

APPROVED

by order # _____
of JSC "MOESK" dd. " " 2013

**Regulation on Accounting Policy for the Purposes of Tax Accounting of JSC
"Moscow United Electric Grid Company" for the year 2014**

CONTENTS

1. ARRANGEMENT OF TAX ACCOUNTING	3
1.1 General provisions	3
1.2. Assigning duties between the executive body and branches of JSC "Moscow United Electric Grid Company"	3
1.3. Procedure for cooperation with tax authorities	5
1.4. Procedure for holding data reconciliation with tax authorities on taxes paid and 6 assessed	
1.5. Procedure for sending requests to tax authorities on the issue of application of 6 laws on taxes and levies	
1.6. Safekeeping of tax accounting documents	6
2. RESPONSIBILITY FOR HOLDING TAX ACCOUNTING AND COMPOSITION OF TAX REPORTING	6
3. INCOME TAX	6
3.1. General provisions	6
3.2. Procedure for incomes and expenses recognition	7
3.3. Tax accounting of costs related with creation of items of depreciable property	7
3.4. Tax accounting of fixed assets	8
3.5. Tax accounting of intangible assets	11
3.6. Tax accounting of inventory stocks	12
3.7. Tax accounting of expenses	13
3.8. Tax accounting of incomes	16
3.9. Procedure for accounting of incomes and expenses as a result of leasing out property	17
3.10. Tax accounting of securities	18
3.11. Tax accounting of interest on debt obligations	18
3.12. Reserves	19
3.13. Procedure for calculation of income tax	19
4. VALUE ADDED TAX	20
5. CORPORATE PROPERTY TAX	21
6. INSURANCE PAYMENTS TO THE PENSION FUND OF THE RUSSIAN FEDERATION, SOCIAL INSURANCE FUND OF THE RUSSIAN FEDERATION, FEDERAL COMPULSORY MEDICAL INSURANCE	22
7. INDIVIDUAL INCOME TAX	22

1. ARRANGEMENT OF TAX ACCOUNTING

1.1. General provisions

1.1.1. This Regulation defines the tax accounting system adopted in JSC "Moscow United Electric Grid Company" for the purposes of assessment, payment and declaration of taxes and insurance payments to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, Federal Compulsory Medical Insurance Fund, as well as the procedure of cooperation of standalone divisions of JSC "Moscow United Electric Grid Company" on tax accounting issues.

Tax accounting policy for taxation purposes is mandatory for the branches of JSC "Moscow United Electric Grid Company".

1.1.2. Changes in the tax accounting policy of JSC "Moscow United Electric Grid Company" are made in the event of change of the accounting procedure for certain business transactions and (or) items for taxation purposes in the event of change of laws or applicable accounting methods, and if JSC "Moscow United Electric Grid Company" has begun to implement new activities.

Decisions on any changes are shown in the tax accounting policy for taxation purposes.

1.1.3. JSC "Moscow United Electric Grid Company" uses the system of tax ledgers and procedure of their filling-in, which are provided in the specialized software SAP ERSECTION

1.1.4. Stock-taking of liabilities related to settlements on taxes and contributions, debt reconciliation with tax authorities and state extra-budgetary funds is performed by the executive body and branches of JSC "Moscow United Electric Grid Company" in the place of performance by the taxpayer of its duties.

1.1.5. Executive branch is appointed for each tax inspectorate of Moscow, Moscow Region and other regions of Russia for reconciliation settlements on personal accounts of JSC "Moscow United Electric Grid Company" in respect of centralized taxes.

1.2. Assigning duties between the executive body and branches of JSC "Moscow United Electric Grid Company"

1.2.1. Book-Keeping and Tax Accounts Office (hereinafter referred to as the "book-keeping service") of the Executive Body performs the duties of the taxpayer (assessment of the tax base, submission of returns (advance payments)) for the following taxes:

income tax - performs assessment of the tax in general on JSC "Moscow United Electric Grid Company", allocates the amount of tax payments between the various levels of budgets, submits summary return in the electronic form to the tax authority at the place of registration as the largest taxpayer, and submits the return (advance payments) through the tax authority at the place of registration as the largest taxpayer to the tax authorities at the place of seat of responsible standalone divisions (Clause 3 Section 80, Clause 2 Section 288 of the Tax Code of the Russian Federation - hereinafter referred to as the "TCRF").

on the value-added tax - performs assessment of taxes in general on JSC "Moscow United Electric Grid Company" and submits the tax return in the electronic form to the tax authority at the place of registration as the largest taxpayer;

on property tax - performs assessment of the tax in general on JSC "Moscow United Electric Grid Company" and submits the return (advance payments) in the electronic form to the tax authority at the place of registration as the largest taxpayer, and submits the return (advance payments) through the tax authority at the place of registration as the largest taxpayer to the tax authorities at the place of seat of responsible standalone divisions with separate balance sheet (branches), and the tax authorities at the place of

location of real property items located outside the place of location of the entity, which has a separate balance sheet (branch);

on transportation tax - regarding vehicles included in accounting records in the executive body, performs assessment of the tax and submits returns in the electronic form through the tax authority at the place of registration as the largest taxpayer to the tax authorities at the place of registration of the vehicles;

on individual income tax (tax agent) - regarding payments to individuals made by the executive body, performs assessment of individual income taxes and transfers it at the place of the seat of the executive body. Information on the income of individuals under form of 2-IIT for taxpayers - individuals of the executive body is submitted in the electronic form to the tax authority at the place of registration of JSC "Moscow United Electric Grid Company" as the largest taxpayer;

on insurance payments to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, Federal Compulsory Medical Insurance Fund - in terms of payments to individuals for the benefit of individuals as part of employment relationships and civil agreements made by the executive body, performs assessment of insurance payments and transfers them at the place of location of the executive body.

Book-keeping service of the executive body as a tax agent assesses and withholds corporate income tax from legal entities and individual income tax when paying dividends to shareholders of JSC "Moscow United Electric Grid Company".

Book-keeping service of the executive body assesses and withholds VAT, income tax on the amounts of income paid by the Executive Body to nonresident entities which are not registered for tax purposes in the Russian Federation in accordance with the TCRF.

Book-keeping service of the executive body receives tax returns on the land tax, transportation tax from branches in the electronic form, and submits them through the tax authority at the place of registration of JSC "Moscow United Electric Grid Company" as the largest taxpayer to the tax authorities at the place of registration of the vehicles and location of the land plots.

1.2.2. Book-keeping services of the branches of JSC "Moscow United Electric Grid Company" assess the tax in accordance with the relevant section of the TCRF and submit tax returns in the electronic form to the executive body, in accordance with the rules of JSC "MOESK" on submission of reporting by branches in the electronic form on the following taxes:

land tax - regarding land plots registered in the branch;

transport tax - regarding vehicles registered at the place of location of branches and business units.

Book-keeping services of the branches assess, withhold tax and submit an application to the Executive Body 3 days before the transfer of VAT, assessed on the income paid by the branch to non-resident entities, which are not registered for tax purposes in the Russian Federation. Such an application contains the VAT amount and the date of payment of the income to be transferred.

1.2.3. Book-keeping services of the branches of JSC "Moscow United Electric Grid Company" submit information under the form of 2-IIT on income of individuals, as well as on assessed and withheld individual income taxes in the electronic form to the tax authority at the place of registration of each standalone division. Branches are allowed to provide information under the form 2-IIT at the place of its registration (in terms of RRC - registration reason code). Transfer of the individual income tax is performed by the branch at the place of location of each standalone division.

