
Short-term trade receivables	16 580 506	10 850 063
Short-term other receivables	3 271 564	4 345 564
Bank deposit	-	90 000
Loans given and third parties' promissory notes	1 243 241	10 479 399
Derivative financial instruments used for currency risks hedging	-	14 978
Cash and cash equivalents	17 497 675	13 597 800
	54 537 043	**54 315 861**

Long-term receivables exposure to credit risk at 31 December 2014 amounted to RUB 214 904 thousand, including bad debt provision in the amount of RUB 2 037 thousand. Long-term receivables was recognized in the balance sheet at the end of the year in the amount of RUB 409 077 thousand, the difference between the two amounts was RUB 194 173 thousand and consisted of the advances paid (RUB 44,365 thousand) and other taxes payable (RUB 149 808 thousand). These figures are not exposed to credit risk, and, hence, are not disclosed in that Note.

As at 31 December 2014 maximum amount of credit risk for guarantees equals to RUB 37 091 thousand (as at 31 December 2013 - RUB 24 870 thousand).

The Group provides loans to third parties. As at 31 December 2014 the amount of received guarantees and collateralized property for loans given equaled to RUB 578 919 thousand (as at 31 December 2013 – RUB 314 239 thousand).

As at 31 December 2014 the amount of guarantees and collateralized property received under the agreements and on other grounds totaled RUB 7 780 237 thousand (as at 31 December 2013 – RUB 8 815 029 thousand).

(ii) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group is the single producer of nuclear fuel for Nuclear Power Stations (NPS) in Russia.

In 2014 about 59% or RUB 85 532 131 thousand of the Group's revenue is attributable to sales of nuclear fuel, of which RUB 34 344 008 thousand or 41% of sales turnover is attributable to NPS in Russia controlled by Atomenergoprom (parent company of the Group), RUB 20 057 170 thousand or 23% of sales turnover is attributable to SE NNEGC Energoatom, Ukraine, and RUB 31 130 953 thousand or 36% is attributable to the following ten foreign counterparties: Areva GmBH Germany, NPS Kozloduy Bulgaria, NPS Paks Hungary, Chez AO Czech Republic, Nuclear Energy Department of India, Slovenske Elektrarne Slovakia, Fortum Power and Heat Oy Finland, China Nuclear Energy Corporation China, Vattenfall Nuclear Fuel Sweden and HAYKAKAN ATOMAYIN ELECTRAKAYAN ("ARMENIAN NUCLEAR POWER PLANT") Armenia. The Group's long-established practice shows that the risk of non-payment is not significant.

In 2014 about 10% of the Group's revenue or RUB 14 697 843 thousand is attributable to sales of services for uranium conversion and enrichment, of which RUB 7 407 468 thousand or 50% of sales turnover is represented by sales to ZAO "COU", RUB 6 751 151 thousand or 46% by sales to AO Techsnabexport that is under control of AO Atomenergoprom, RUB 269 471 thousand or 2% to SC Rosatom (related party), RUB 259 721 thousand or 2% is represented by sales to AO "MCOU" (related party) and RUB 10 032 thousand to other companies.

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

Impairment losses

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

	Gross 31 December 2014	**Impairment 31 December 2014**	**Gross 31 December 2013**	**Impairment 31 December 2013**
Not past due	14 826 903	(12 740)	14 108 501	(45 679)
Past due 0-6 month	5 131 108	(1 323)	414 865	(11 093)
Past due 6-12 month	142 330	(74 386)	869 602	(96 635)
Past due for more than 12 month	773 200	(718 119)	1 011 149	(744 339)
Total	**20 873 541**	**(806 568)**	**16 404 117**	**(897 746)**

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2014	2013
Balance at 1 January	(897 746)	(626 329)
Amount of provision due to (accrual)	-	(395 186)
Amount of provision due to reversal	34 141	-
Amounts written off against the provision	57 037	123 769
Balance at 31 December	**(806 568)**	**(897 746)**

Based on statistics of non-payment in previous periods, the Group believes, that additional valuation provision concerned with impairment of undue trade receivables is required in respect of financial non-stable counterparties.