1.2.4. Tax payments to the budget are performed:

- in respect of payments of the branch and its structural subdivisions - by the branch;

- in respect of payments of the executive body and VAT amounts assessed by the branches on the income paid to non-resident entities - by the executive body;

- in respect of centralized taxes - by the executive body.

1.3. Procedure for cooperation with tax authorities

1.3.1. JSC "Moscow United Electric Grid Company" implements its rights and obligations of the taxpayer (tax agent) through cooperation with the tax authorities, which monitor correct and timely payment of taxes and provision of reporting, as well as perform other functions in accordance with the TCRF.

1.3.2. Responsible branch is appointed to maintain operational work with the tax authorities locally for each tax inspectorate of Moscow, Moscow Region and other regions of Russia.

1.3.3. Authorized representatives of the Executive Body, branch of JSC "Moscow United Electric Grid Company" can cooperate with tax authorities, which were given a power of attorney in accordance with the civil legislation of the Russian Federation, provided that these powers are stipulated by their job descriptions and only to the extent of their competence.

1.4. Procedure for holding data reconciliation with tax authorities on taxes paid and assessed

1.4.1. Reconciliation of accounts with budgets is carried in the manner specified by order #SAE-3-01/444@ of the Federal Tax Service of Russia dd. 09.09.2005 "On approval of rules of work with taxpayers, payers of levies, insurance premiums for compulsory pension insurance and tax agents".

1.4.2. Reconciliation of settlements with the budgets are made quarterly at the 1st day of the quarter. In respect of centralized taxes, the responsible branch presents the originals of reconciliation certificates to the accounts office of the Executive Body. Copies of reconciliation certificates in respect of branches' taxes are provided to the accounts office of the Executive Body, the originals are kept in the branch.

The certificate of reconciliation of tax payment can be made in the electronic form and obtained from the tax authority via telecommunication channels in the form and format approved by the federal executive body in charge of control and supervision in the field of taxes and levies.

1.5. Procedure for sending requests to tax authorities on the issue of application of laws on taxes and levies

1.5.1. In accordance with Article 21 of the TCRF, JSC "Moscow United Electric Grid Company" has the right to receive from tax authorities, the Ministry of Finance a written explanation on application of the legislation on taxes and levies. For such clarification, JSC "Moscow United Electric Grid Company" sends a request to the appropriate authority in writing.

1.5.2. Questions about application of the legislation on taxes and levies are sent to the chief accountants of branches or their appointed employees to the accounts office of the executive body of JSC "Moscow United Electric Grid Company". Accounts office of the executive body, on the basis of the need to observe a common approach to issues of taxation and tax accounting in JSC "Moscow United Electric Grid Company" in general, answers the question in writing. If it is impossible to give an unambiguous answer proceeding from the tax legislation requirements, the accounts office of the executive body of JSC "Moscow United Electric Grid Company" (with participation of experts from legal units, as may be necessary) prepare a written request to the tax authority or other competent authorities of the Russian Federation.

1.5.3. Originals of requests to the tax authorities and their responses are stored in the accounts office of the executive body of JSC "Moscow United Electric Grid Company".

1.6. Safekeeping of tax accounting documents

1.6.1. Tax accounting documents are tax returns (advance payments), information on income of natural persons under the form 2-IIT, payment orders for transfer of taxes (contributions), calculation of the tax base, tax ledgers, as well as primary accounting records.

1.6.2. Originals of primary documents are stored in the prescribed manner in the accounts office of the executive body or branch, respectively.

2. RESPONSIBILITY FOR HOLDING TAX ACCOUNTING AND COMPOSITION OF TAX REPORTING

2.1. Tax accounting is carried out at all levels of JSC "Moscow United Electric Grid Company". Responsibility for tax reporting composition is imposed on the employees of the Book-keeping and Tax Accounting and Department headed by the Chief Accountant of JSC "Moscow United Electric Grid Company" and the chief accountant of the branch.

Powers and responsibilities of employees engaged in tax accounting and tax reporting in the entity (at the branch) are determined by the Regulation on Tax Accounting Policy of JSC "Moscow United Electric Grid Company" and job descriptions of employees.

Documents supporting calculations on assessment and payment of taxes (contributions) paid by the Company centrally are formed by the accounts office of the executive body using the data provided by branches of JSC "Moscow United Electric Grid Company".

Documents supporting calculations on assessment and payment of taxes paid by branches on their own are formed by the accounts office of the branch.

2.2. To ensure that the Company will form correct and complete tax bases for taxes paid by it centrally, the branches provide necessary information within the time prescribed by the Order of the General Director of the Company, in the forms and volumes approved by the relevant orders of the Chief Accountant of JSC "Moscow United Electric Grid Company".

2.3. Accounting of settlements on taxes paid to the budget is held constantly on an accrual basis over the tax period separately for each tax in the context of budget levels (federal, regional budget, local budget) in areas of payments as well as in the context of the type of debt (arrears or overpayment on the principal amount of the tax, fine, penalty).

2.4. Analytical information is provided in the book-keeping in accordance with the provisions of the TCRF (hereinafter, the "TCRF").

3. INCOME TAX

3.1. General provisions

3.1.1. JSC "Moscow United Electric Grid Company" sets forth the uniform system of arrangement, methods and forms of tax accounting for the purposes of corporate income tax under section 25 of the TCRF and this Regulation.

3.1.2. JSC "Moscow United Electric Grid Company" assesses the tax base for each of the reporting (tax) periods, based on tax accounting data.

3.1.3. JSC "Moscow United Electric Grid Company" permits revision and expansion of the principles, procedures and forms of tax accounting as set out in this Regulation, during the tax period by way of introduction of additional analytical data, ledgers and principles of generalization of the information that contribute to more correct disclosure of the principles and procedures of the tax base.

3.1.4. Primary accounting documents for tax purposes are primary documents (including accountant's certificate) of book-keeping, approved by the Company's Accounting Policy on Book-Keeping, tax ledgers and calculation of the tax base.

3.1.5. Basis of the tax accounting and calculation of the tax base is represented by the data contained in primary accounting documents and special calculations of assets and business transactions accounting for tax purposes in compliance with Section 25 of the TCRF, including those produced in the software package SAP ERSECTION

3.1.6. Forms of tax ledgers, accounting and other references used in calculation of the income tax are elaborated, besides other things (as may be necessary) in the software package. Tax ledgers are maintained in the electronic form, and are translated into hard copies and signed by the chief accountant (deputy chief accountant of the respective line) and the contractor at the end of the tax (reporting) period.

3.2. Procedure for incomes and expenses recognition

3.2.1. JSC "Moscow United Electric Grid Company" assesses incomes and expenses for tax purposes on an accrual basis. Under this method, income (loss) is recognized in that reporting period in which it actually occurred, regardless of the actual receipt (expenditure) of funds.

3.2.2. Accounting procedure and time of recognition of certain types of incomes (expenses) are specified in separate paragraphs of this Regulation.

3.3. Tax accounting of costs related with creation of items of depreciable property

3.3.1. Property, results of intellectual activity and other intellectual property rights are recognized depreciable assets for tax purposes which belong to the Company according to the right of ownership, used for generation of income and the cost of which is paid off through accrual of depreciation.