The Group accrues allowances for recognition of an impairment of trade and other receivables, except for cases when the Group is convinced that repayment of due amount is impossible; in these cases the unrecoverable amount is written off by decreasing the cost of the appropriate financial asset.

(iii) Offsetting financial assets and liabilities

Since August 2004 the Group concluded a number of lease agreements with the related party AO Tenex-Service for the provision of equipment (gas centrifuges and other components). The Group's accounts receivable include the advances given to AO Tenex-Service for these lease agreements, the amount of long-term and short-term liabilities includes the present value of minimal future lease payments. The balances for the following calculations are shown on the net basis in the financial statements.

The carrying amount of the recognized financial instruments stemming from the above mentioned lease agreements are presented in the table below:

31 December 2014	**Trade and other receivables**	**Trade and other payables**
Gross amounts	826 447	10 437 813
Netted amounts in accordance with the requirements of IAS 32	(826 447)	(826 447)
Net amount presented in the consolidated statement of financial position	**-**	**9 611 366**

31 December 2013	**Trade and other receivables**	**Trade and other payables**
Gross amounts	984 921	12 459 466
Netted amounts in accordance with the requirements of IAS 32	(984 921)	(984 921)
Net amount presented in the statement of financial position	**-**	**11 474 545**

(iv) Investments

The Group limits its exposure to credit risk by only investing in liquid securities, loans given to employees and organisations under common control. Management does not expect any counterparty to fail to meet its obligations.

The allowance accounts in respect of trade receivables and held-to-maturity investments are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

(v) Cash and cash equivalents

The Group held cash and cash equivalents of RUB 17 497 675 thousand at 31 December 2014 (RUB 13 597 800 thousand as at 31 December 2013), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks and financial institutions, which are rated from BBB- to BBB+ based on Fitch rating agency data.

Below are the banks, in which the group has the highest amount of money on accounts:

	as at 31 December 2014	**as at 31 December 2013**
AO GPB	9 106 992	6 876 141
PAO Sberbank	5 711 134	2 674 281
OAO VTB	1 198 373	1 210 230

(vi) Guarantee

Management adopts the policy aimed at provision of guarantees only to subsidiaries and companies under common control. The Group considers these financial instruments as insurance arrangements, and accounts for them as such.

At 31 December 2014 and at 31 December 2013 the Group's guarantees totaled RUB 37 091 thousand and RUB 24 870 thousand respectively. The Group's management does not expect the occurrence of significant liabilities in respect of these guarantees, for this reason no provision for guarantees was created in these financial statements.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains the level of cash and cash equivalents at an amount in excess of expected cash outflows on operating expenses, including financial liabilities (this excludes the potential impact of extreme circumstances that cannot reasonably be predicted). Moreover, the Group has open credit lines to maintain sufficient cash amount.

In order to decrease liquidity risk the Group took bank loans and opened non-renewable credit lines in the amount of RUB 31 621 270 thousand as at 31 December 2014, RUB 23 923 295 thousand as at 31 December 2013 (Notes 25 and 29).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

			Maturity				
31 December 2014	**Carrying amount**	**Contractual cash flows**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**Over 3 years**
Non-derivative financial liabilities							
Bank loans	31 621 270	31 630 887	9 416 757	9 462 746	12 751 384	-	-
Borrowings received and promissory notes	2 264 936	2 329 162	31 849	2 297 313	-	-	-
Finance lease liabilities (Note 28)	10 992 906	16 924 422	1 905 005	1 791 438	2 994 795	2 727 351	7 505 833
Trade and other payables (Note 30)	7 028 130	7 028 130	6 493 615	117 629	347 111	227	34 774
	51 907 242	**57 912 601**	**17 847 226**	**13 669 126**	**16 093 290**	**2 727 578**	**7 540 607**

31 December 2013	**Carrying amount**	**Contractual cash flows**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**Over 3 years**
Non-derivative financial liabilities							
Bank loans	23 923 295	24 714 286	14 722 000	1 599 682	250 930	8 141 674	-
Borrowings received and promissory notes	1 101	1 101	1 101	-	-	-	-
Finance lease liabilities (Note 28)	13 106 277	21 004 826	2 050 092	2 061 232	3 691 565	2 990 639	10 211 299
Trade and other payables (Note 30)	10 172 570	10 172 570	8 615 213	34 287	1 518 547	-	4 523
	47 203 243	**55 892 783**	**25 388 406**	**3 695 201**	**5 461 042**	**11 132 313**	**10 215 822**

* Trade and other payables include short-term other payables, long-term other payables and other long-term liabilities.