Part of the property used as a means of labor for production and sale of goods (performance of works, provision of services) in order to earn profits or for management purposes of JSC "Moscow United Electric Grid Company" is recognized to be the main tools for taxation purposes; its cost is repaid through accrual of depreciation.

Property which simultaneously satisfies the following conditions is recognized depreciable assets of JSC "Moscow United Electric Grid Company" for tax purposes:

its useful life exceeds 12 months and initial value exceeds 10,000 rubles in respect of the property, which was put into operation before 01.01.2008; in respect of property valued at more than 20,000 rubles, which was put into operation after 01.01.2008 (regardless of the time of purchase) (Federal Law #216-FZ dd. 24.07.2007, letter #03-03-06/1/767 from the Ministry of Finance of Russia dd. 03.11.2007), in respect of the property valued at more than 40,000 rubles, which was put into operation after 01.01.2011 (Federal Law #229-FZ dd. 27.07.2010).

Besides, capital investments in fixed assets taken on lease in the form of permanent improvements made with the consent of the lessor are recognized depreciable assets (ground: Clause 1, Sec. 256 of the TCRF);

3.3.2. Initial value of the asset is determined as the sum of expenses for its acquisition, construction, manufacturing, and bringing in compliance with the condition in which it is fit for use, with the exception of the value added tax (ground: clause 1, Section 257 of the TCRF).

Initial value of acquisition (creation) of a fixed asset includes:

- amounts paid to suppliers in accordance with the supply agreement;
- amounts paid to third parties for services of delivery of the property to warehouses (including railway tariff);

- amounts paid to the entities for information and consulting services related to acquisition of fixed assets;
- customs duties and customs fees;
- non-recoverable taxes, the state fee paid in connection with acquisition of a fixed asset item;
- remunerations paid to an intermediary entity, through which fixed asset item was acquired;
- costs of commissioning, individual testing of certain types of machinery, integrated testing of all equipment and engineering units for the purpose of check of quality of their assembly carried out in the "idle" mode;
- general business and other similar charges, when they are directly attributable to acquisition of fixed assets;
- other costs directly attributable to acquisition, construction and manufacturing of fixed asset item and its bringing in compliance with the condition, in which it is fit for use (for example, travel expenses, unless they are directly attributable to acquisition of fixed assets).

Initial value of the fixed assets received free or identified as a result of the stock-taking is determined on the basis of assessment of such property in accordance with clause 8 and clause 20 of Section 250 of the TCRF.

Fixed assets acquired in the process of reorganization as spinning-off are included for accounting purposes at the depreciated value, which is defined based on the transferor's data at the date of reorganization.

Fixed assets received under the leasing agreement are included for accounting purposes at the redemption value, which is stipulated in the leasing agreement.

Original value of fixed assets varies in cases of further construction, further equipment, reconstruction, renovation, retooling, partial liquidation of respective facilities on other similar grounds as well.

3.3.3. Tax accounting of costs associated with creation of depreciable property is held in the tax accounting system and ensures inclusion of costs in the initial value of depreciable property under the rules of Section 25 of the TCRF.

3.4. Tax accounting of fixed assets

3.4.1. For tax purposes, the fixed assets which were included for accounting purposes, are included in an appropriate depreciation group, based on the useful life determined independently in accordance with the provisions of Section 258 of the TCRF on the basis of the resolution of the permanent commission and Order #1 of the RF Government dd. 01.01.2002 "On the classification of fixed assets included in depreciation groups". The useful life is recorded in the "Minutes of the Meeting of the Permanent Commission for Definition of the Useful Life of Fixed Assets (Newly Commissioned, Reconstructed, Renovated)".

As to new fixed assets, the useful life is determined at the level of the average indicator established by Order #1 of the RF Government dd. 01.01.2002 for a respective group

3.4.2. JSC "Moscow United Electric Grid Company" has the right to increase the useful life of an item of fixed assets after the date of its commissioning if its useful life grew after reconstruction, renovation and retooling of the item. The increase in the useful life of fixed assets may be effected by a decision of the permanent commission within the time limits established for the depreciation group this asset referred to earlier.

3.4.3. Depreciation of fixed assets is held on straight-line method.

3.4.4. Passenger cars and passenger minibuses with the initial value exceeding 600,000 rubles and 800,000 rubles, and 300,000 rubles and 400,000 rubles (for vehicles purchased prior to 1 January 2008) do not apply the special coefficient 0.5 as from 1 January 2009 (Section 27.2 of Federal Law #224-FZ dd. 26.11.2008). Reason: section 27.2

of Federal Law #224-FZ dd. 26.11.2008, letters #03-03-06/1/47, #03 -03-06/2/19 dd. 10.02.2009, #03-03-06/1/677dd. 05.12.2008 from the Ministry of Finance).

3.4.5. In respect of depreciable fixed assets used in work aggressive environments and (or) increased turnover, a special ratio applies to the main standard of depreciation 2 (Section 259.3 of the TCRF). This coefficient is applied in respect of the fixed assets, which were accepted for accounting before 01.01.2014.

3.4.6. Regarding depreciable fixed assets related to the items that have high energy efficiency in accordance with the list approved by the Government of the Russian Federation, a special ratio applies to the main standard of depreciation, which is approved by the General Director of the Company on each asset item (it does not exceed 2, Section 259.3 of the TCRF).

3.4.7. Amount of depreciation for tax purposes is determined on a monthly basis in the manner prescribed by Sec. 259, 259.1 and Sec. 322 of the TCRF. Depreciation is assessed separately for each fixed asset item.

3.4.8. Accrual of depreciation on newly commissioned fixed asset item begins on the 1st day of the month following the month in which the items were put into operation.

3.4.9. Accrual of depreciation on the fixed asset ceases on the 1st day of the month following the month in which the cost of such an item was completely written-off, or when the item retired from depreciable assets of JSC "Moscow United Electric Grid Company" for any reasons.

3.4.10. In case of acquisition of second-hand fixed assets, the Company determines the rate of depreciation on such property, taking into account useful life reduced by the number of years (months) of operation of this property by previous owners.

In this case, if the period of actual use of this fixed asset by their previous owners is equal to the useful life determined on the basis of decision #1 of the Government of the Russian Federation dd. 01.01.2002 "On classification of fixed assets included in depreciation groups", or exceeds this time limit, then the engineering commission set up by the Company (branch) determines the useful life of the asset independently, taking into account safety requirements and other factors.

3.4.11. In case of liquidation, reorganization of the Company, depreciation is accrued in a special order:

- liquidated, restructured entity assesses depreciation before the month of reorganization (inclusive).

- entity formed as a result of reorganization begins to charge depreciation on the property transferred to it as a result of the succession from the 1st day of the month following the month in which the state registration was performed.

Ground: Federal Law #158-FZ dd. 22.07.2008 (clause 5, Sec. 259 of the TCRF).

3.4.12. Accrual of depreciation on depreciable property in the form of capital investment in facilities of leased assets, which is subject to depreciation, is as follows:

- 1) for the lessor, it begins from the 1st day of the month following the month in which the property was put in service.

- 2) for the lessee, it starts from the 1st day of the month following the month in which the property was put into operation (ground: clause 3, Sec. 259.1 of the TCRF).

Company establishes the following procedure for determining the useful life of the capital investments made by the lessee with the lessor's consent, the cost of which is non-refundable.