The gross outflows disclosed in the above table represent the contractual undiscounted cash flows relating to non-derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows gross cash inflow and outflow amounts for non-derivatives that have simultaneous gross cash settlement or regular payments upon schedule.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

At 31 December 2014 no secured bank loans including loans with covenants were outstanding.

(d) Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Financial planning and Financial Statements Department of AO TVEL.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the euro (EUR) and the U.S. Dollar (USD).

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily EUR and USD.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	USD-denominated 31 December 2014	**EUR-denominated 31 December 2014**	**USD-denominated 31 December 2013**	**EUR-denominated 31 December 2013**
Current assets				
Trade and other receivables	1 793 345	2 570 267	2 247 144	554 840
Cash and cash equivalents	4 990 089	1 395 270	1 515 689	1 631 213
Current liabilities				
Trade and other payables	(877 274)	(43 448)	(112 255)	(44 958)
Loans and borrowings	(9 700 254)	(18 965 100)	(8 010 292)	(7 919 972)
Non-current liabilities				
Loans and borrowings	(5 213 184)	(7 538 200)	(3 032 851)	(4 960 180)
Net exposure in consolidated statement of financial position	**(9 007 278)**	**(22 581 211)**	**(7 392 565)**	**(10 739 057)**
Forecast sales in the next 12 months	51 909 257	30 945 710	17 177 234	14 047 713
Net exposure on transactions	**45 155 522**	**15 790 000**	**9 784 669**	**3 308 656**
Currency forward contracts and options	-	-	(2 850 550)	(5 080 540)
Net exposure	**45 155 522**	**15 790 000**	**6 934 119**	**(1 771 884)**

The following significant exchange rates applied during the year:

in RUB	USD	EUR
31 December 2014	56,258	68,343
31 December 2013	32,729	44,970

Sensitivity analysis

A strengthening of the RUB by 10% against the following currencies at the end of the reporting period would have increased/(decreased) profit and equity by the amounts shown below. This analysis was based on the assumption that all other variables, in particular interest rates, remain constant.

31 December 2014	Equity	Profit/(loss)
USD	720 582	720 582
EUR	1 806 497	1 806 497

31 December 2013	Equity	Profit/(loss)
USD	591 405	591 405
EUR	859 125	859 125

A weakening of the RUB by 10% against the following currencies at the end of the reporting period would have the equivalent reverse impact on the amounts shown above; the result is based on the assumption that all other variables remain constant.

(ii) Interest rate risk

The Group has loans and borrowings with fixed interest rate. The interest rate for all credit and loan agreements with fixed rate doesn't exceed 5,1%.

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

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	31 December 2014	31 December 2013
Fixed rate instruments		
Financial assets	2 135 274	10 721 949
Financial liabilities	(33 895 823)	(23 924 396)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore a change in interest rates at the reporting date would not have an effect on profit or loss for the period.

(e) Fair value and carrying amount

The fair value of financial assets and liabilities approximately equals their carrying amounts.

The fair value of long-term loans and borrowings amounted to RUB 12 232 322 thousand as at 31 December 2014, the carrying amount as at 31 December 2014 – RUB 12 767 884 million (the fair value approximates their carrying amount as at 31 December 2013). The fair value of long-term bank loans and borrowings (Level 3) was calculated through discounting and by using estimated market interest rate for similar financial liabilities and includes all future cash outflows related to the repayment of long-term loans and borrowings, including the current portion of long-term loans and borrowings, and interest expenses. Market interest rate is the rate of raising long-term debt by companies with a similar credit rating for similar terms, with the same repayment schedules and similar other main terms.