When the capital investment in the leased property in accordance with the Classification of Fixed Assets is allocated by the Company as a separate inventory item, the lessee calculates depreciation of capital investments in the leased property at rates which do not depend on the useful life of the property, i.e. on the useful life of permanent improvements. In addition, depreciation may be charged before the expiration of the lease only.

3.4.13. The following items are not subject to depreciation:

- land and other environmental facilities (water, minerals and other natural resources);
- inventory stocks;
- goods;
- capital construction-in-progress;
- securities;
- financial instruments of futures.

3.4.14. The following fixed assets are excluded from depreciable property:

- those transferred (received) on free-of-charge use basis under agreements;
- those translated by the decision of the management of JSC "Moscow United Electric Grid Company" for preservation for more than three months;
- those in the process of reconstruction and renovation over 12 months under the decision of the management of JSC "Moscow United Electric Grid Company".

3.4.15. Branches of JSC "Moscow United Electric Grid Company", where the fixed assets items were transferred for preservation of more than three months, or put for reconstruction for more than 12 months, before transfer to the preservation or putting for reconstruction prepare a draft decision of the management of JSC "Moscow United Electric Grid Company" for transfer of the respective fixed asset to preservation or putting for reconstruction, which is signed by the Deputy Director General - Director of the branch, and submit it to the executive body.

3.4.16. Depreciation is not accrued on the fixed assets transferred for gratuitous use, starting from the 1st day of the month following the month in which the specified transfer took place. A similar procedure is used for the fixed assets transferred by the decision of the management of JSC "Moscow United Electric Grid Company" for preservation for more than three months, as well as fixed assets which are under reconstruction, renovation and retooling for more than 12 months under the decision of the management of JSC "Moscow United Electric Grid Company".

Upon the end of the effective period of the contract of uncompensated use and return of fixed assets, as well as return from preservation or completion of reconstruction, depreciation is assessed in the manner established by Section 25 of the TCRF, starting from the 1st day of the month following the month in which the assets of JSC "Moscow United Electric Grid Company" were returned, reconstruction was completed or return of the assets from preservation took place.

In the event of return of the assets from preservation, the useful life is extended for the period of the fixed asset preservation.

Sales and retirement of depreciable property.

3.4.17. Profit (loss) as a result of sale or retirement of depreciable assets is determined on the basis of analytical accounting for each item at the date of recognition of income (expense). Incomes and expenses accounting for depreciable property is performed item-by-item.

3.4.18. Profit derived from sale of depreciable property is included in the tax base in the accounting period in which the retirement of the property was carried out.

3.4.19. Loss as a result of sale of depreciable property is shown in the analytical accounts as other expenses. The generated loss is included in other expenses in equal shares over the period defined as a difference between the useful life of the property and the actual period of its operation before the sale.

3.4.20. Depreciated value of fixed assets when they are liquidated is related to non-operating expenses. In this case, the depreciated value of fixed assets is determined as a

difference between their initial value and the accumulated depreciation for the period of operation. As to the fixed assets, in respect of which depreciation premium was used previously, the indicator of the value at which the item was included in depreciation group (i.e. an amount equal to the difference between the value and depreciation premium included in expenses) is used instead of the indicator "initial value".

3.5. Tax accounting of intangible assets

3.5.1. Results of intellectual activity and other intellectual property (exclusive rights thereto) used in production of goods (performance of works, provision of services) or for administrative needs of JSC "Moscow United Electric Grid Company" for a long time (over 12 months) which are acquired and (or) created by JSC "Moscow United Electric Grid Company" are recognized to be intangible assets.

To recognize the intangible asset, the following is necessary: the ability to bring economic benefits (income) to the Company, and availability of properly registered documents proving the existence of the intangible asset and (or) the Company's exclusive right to intellectual property (including patents, certificates and other documents of title, contract of assignment (acquisition) of patent, trade mark).

3.5.2. Definition of the useful life of intangible assets is based on the effective period of the patent, and (or) out of other limitations on use of intellectual property in accordance with the Russian Federation laws or the law of a foreign country, and based on the useful life of the intangible assets in the respective agreements. For intangible assets in respect of which it is impossible to determine the useful life of the intangible assets, depreciation standards are set forth in reliance to ten years (but not more than the period of the taxpayer's activities).

Regarding the intangible assets referred to in subparagraphs 1 - 3, 5, 6, of paragraph 3 clause 3 Section 257 of the TCRF, the useful life is determined by the Company itself, but not less than two years.

3.5.3. Depreciation of intangible assets is accrued on the straight-line method based on the standards calculated on the basis of the established useful lives.

Amount of depreciation for tax purposes is determined on a monthly basis in accordance with Article 259 of the TCRF. Depreciation is charged separately for each item of intangible assets. Depreciation of intangible assets begins from the 1st day of the month following the month in which this item was put into operation. Depreciation of intangible assets on the item is terminated as from the 1st day of the month following the month when complete write-off the value of such an item was held, or when the item retired from the intangible assets of JSC "Moscow United Electric Grid Company" for any reasons.

3.5.4. Initial value of depreciated intangible assets is determined as the sum of the expenses for their acquisition (creation) and bringing them in compliance with the condition in which they are fit for use, with the exception of taxes, accounted for as expenses in accordance with the TCRF.

Value of intangible assets created by JSC "Moscow United Electric Grid Company" is defined as the sum of the actual expenses for their creation, production (including material costs, labor costs, cost of outsourcing, patent fees associated with obtaining of patents, certificates), excluding the value added tax and excise taxes.

3.5.5. Results of intellectual property and other intellectual property items for tax purposes are not related to the property (clause 2 of Section 38 of the TCRF, Sec. 128 of the RF Civil Code), so they should also be taken into account as part of depreciable property regardless of their value (letter #04-2-05/2 from the Federal Tax Service of Russia dd. 27.02.2006 "On the order of application of certain provisions of the Tax Code of the Russian Federation").

If the Company obtains exclusive rights to the results of intellectual activity as a result of expenses incurred on research and (or) development activities, which are referred

to in clause 3 of Sec. 257 of the Code, these rights are recognized as intangible assets and are subject to depreciation in accordance with clause 2 of Sec. 258 of the Code and in accordance with clause 5, Sec. 258 of the Code.

3.5.6. Those acquired rights to intellectual property and other intellectual property items are not subject to depreciation, if the contract for acquisition of these rights stipulates periodic payment during the effective period of this contract.

3.5.7. Expenses related to acquisition of the right to use computer software and databases under contracts with the copyright holder (license agreements), as well as the expenses on acquisition of the exclusive rights to software valued at less than 40,000 rubles are included for accounting purposes on a non-recurring basis as other expenses (paragraph 26, clause 1 of Sec. 264 of the TCRF).

3.6. Tax accounting of inventory stocks

3.6.1. Value of raw materials and other material is determined on the basis of their purchase prices (excluding tax amounts to be deducted or included in expenses, in accordance with the TCRF), including the commissions paid to the intermediary entities, import duties and taxes, transportation costs and other costs associated with acquisition of raw and other materials.

3.6.2. Raw materials value does not include:

expenses in the form of interest on debt instruments of any kind taken for the purpose of purchasing raw materials;

costs as a sum difference arising if the amount of liabilities and claims incurred, which is calculated at the exchange rate of the conventional monetary units set by the agreement between the parties on the date of posting raw and other materials do not correspond to the amount actually paid in rubles.

Expenses specified in this paragraph are included in non-operating expenses.