The fair value of trade receivables approximately equals its carrying value net of bad debt allowance due to short term nature of trade receivables.

Principles of fair value determination are disclosed in Note 2 to the financial statements.

(f) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
31 December 2014				
Equity securities	-	-	14 627 313	14 627 313
Currency forward contracts and options			14 978	14 978
Total assets	**-**	**-**	**14 642 291**	**14 642 291**

	Level 1	Level 2	Level 3	Total
Currency forward contracts and options	-	-	(273 222)	(273 222)
Total liabilities	**-**	**-**	**(273 222)**	**(273 222)**

As at 31 December 2014 available-for-sale financial assets were reflected at Level 3 of the hierarchy due to the fact that regular information on market quotations of such financial assets is not published. Management used technical tools where all key input characteristics were based on observed market data to estimate fair value of these financial assets (Note 17).

	Note	Equity securities available-for-sale and effect from currency risk hedging
Balance at 1 January 2013		17 841 349
Losses attributable to finance costs		
– Accruals of impairment losses on available-for-sale financial assets		(2 193 340)
– Fair value net change (unrealized) of hedging instruments		(231 566)
Gains attributable to OCI		
– Net change in fair value (unrealized)		(1 133 025)
Acquisition of financial instruments		85 651
Balance at 31 December 2013		**14 369 069**
Balance at 1 January 2014		14 369 069
Losses attributable to finance costs		
– Accruals of the impairment loss on investments	11	(4 876)
– Fair value net change of hedging instruments		(851 676)
Gains attributable to OCI		
– Fair value net change (unrealized)		1 212 332
Disposal of financial instruments		(72 530)
Balance at 31 December 2014		**14 652 319**

33. Contingencies

(a) Insurance

Russian insurance market is currently developing. It is characterized by low insurance penetration.

The Group offers the full range of insurance services including the compulsory insurance (required by law) and temporary insurance (required by secondary legislation, oversight bodies, local authorities, etc.):

- public liability of the nuclear power facilities operating entities and third party liability of the entities engaged in transportation of radioactive and nuclear materials, products made of radioactive or nuclear materials and waste associated with these products is insured in accordance with the Federal Law No. 170-FZ "On the Use of Atomic Energy" and the 1963 Vienna Convention. The liability amount is equal to 5

million U.S. dollars (here, the U.S. dollar value is determined using the gold exchange standard of 1963), which is approximately RUB 7 billion per insured event as of reporting date;

- public liability of the entities operating hazardous production facilities and hydraulic structures is insured in accordance with the Federal Law No. 225-FZ of 27 July 2010 "On the Compulsory Insurance of Civil Liabilities of the Owner of a Hazardous Object for the Damage Incurred As a Result of an Accident at the Hazardous Object";
- public liability of vehicle owners is insured in accordance with the Federal Law No. 40-FZ «On Compulsory Insurance of Third Party Liability of Motor Vehicle Owners».

The optional insurance segment (property, cargo, builder's risk, entrepreneurial risk insurance, etc.) includes the insurance of property, plant and equipment and intangible assets used in the production process, assets under construction, risks stipulated by the current contracts, vehicle insurance as well as the voluntary health insurance of the staff.

Since property, plant and equipment and intangible assets used in the production process are mainly insured based on their carrying amount and insurance is not provided for all of the Company's property, there is a risk that loss or damage to certain assets can cause an adverse impact on the operating results of the Group and its financial position.

Thus, the Group's insurance policy with regard to production facilities and equipment, business interruption losses and third party liabilities due to real estate or environmental damage caused by technological accidents or the Group's operating activities fully complies with the current legislation and the requirements of the oversight bodies, but it doesn't provide full coverage for potential losses.

(b) Litigations

As at 31 December 2014 the Group has not accrued the provision for litigations and claims (as at 31 December 2013 RUB 59 559 thousand).

(c) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

New transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

The new transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. The new transfer pricing rules eliminated the 20-percent price safe harbour that existed under the previous transfer pricing rules applicable to transactions on or prior to 31 December 2011.