3.6.3. Value of raw and other materials, spare parts, components, semifinished products and other material assets of its own production, as well as the value of the results of the works or services of own production are included in material expenses and defined as the value of finished products in accordance with Section 319 of the TCRF.

3.6.4. In determining the amount of operating expenses when writing off raw materials used in production (manufacturing) of goods (performance of works provision of services), the method of valuation at the average prime cost is applied.

3.6.5. Company includes incomes in the form of the value into non-operating income at the market value: the value of inventory stocks, other assets in the form of surplus identified in the process of stock-taking, and (or) property derived from dismantling or demolition of decommissioned fixed assets, as well as repairs, renovation, retooling, reconstruction, partial liquidation of fixed assets in the full amount of their value, and when selling or otherwise disposing of such property (previously included in non-operating income), the Company includes in records the entire amount of income that was previously recognized in income as expenses in order to assess the tax.

3.6.6. Value of goods is determined on the basis of their purchase price (excluding tax amounts to be deducted from or included in the costs, in accordance with the TCRF), including the commissions paid to the intermediary entities, import duties and taxes, transportation costs and other costs associated with acquisition of goods.

3.6.7. Price of the goods does not include:

expenses in the form of interest on debt instruments of any kind taken for the purpose of purchasing goods;

expenses as a sum difference arising if the sum of liabilities and claims incurred, calculated at the exchange rate of conventional monetary units set by agreement between the parties on the date of posting the goods does not correspond to the amount actually paid in rubles.

Expenses specified in this paragraph are included in non-operating expenses.

3.7. Tax accounting of expenses

3.7.1. Expenses of JSC "Moscow United Electric Grid Company" are defined based on primary documents and records of tax accounting, which is held in accordance with this Regulation.

3.7.2. In determining the expenses which reduce the income of JSC "Moscow United Electric Grid Company", their confirmation by documents and economic feasibility are checked obligatorily.

3.7.3. Expenses confirmed by documents mean expenses confirmed primary accounting documents drawn up in accordance with the legislation of the Russian Federation.

Confirmation of expenses by documents represents primary accounting documents executed not only in accordance with the legislation of the Russian Federation, but also the documents drawn up in accordance with customary business practices applicable in the foreign country in which the expenses were incurred, and (or) the documents indirectly supporting the expenses incurred (including customs declaration, order on the business trip, travel documents, report on the work performed under the contract) (ground: clause 1, Sec. 252 of the TCRF);

3.7.4. Expenses of JSC "Moscow United Electric Grid Company", with the exception of expenses which are not included for taxation purposes in accordance with Sec. 270 of the TCRF, are divided into:

- expenses associated with production and sale.

Main types of the Company activity are the following types of services:

- a) provision of services of transmission and distribution of electricity through distribution grids;
- b) provision of services of grid connection of energy receiving devices (energy units) of legal entities and individuals to electric grids.

Since the Company is involved in provision of services, there are no rests of production-in-process.

- a) – non-operational expenses.

3.7.5. Expenses of production and sales incurred during the reporting (tax) period are divided into:

direct, indirect.

3.7.6. For tax purposes of tax accounting, direct expenses (included in records at the places of costs incurring (PCI) of accounts 20, 23, 25) include:

- material costs determined in accordance with Sec. 254 of the Code;
- remuneration expenses for the personnel involved in production of goods, performance of works and provision of services;
- insurance premiums to non-budgetary funds, calculated in respect of the amount of labor costs, as well as insurance premiums against industrial accidents and occupational diseases;
- amount of accumulated depreciation on fixed assets used in production of goods, performance of works and provision of services.

3.7.7. Direct expenses related to a specific activity (including labor expenses of employees engaged in a particular activity, depreciation of fixed assets used in a particular kind of activity) for tax purposes are included in the expenses of the corresponding activity in the manner adopted by the JSC "Moscow United Electric Grid Company" for the purposes of accounting of such expenses.

Expenses in the form of services received for grid connection of the Company's energy receivers to grids of adjacent entities participating in the scheme of "one contact" are written off by the Company to the expenses reducing the tax base on the income tax in the reporting (tax) period in which the works completed certificate was signed with the end

user. At the same time, the expense structure of the Company includes the amount of the above expenses, which corresponds to the incomes received from the end-user.

3.7.8. Indirect expenses (included in records at the places of costs incurring (PCI) of accounts 20, 23) include:

- all other amounts of expenses for production and sales, i.e. which are not shown in clause 3.7.6 of this accounting policy, except for the non-operating expenses and expenses which are not included in records for tax purposes in accordance with Section 270 of the TCRF;

- expenses recorded at the places of costs incurring (PCI) of account 25 and 26 in full, which are formed in book-keeping records.

3.7.9. Non-operating expenses include confirmed costs for activities which are not related to production and sales directly. Non-operating expenses structure is formed in accordance with Section 265 of the TCRF.

3.7.10. Structure of expenses which are not included in records for tax purposes is formed in accordance with Section 270 of the TCRF.

3.7.11. Expenses included for tax purposes subject to the provisions of Section 25 of the TCRF shall be recognized as such in the reporting (tax) period they are related to, regardless of the time of actual payment of money and (or) any other form of their payment.

3.7.12. Dates of recognition of specific expenses are included in records in accordance with Section 272 of the TCRF.

Expenses associated with acquisition of software products and databases, expenses for property insurance, and other prepaid expenses are allocated to the appropriate number of the reporting (tax) periods on the basis of the contract terms. If contract terms do not tie the occurrence of specific expenses with a reporting (tax) period, expenses are written off evenly on the basis of the useful life of the property defined by the permanent commission for definition of useful lives.

3.7.13. Expenses (costs) for tax purposes are formed at the actual place of expenses incurring: of the executive body and branches of JSC "Moscow United Electric Grid Company".

3.7.14. Amount of indirect expenses for production and sales incurred in the reporting (tax) period in full is referred to the expenses of the current reporting (tax) period, subject to the requirements stipulated by the TCRF.

3.7.15. Costs included in expenses are included in records in accordance with this Regulation, taking into account the limiting standards and allowances established by the TCRF for individual items of expenditure or limiting standards forth set by JSC "Moscow United Electric Grid Company".

3.7.16. Expenses for purchase of land plots are included in records in the amount of 30% of the tax base of the previous financial period. In this case, the amounts of expenses on acquisition of land plot rights recognized in the previous year are excluded from tax base (paragraph 3 subcl. 1 cl. 3 Sec. 264.1 of the TCRF). Accounting for expenses is performed in the relevant accounting (tax) period till full recognition of the whole amount of costs.

3.7.17 Sum difference is recognized to be expense:

- in the event of sale of goods (works, services), property rights - at the date of repayment of receivables for sold goods (works, services), property rights, and in the event of advance payment - at the date of sale of goods (works, services), property rights;

- in the event of purchase of goods (works, services), property rights - at the date of repayment of payables for goods (works, services), property, property or other rights, and in the event of advance payments - at the date of acquisition of goods (works, services), property, property or other rights (cl.9 Art.272 of the TCRF).

3.7.18. Expenses for repairs of fixed assets are recognized for tax purposes in the amount of actual costs for that reporting (tax) period in which they are incurred. Expenses

for repairs of fixed assets are accounted for on the basis of the data included in the accounting registers.

3.7.19. Expenses in the form of lease payments for leased property are recognized for tax purposes at the date of their showing in book-keeping records, but not later than the last date of the month they are related to, taking into account the principle of equitable and proportionate formation of expenses.