The new transfer pricing rules primarily apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume

of the transactions between the same parties exceeds a particular threshold (RUB 3 billion in 2012, RUB 2 billion in 2013, and RUB 1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these consolidated financial statements

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(d) Guarantees provided

As at 31 December 2014 the Group concluded guarantee agreements in the amount of RUB 37 091 thousand, and as at 31 December 2013 - RUB 24 870 thousand, respectively. Management does not expect significant obligations in relation to these guarantees, therefore no provisions were recognized in these consolidated financial statements.

(e) Warranties

Agreements for nuclear fuel sale include the Group's warranties concerning the supplies of fuel assemblies. The specific terms of guarantee servicing and validity are determined for each type of the fuel assemblies in the relevant provisions of the contract and generally include guarantees for the storage period of the fuel assemblies before loading in nuclear-power reactor and for nuclear fuel burn-up period. If the guarantee obligations are breached, the Group bears responsibility under the contract, the responsibility generally includes elimination of the identified defects or compensation of the damages incurred. In 2014 and in the previous reporting periods there were no claims to the Group for compensation of the damages incurred under the warranties. Taking into consideration the aforesaid and the fact that the Group believes there is a low probability of economic benefits outflow, the provision for warranties is not accrued.

(f) Pledges

As at 31 December 2014 and 31 December 2013 the Group transferred its share in OOO Katodnye Materialy as a pledge for the agreement with OAO Rosnano.

As at 31 December 2014 and 31 December 2013 there were no pledged inventory.

There are no pledged fixed assets as at 31 December 2014 (as at 31 December 2013 - RUB 3 661 thousand).

34. Related party transactions

(a) Control relationships

As at 31 December 2014 the Group is under the control of AO Atomenergoprom which is under the state control represented by SC Rosatom. AO Atomenergoprom prepares the consolidated financial statements in accordance with IFRS.

(b) Key management remuneration

Key management received the following remuneration during the year, which is included in personnel costs:

	2014		2013	
Remuneration	**The Board of directors**	**Key management**	**The Board of directors**	**Key management**
Basic salary (emolument)	30 604	222 986	18 142	93 818
Bonus for production results	39 036	150 651	9 280	
Annual leave	7 644	26 357	5 937	35 730
Other	21 328	1 583	84 077	433 943
	98 612	**401 577**	**117 436**	**563 491**

(c) Other related party transactions

Further the transactions with the following categories of the related parties are disclosed:
- SC Rosatom,
- AO Atomenergoprom,
- Other entities under the state control and other related parties (Other).

(i) Income/Revenue from sales of goods, works, services

	Transaction value 2014	**Transaction value 2013**	**Outstanding balance as at 31 December 2014**	**Outstanding balance as at 31 December 2013**
Sales of goods and services:				
SC Rosatom	4 286 416	6 739 448	45 980	616 473
Parent company – AO Atomenergoprom	-	-	-	1 834
Entities under control of SC Rosatom	68 609 047	69 312 173	7 073 547	5 997 940
Other entities under the state control and other related parties and individuals	1 219 336	448 899	87 179	60 395
	74 114 799	**76 500 520**	**7 206 706**	**6 676 642**
Other income	5 686 938	3 227 098	2 436 068	1 561 270
	79 801 737	**79 727 618**	**9 642 774**	**8 237 912**

(ii) Expenses/purchases of goods, works, services

	Transaction value 2014	Transaction value 2013	Outstanding balance as at 31 December 2014	Outstanding balance as at 31 December 2013
Cost of goods and services				
SC Rosatom	2 446 737	1 924 229	62 888	48 754
Parent company – AO Atomenergoprom	338 184	304 624	178 159	298 605
Entities under control of SC Rosatom	22 120 012	19 531 596	1 773 199	4 640 212
Other entities under the state control and other related parties and individuals	3 170 124	337 658	193 386	32 188
	28 625 057	**22 134 107**	**2 702 632**	**5 019 759**
Other expenses	1 328 794	668 471	3 318 459	3 715 199
	29 953 851	**22 802 578**	**5 526 091**	**8 734 958**