3.7.20. Expenses in the form of financial lease payments for the property taken on financial lease are recognized for tax purposes at the date of their showing in book-keeping records, but not later than the last date of the month they are related to, in the amount provided for by the schedule of charging financial lease payments under the contract.

3.7.21. Tax accounting of swaSection

Hedging transactions (cl.5 sec.301) are transactions with financial instruments of futures made in order to compensate potential losses arising from adverse changes in price or another indicator of the hedged item, and hedged assets are assets and (or) liabilities and cash flows associated with these assets and (or) liabilities or anticipated transactions.

To confirm reasonableness of inclusion of financial instruments of futures in hedging transactions, the Company makes a calculation confirming that completion of such transactions leads decrease in the amount of potential losses on the transactions with hedge items.

Incomes on such transactions with financial instruments of futures increase, and expenses reduce the tax base on other transactions with hedge items (cl.5 sec.304).

In accordance with clause 6.2 of section VI of the Procedure for Filling-in Tax Return Forms on Income Tax (order #54n of the Russian Ministry of Finance dd. 05.05.2008) the Company shows non-operating incomes derived from hedging transactions when filling in line 100.

Expenses on hedging transactions are recognized in line 200 of the Declaration (Section VII of the Procedure for Filling-in of Appendix #2 to Sheet 02 "Expenses associated with production and sales, non-operating expenses and losses equated to non-operating expenses")

Company performs tax accounting of swap transactions proceeding from presentation of the exchange swap transactions as two transactions:

- cash transaction with immediate execution (initial exchange of payments or the first part of the currency swap)
- futures transaction (final exchange of payments or the second part of the currency swap).

Labor expenses

3.7.22. For tax purposes, labor expenses are included in records, except for the amounts of contributions under the compulsory and voluntary insurance contracts concluded in favor of employees on the basis of bookkeeping data. The value of these contributions accepted for the purposes of taxation is calculated in tax ledgers.

Labor expenses include all charges to employees of JSC "Moscow United Electric Grid Company" complying with the provisions of Sec. 255 of the TCRF and prescribed by orders and other administrative documents of JSC "Moscow United Electric Grid Company", adopted provisions in accordance with them in the branches and in the executive body, as well as collective and labor agreements.

3.7.23. Labor expenses also include the expenses for labor payment of the persons who are not included in the regular staff of the entity, for performance of works under civil contracts.

3.7.24. Labor expenses recognized for tax purposes do not include expenses named in section 270 of the TCRF.

3.7.25. For tax purposes, labor expenses are recognized monthly based on the amount of accrued expenses on labor remuneration for a respective period.

Tax accounting of other indirect expenses associated with production and sale

3.7.26. Indirect expenses include expenses for R&D for compulsory and voluntary property insurance and other expenses defined by sec. 263 of the TCRF. The composition of costs included in indirect expenses is determined in accordance with sec. 262, 263 and sec. 272 of the TCRF and other legislative acts of the Russian legislation on taxes and levies.

3.7.27. Capital expenses in respect of fixed assets related to the first, second, eighth, ninth and tenth depreciation groups as well as in respect of fixed assets, which as of 1 January 2002 were identified as a separate group in the amount of 10 percent and as to the third, fourth, fifth, sixth and seventh depreciation groups - in the amount of 30 percent of the initial value of fixed assets (with the exception of fixed assets received free of charge), and (or) the expenses incurred in the event of further construction, further equipment, renovation, retooling, reconstruction, partial liquidation of the groups of fixed assets are included in the expenses of the reporting (tax) period (ground: clause 9 sec. 258 TCRF).

In the case of sale of fixed assets to an affiliate earlier than upon five years from the date of its putting into operation, in respect of which the provisions of the first paragraph of this clause were applied, the amounts of expenses included in the expenses of the next reporting (tax) period shall be subject to restoration and included in the tax base on the income tax (Federal Law #224-FZ dd. 26.11.2008).

Tax accounting of expenses for researches and (or) development activities

3.7.28. Expenses on research and (or) development activities are recognized by the Company as expenses related to creation of new or improvement of produced products (goods, works and services), creation of new or improvement of applied technologies, methods of production and management. Company refers expenses provided for in cl. 2 of sec. 262 of the TCRF to expenses for research and (or) development activities.

3.7.29. As from 01.01.2012, the Company includes expenses for research and (or) development activities regardless of the result of relevant research and (or) development activities in other expenses in the reporting (tax) period in which such research or development was completed (individual phases were completed).

3.7.30. In case of incurring expenses on research and (or) development activities on the list of research and (or) development elaborations set by the Government of the Russian Federation, the Company includes these expenses in other expense in the reporting (tax) period in which such research or development was (individual stages of work were) completed, in the amount of actual costs using coefficient 1.5.

3.7.31. If as a result of expenses incurred on research and (or) development activities the Company obtains exclusive rights to the results of intellectual activity referred to in clause 3 of section 257 of the TCRF, these rights are recognized as intangible assets that are subject to depreciation.

3.8. Tax accounting of incomes

3.8.1. Incomes of JSC "Moscow United Electric Grid Company" included for income taxation purposes, are determined on the basis of primary documents and data of tax accounting, which is held in accordance with this Regulation; documentary confirmation of the incomes is not only primary accounting documents, but also other documents, such as civil contracts, quotes, exchange rates of the Central Bank of Russia, MICEX, other documents proving income, (ground: subclause 2, clause 1, sec. 248 of the TCRF);

3.8.2. In order to assess the income tax, all incomes of JSC "Moscow United Electric Grid Company" are divided into two groups:

- sales incomes;
- non-operating incomes.

3.8.3. When incomes are determined, amounts of those taxes are excluded from them, which are imposed under the TCRF by JSC "Moscow United Electric Grid Company" on purchaser (acquirer) of goods (work, services, property rights).

3.8.4. Incomes are recognized in the reporting (tax) period in which they occur, regardless of the actual receipt of money or other assets (works, services) and (or) property rights.

3.8.5. In respect of incomes as a results of capacity connection to the grid, the date of receipt of income would be the date of signing of the certificate on the performed connection of consumer (letter #03-0304/1/674 of the Ministry of Finance of Russia dd. 28.09.2006).

3.8.6. In respect of sales incomes, the date of the receipt of income is the date of sale of goods (work, services, property rights), as determined in accordance with clause 1 of Section 39 of the TCRF (the date of transfer of ownership), regardless of the actual receipt of money (or other assets (works, services) and (or) property rights) for their payment. Sale of goods (works, services) on the commission agreement (agency agreement), JSC "Moscow United Electric Grid Company" acting as a consigner (principal) recognizes the date of selling the property (property rights) belonging to the consigner (principal), which is specified in the notice of the commission agent (agent) on sale and (or) in the report of the commission agent (agent) as the date of receipt of sales income.

The date of sale of immovable property is the date of transfer of immovable property to the purchaser of the property under the transfer certificate or another document of immovable property transfer.

3.8.7. Date of receipt of non-operating incomes is determined by the Company in the manner prescribed by clause 4 of Section 271 of the TCRF.

3.8.8. Incomes as a result of sales are determined by activity types: if the activity stipulates another taxation procedure, a different tax rate is applied, or a different order of accounting of incomes and losses arising from the activity is applied.

3.8.9. For tax purposes, fixed assets sales incomes and other assets (excluding securities, the income from the sale of which is determined in accordance with the Tax Code) are accounted for on the basis of accounting data, taking into account the provisions of Sec. 40 of the TCRF.

Incomes as a result of leasing out property are recognized for tax purposes in the amount payable for the reporting (tax) period in accordance with the terms of contracts, taking into account the principle of equitable and proportionate formation of incomes and expenses. These incomes are recognized in the tax records at the day of their showing in accounting, but not later than on the last date of the month which are related to.

3.8.10. Sum difference is recognized as income:

in the event of sale of goods (works, services), property rights - at the date of repayment of receivables for sold goods (works, services), property rights, and in the event of advance payment - at the date of sale of goods (works, services), property rights;

in the event of purchase of goods (works, services), property rights - at the date of repayment of payables for goods (works, services), property, property or other rights, and in the event of advance payments - at the date of acquisition of goods (works, services), property, property or other rights (cl.7 Art.271 of the TCRF).

Sum differences in tax accounting are shown in the structure of non- operating incomes.

3.9. Procedure for accounting of incomes and expenses as a result of leasing out property

Incomes as a result of leasing out property are recognized for tax purposes as sales incomes. The expenses associated with leasing out the relevant property are recognized

for tax purposes as the expenses associated with production and sale (clause 4 of Sec. 250 of the TCRF, subclause 1 of clause 1 of Sec. 265 of the TCRF).

3.10. Tax accounting of securities

3.10.1. Value of securities is determined on the basis of their purchase price, including the expenses for their purchase. Expenses in connection with sale (or another retirement) of securities are determined based on the value of securities, costs of sale, amount of accrued interest (coupon) yield paid by JSC "Moscow United Electric Grid Company" to the seller of the securities. In this case, the expenses do not include the amount of accumulated interest (coupon) yield previously included for taxation purposes. In the event of sale or another retirement of securities written off to expenses is defined based on the value of the unit.

3.10.2. Tax accounting of promissory notes

Expenses for manufacturing or purchase of blank notes are recorded as non-operating expenses (subcl.3 cl. 1 Sec. 265 of the TCRF). Interest (discount) expenses are recognized evenly over the life of the note in the non- operating expenses subject to the limitations set forth in this provision on the basis of Section 269 of the TCRF, and shall be included in the tax base of each month at the end of the month of the reporting period (cl. 8 of Sec. 272 of the TCRF).

As to the discount notes with the maturity "on demand", the expense (discount) is determined as from the date of the bill drawing up, that is the period of promissory notes circulation is considered equal to 365 (366) days.

To calculate the discount on the notes with the maturity "no sooner than on demand", the expected period of the note circulation is used as a period of circulation, based on which the discount at the end of the month of the respective reporting period is determined, which is defined in accordance with the promissory notes laws (365 (366) days plus the period from the date of the note drawing up to the minimum date of its demand for payment). If the note is presented for payment before the expiration of the year as from the date specified as "no sooner", the amount of discount that is not taken into account by the specified date as expenses is included in the expenses for profit taxation purposes on a non-recurrent basis.

3.11. Tax accounting of interest on debt obligations

Interest expenses on debt obligations are included in non-operating expenses regardless of the nature of the issued credit or loans (current and / or investment).

Under the loan agreements and other similar agreements (other debt obligations, including securities), the validity of which exceeds one reporting period, the expense is recognized and included in the relevant expenses at the end of the month of the reporting period.

Company determines that the maximum amount of interest recognized in expenses is assumed equal to the product of the rate of refinancing the Central Bank of the Russian Federation, and the coefficient determined by Sec. 269 of the Tax Code.

Procedure for calculating the maximum amount of interest is set out in clauses 1 and 1.1 of Section 269 of the TCRF. If the actual amount of interest on a particular debt obligation is lower than the specified limit, the interest is fully taken into account for tax purposes, if it is higher - a part of the interest in excess of it is not included in the tax base on income tax.

In respect of the debt obligations (loans, credits in rubles) with a fixed interest rate which do not contain provisions for change in interest rates during the period of the debt obligation, then the rate of refinancing of the Bank of Russia effective as at the date of borrowing is applied for calculation of the maximum level of interest (during the whole period of such debt obligation).

The above procedure also applies to the interest on the promissory notes, and the interest on the note to calculate the maximum amount of interest includes the percentage of annual income specified in the note and discount, which is produced by the issuer of the

note as the difference between the repurchase (redemption) price and selling price of the note.

3.12. Reserves

3.12.1. Reserve for doubtful debts.

Reserve for doubtful debts is not created.

Writing-off of debts recognized as uncollectible in accordance with Section 266 of the TCRF is carried out based on actual costs.

3.12.2. Reserve for future expenses for fixed assets repairs.

Reserve for future expenses for fixed assets repairs is not created.

Repair expenses are recorded based on actual costs.

3.12.3. Reserve for future expenses for vacation payments.

Reserve for future expenses for vacation payments is not created. The expenses for vacation payments are recorded based on actual costs.

3.12.4. Reserve for payment of annual long-service award.

Reserve for payment of annual long-service award is not created. Expenses for payment of annual long-service award are recorded based on actual costs.

3.12.5. Reserve for future expenses for research and (or) development activities.

Reserve for future expenses for research and (or) development activities are not created.

3.13. Procedure for calculation of income tax

3.13.1. During the reporting (tax) period (quarter), JSC "Moscow United Electric Grid Company" makes monthly advance payments on income tax. Monthly advance payments are made in equal installments of one-third of the actual quarterly advance payment for the quarter preceding the quarter in which monthly advance payments are made.

3.13.2. Advance payments and payments of amount of tax to be credited with the budgets of the entities of the Russian Federation are made at the place of location of JSC "Moscow United Electric Grid Company" and at the place of the location of each responsible unit. The amount of tax payable to the budget of the Russian Federation is determined based on the share of profit, calculated out of the set of the indicators of standalone divisions in the territory of the Russian Federation entity.

Share of profit attributable to these standalone divisions is defined as the arithmetic mean of the share of the average number of employees and share of the average net book value of depreciable assets of JSC "Moscow United Electric Grid Company" and these standalone divisions for the reporting (tax) period.

3.13.3. Responsible standalone divisions of the Company, which liable for payment of income tax:

997450001 JSC "Moscow United Electric Grid"

503602002 Southern Electric Grids - the branch of JSC "Moscow United Electric Grid Company"

331632001 Long-distance group, S #183

331132001 Zagorsk group of electric grids S #296 Gorlovo

400732001 Building of SCC (substation control center) #538 Losevo

4. Value added tax

4.1. Payment of VAT to the federal budget is made centrally by the executive body of JSC "Moscow United Electric Grid Company".

4.2. The earliest of the following dates shall be considered to be the moment of determining the tax base for VAT (except for meeting the conditions stipulated by subcl. 3, 7 - 11, 13 - 15, Sec. 167 of the TCRF):

- 1) date of shipment (transfer) of goods (works, services), property rights;
- 2) date of payment or partial payment for future delivery of goods (works, services), property rights (clause 1 of Sec. 167 of the TCRF).

If goods are not shipped or are not transported, but transfer of ownership to this product takes place, such a transfer of ownership for the purposes of VAT assessment is equal to its shipment (clause 3 of Sec. 167 of the TCRF).

Moment of determining the tax base on VAT for construction and installation work for own consumption is the last day of each tax period (cl. 10 of Sec. 167 of the TCRF).