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

(iii) Loans

	Amount loaned 2014	Amount loaned 2013	Outstanding balance as at 31 December 2014	Outstanding balance as at 31 December 2013
Loans received:				
SC Rosatom	-	615	-	615
Entities under control of SC Rosatom	2 306 125	-	2 253 543	-
AO Garzprombank	-	10 100 592	-	9 468 682
PAO Sberbank	12 547 342	7 261 473	22 623 284	13 160 056
	14 853 467	**17 362 680**	**24 876 827**	**22 629 353**

The weighted average interest rate for loans received from related parties equalled in 2014 to 4,10% and 2,56% in 2013.

	Amount loaned 2014	Amount loaned 2013	Outstanding balance as at 31 December 2014	Outstanding balance as at 31 December 2013
Loans given:				
Parent company – AO Atomenergoprom	911 800	9 873 800	911 800	9 932 837
Entities under control of SC Rosatom	10 749	59 468	70 217	59 468
	922 549	**9 933 268**	**982 017**	**9 992 305**

(iv) Advances and other transactions

	Outstanding balance as at 31 December 2014	Outstanding balance as at 31 December 2013
Advances given:		
SC Rosatom	110 711	15 927
Parent company –AO Atomenergoprom	2 420	62 135
Entities under control of SC Rosatom	1 525 594	1 152 497
	1 853 167	**1 410 675**

	Outstanding balance as at 31 December 2014	Outstanding balance as at 31 December 2013
Advances received:		
Entities under control of SC Rosatom	6 472 594	8 635 492
Other entities under the state control	525 008	288 668
	6 997 602	**8 924 160**

	Transactions value 2014	Transactions value 2013	Outstanding balance as at 31 December 2014	Outstanding balance as at 31 December 2013
Other transactions with AO Atomenergoprom	5 455 986	4 865 873	2 623 577	532 181
	5 455 986	**4 865 873**	**2 623 577**	**532 181**

Other transactions with AO Atomenergoprom are performed under settlements within the consolidated group of taxpayers.

As at 31 December 2014 the cost of materials accepted from SC Rosatom by the Group on consignment and reprocessing equalled to RUB 80 441 thousand and RUB 108 668 thousand respectively (RUB 475 650 thousand and RUB 194 784 thousand as at 31 December 2013 respectively).

As at 31 December 2014, the cost of materials accepted from entities under the control of SC Rosatom on consignment and for reprocessing equalled to RUB 6 824 747 thousand and RUB 6 378 858 thousand respectively (RUB 16 159 880 thousand and RUB 4 993 350 thousand as at 31 December 2013 respectively).

Property, plant and equipment with the carrying value of RUB 17 998 141 thousand as at 31 December 2014 and RUB 19 382 760 thousand as at 31 December 2013 respectively are leased assets received from AO Tenex-Service (entity under control of SC Rosatom). Accounts payable to AO Tenex-Service as at 31 December 2014 equaled to RUB 10 992 907 thousand (as at 31 December 2013 equaled to RUB 13 106 277 thousand).

35. Capital commitments

Total amount of the Group's liabilities for capital expenditures not met as at 31 December 2014 equals to RUB 12 827 079 thousand (31 December 2013 RUB 3 616 592 thousand).

In 2014 the Group did not conclude lease agreements for provision of equipment with the delivery in future reporting periods.

36. Events subsequent to the reporting date

At the beginning of 2015 there was continuation of increase of political and economic instability in Ukraine. The Group monitors the situation and assesses the risks associated with its activities with SE NNEGC Energoatom of the Ukraine (see Note 32 (b) (ii)), as well as with other activities of the Group in Ukraine. The Group's management believes that currently there are no potential losses that can be identified and reasonably estimated with respect to situation in Ukraine.

According to paragraph 7, article 3 of Federal law №99 dated 5 May 2014 "Introducing changes to chapter 4 of the Part 1 of the Civil Code of the Russian Federation and annulment of certain acts of legislation of the Russian Federation" subsidiaries have changed the legal names of the entities as stated in Note 8 in 2015.