If the moment of definition of the tax base is the date of payment or partial payment of future deliveries of goods (works, services) or the date of transfer of property rights, then the moment of definition of the tax base also arises on the day of shipment of goods (works, services) or on the date of transfer of property rights in respect of previously received payment, partial payment (cl. 14 of Sec. 167 of the TCRF).

4.3. Data on value-added tax from branches are shown on a monthly basis in account 68 "Settlements with budget" on a separate sub-account on the basis of letters of advice received from respective branch together with monthly calculation of the tax, which is an internal document of the Company. Based on the results of the tax period (quarter since 2008) branches provide a consolidated tax calculation. Tax return is filed by the executive body of the Company as a whole on the Company for the tax period.

Amounts in letters of advice are specified in rubles and kopecks.

4.4. Procedure for compiling and processing of invoices, purchase ledger, sales ledger is governed by applicable law.

Invoices, log books of received and issued invoices, purchase and sales ledgers are compiled in the forms approved by the RF Government (cl.8 of Sec. 169 of the Code).

When selling goods (works, services), property rights through standalone divisions, the serial number of invoices through slash is complemented with the digital index of the standalone division in the process of preparation by such standalone divisions of invoices.

Company uses the following digital codes of standalone divisions:

- 20 JSC "MOESK"
- 21 branch HVCG
- 22 branch MCG
- 23 branch CEG
- 24 branch EEG
- 25 branch WEG
- 26 branch NEG
- 27 branch SEG
- 28 Energouchet
- 29 New Moscow

By mutual consent of the parties of the transaction and presence of joint hardware, the invoice can be issued either as a hard copy or in the electronic form (cl. 1 Sec. 169 of the Code).

If the state (municipal) property is leased out, JSC "Moscow United Electric Grid Company" pays income to the public authority (local government) and acts as a tax agent for the value added tax. In such a manner it issues the invoice for itself in a single copy which shall be stored in JSC "Moscow United Electric Grid Company".

One invoice is issued for the tax period (month), dated by the last day of the current month for the total amount of lease payment transferred in this month.

Ledgers of received and issued invoices, purchase and sales ledgers are maintained by the branches and are numbered using an index that corresponds to the code of the branch. The logs of registration of invoices issued and received, as well as books of purchases and sales are stored directly in the branches.

4.5 Company keeps separate accounting for VAT in accordance with the Methodology for purchased goods (works, services) used to carry out both taxable and non-taxable transactions regarding VAT, provided that the share of total expenditure for acquisition, production and (or) sale of goods (works and services), property rights transactions of sale of which are not subject to tax, exceeds 5% of the total value of the total expenses for acquisition, production and (or) sale of goods (works, services), property rights. The procedure is an integral part of the Company's accounting policy.

5. Corporate property tax

Tax accounting of corporate property tax is performed centrally under Section 30 of the TCRF.

Taxation item is real estate being on the balance sheet of JSC "Moscow United Electric Grid Company" as fixed assets in accordance with established procedures of accounting, as well as movable property included for accounting purposes as fixed assets before 01.01.2013.

Land plots, other environmental items (bodies of water and other natural resources), movable property registered since 1 January 2013 as fixed assets are not recognized as taxation items.

For the purpose of correct application of privileges and tax rates on property tax, the executive body of JSC "Moscow United Electric Grid Company" and the branches of JSC "Moscow United Electric Grid Company" maintain separate accounting records for the property subject to any discounts, as well as property to be taxed at different tax rates in accordance with the current legislation on corporate property tax.

Structure of property items which is taken for accounting purposes to reduce the value of the property assessed for tax purposes, in accordance with Section 381 of the TCRF, and taxed at the reduced tax rates in accordance with clause 3 of Section 380 of the TCRF is determined by the permanent commission of the branch (executive body) and recorded in the minutes of the commission meeting.

To calculate the property tax, the branches of JSC "Moscow United Electric Grid Company" provide estimates and lists of property that are taken into account to reduce the value of the property, calculated for tax purposes, as well as lists of property taxed at lower tax rates in the period under the order of the General Director of the Company.

Corporate property tax is distributed and paid to the budget at the location of JSC "Moscow United Electric Grid Company", location of branches and location of each of the immovable property situated outside the location of JSC "Moscow United Electric Grid Company" or outside the location of branches in accordance with Sections 383, 384, 385 of the TCRF.

6. Insurance payments to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, Federal Compulsory Medical Insurance

As from 1 January 2010, in accordance with Federal Law #212-FZ dd. 24.07.2009 "On the insurance payments to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, Federal Compulsory Medical Insurance", insurance payments to the state non-budgetary funds are introduced instead of the uniform social tax.

Insurance payments are not tax payments.

Basis for calculating of insurance payments is the amount of payments and other fees recognized to be taxation items.

Basis for calculation of insurance payments is determined separately for each individual by the accrual method as from the beginning of the settlement period upon the end of each calendar month.

Benefits and other remuneration charged by taxpayers for the benefit of individuals on labor and civil contracts, the subject of which is performance of works and provision of services, as well as copyright agreements are recognized as taxation items in calculation of insurance payments (Section 7 of Federal Law #212-FZ).

Date of the payments and other benefits to employees (other individuals) is the day of their accrual.

Limiting value of the base for assessment of insurance payments in respect of each individual is subject to annual indexation in line with the growth of the average wage in Russia.

Limiting value for assessment of insurance payments in respect of each individual in 2014 shall not exceed 624,000 rubles by the accrual method as from the beginning of the settlement period (Government Decree #1101 dd. 30.11.2013).

Branches independently produce assessment and implementation of insurance payments separately in respect of the Pension Fund, federal mandatory health insurance fund, as well as Federal Compulsory Medical Insurance Fund, and submit calculations on accrued and implemented insurance payments in the manner prescribed by Sec. 15 of Federal Law #212- FZ.

Branches, which include standalone divisions, calculate and make the payments for divisions centrally at the place of their location.

Calculation of the tax base for each individual is made on the accrual basis as from the beginning of the year. If, during the tax period, an individual moves from one branch of JSC "Moscow United Electric Grid Company" to the other, the limiting value of the base for the calculation of insurance payment in respect of each individual shall not exceed 624,000 rubles in 2014 as from the beginning of the settlement period from the tax base calculated taking into account payments on all divisions.

Implementation of insurance payments to social funds is made:

- in respect of payments of the branch and its structural divisions - by the branch;
- in respect of payments of the executive body - by the executive body.

7. Individual income tax

Calculation and payment of individual income tax is carried out in accordance with the laws governing calculation and payment of individual income tax.

Company accounts for income derived from it by individuals in the tax period, tax deductions provided to individuals,, calculated and withheld taxes in the tax ledger.

Tax ledgers are maintained at the place of payment of income in the Company's branches and in the executive body.

Appendices

1. Methods of separate accounting on VAT.

2. Tax ledgers.

- check ledger of tax accounting

- tax ledger "Reporting data for income tax calculation"

- tax ledger (currency swap - futures transaction)

- tax ledger (interest rate swap)

- Minutes of the meeting of the permanent commission for definition of useful lives of fixed assets

- tax ledger of R&D expenses tax accounting

- reference note on movable and immovable property

- card of tax accounting of transactions with depreciable property

- tax ledger in respect of accounting of incomes obtained by individuals in the tax period, tax deductions submitted by individuals, charged and withheld taxes.

Chief Accountant – director of department

V.V. Vitinsky