

**E.ON RUSSIA GROUP  
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
PREPARED IN ACCORDANCE WITH IAS 34, INTERIM FINANCIAL REPORTING**

**30 JUNE 2015**

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## ***Report on Review of Condensed Consolidated Interim Financial Information***

To the Shareholders and Board of Directors of Open Joint Stock Company E.ON Russia (OJSC E.ON Russia)

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of OJSC E.ON Russia and its subsidiaries (the "Group") as of 30 June 2015 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### **Scope of Review**

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

### **Conclusion**

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

12 August 2015

Moscow, Russian Federation

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

	Note	At 30 June 2015	At 31 December 2014
		Unaudited	Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	104,837,181	102,996,512
Goodwill	4	499,082	499,082
Other intangible assets	4	1,176,575	1,164,972
Long-term financial assets	6	24,378	55,743
Other non-current assets		915,116	780,272
<b>Total non-current assets</b>		<b>107,452,332</b>	<b>105,496,581</b>
<b>Current assets</b>			
Cash and cash equivalents		9,849,050	13,100,785
Accounts receivable and prepayments	8	4,849,279	5,983,083
Inventories	7	2,470,637	2,149,539
Short-term financial assets	9	8,733,670	919,055
Current income tax prepayments		1,697,907	50,362
Assets held for sale		13,898	-
<b>Total current assets</b>		<b>27,614,441</b>	<b>22,202,824</b>
<b>TOTAL ASSETS</b>		<b>135,066,773</b>	<b>127,699,405</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		25,219,482	25,219,482
Share premium		40,052,405	40,052,405
Other reserves	13	1,746,874	2,018,724
Retained earnings		34,362,474	45,177,717
<b>Total equity attributable to shareholders of OAO E.ON Russia</b>		<b>101,381,235</b>	<b>113,468,328</b>
Non-controlling interest		562,138	525,854
<b>Total equity</b>		<b>101,943,373</b>	<b>113,994,182</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		6,376,511	5,698,608
Pension liabilities		724,984	660,616
Other non-current liabilities	4	271,875	271,872
<b>Total non-current liabilities</b>		<b>7,373,370</b>	<b>6,631,096</b>
<b>Current liabilities</b>			
Accounts payable and accruals	14, 18	23,941,397	6,127,313
Income tax payable		-	5,536
Taxes payable other than income tax		1,808,633	941,278
<b>Total current liabilities</b>		<b>25,750,030</b>	<b>7,074,127</b>
<b>Total liabilities</b>		<b>33,123,400</b>	<b>13,705,223</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>135,066,773</b>	<b>127,699,405</b>

Approved and signed

12 August 2015

General Director

M.G. Shirokov

Financial Director

U. Backmeyer

**E.ON Russia Group**  
**Condensed Consolidated Interim Statement of Comprehensive Income**  
(RUB thousand)

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
		Unaudited	Unaudited
Revenues	10	35,823,560	39,255,038
Operating expenses	11	(30,492,139)	(30,505,251)
Other operating income		1,171,325	118,384
<b>Operating profit</b>		<b>6,502,746</b>	<b>8,868,171</b>
Finance income	12	823,152	1,149,770
Finance expense	12	(127,274)	(78,949)
<b>Profit before income tax</b>		<b>7,198,624</b>	<b>9,938,992</b>
Income tax charge	15	(1,443,567)	(1,961,859)
<b>Profit for the period</b>		<b>5,755,057</b>	<b>7,977,133</b>
<b>Profit for the period attributable to:</b>			
Shareholders of OAO E.ON Russia		5,686,614	7,946,926
Non-controlling interest		68,443	30,207
<b>Profit for the period</b>		<b>5,755,057</b>	<b>7,977,133</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale financial assets revaluation		610	4,455
Reclassification of cash flow hedge gain to profit and loss		(222,506)	(69,672)
Gain from cash flow hedge		(49,954)	38,606
<b>Total items that that may be reclassified subsequently to profit or loss</b>		<b>(271,850)</b>	<b>(26,611)</b>
<b>Total comprehensive income for the period</b>		<b>5,483,207</b>	<b>7,950,522</b>
<b>Comprehensive income attributable to:</b>			
Shareholders of OAO E.ON Russia		5,414,764	7,920,315
Non-controlling interest		68,443	30,207
<b>Earnings per ordinary share for profit attributable to the shareholders of OAO E.ON Russia – basic and diluted (in Russian roubles)</b>	16	0,090	0,126

**E.ON Russia Group**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
(RUB thousand)

	Attributable to shareholders of OAO E.ON Russia						Total equity
	Ordinary share capital	Share premium	Other reserves	Retained earnings	Total	Non – controlling interest	
<b>At 1 January 2014 (Audited)</b>	<b>25,219,482</b>	<b>40,052,405</b>	<b>721,407</b>	<b>53,290,789</b>	<b>119,284,083</b>	<b>62,908</b>	<b>119,346,991</b>
Profit for the period	-	-	-	7,946,926	<b>7,946,926</b>	30,207	7,977,133
Other comprehensive income:							
Available-for-sale financial assets revaluation	-	-	4,455	-	4,455	-	4,455
Loss from cash flow hedge	-	-	38,606	-	38,606	-	38,606
Reclassification of cash flow hedge gain to profit and loss	-	-	(69,672)	-	(69,672)	-	(69,672)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>(26,611)</b>	<b>7,946,926</b>	<b>7,920,315</b>	<b>30,207</b>	<b>7,950,522</b>
Acquisition of subsidiary	-	-	-	-	-	432,903	<b>432,903</b>
Dividends	-	-	-	(23,926,506)	<b>(23,926,506)</b>	-	<b>(23,926,506)</b>
<b>At 30 June 2014 (Unaudited)</b>	<b>25,219,482</b>	<b>40,052,405</b>	<b>694,796</b>	<b>37,311,209</b>	<b>103,277,892</b>	<b>526,018</b>	<b>103,803,910</b>
<b>At 1 January 2015 (Audited)</b>	<b>25,219,482</b>	<b>40,052,405</b>	<b>2,018,724</b>	<b>46,177,717</b>	<b>113,468,328</b>	<b>525,854</b>	<b>113,994,182</b>
Profit for the period	-	-	-	5,686,614	<b>5,686,614</b>	68,443	<b>5,755,057</b>
Other comprehensive income:							
Available-for-sale financial assets revaluation	-	-	610	-	610	-	<b>610</b>
Gain from cash flow hedge	-	-	(49,954)	-	(49,954)	-	<b>(49,954)</b>
Reclassification of cash flow hedge gain to profit and loss	-	-	(222,506)	-	(222,506)	-	<b>(222,506)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>(271,850)</b>	<b>5,686,614</b>	<b>5,414,764</b>	<b>68,443</b>	<b>5,483,207</b>
Dividends	-	-	-	(17,504,994)	<b>(17,504,994)</b>	(32,159)	<b>(17,537,153)</b>
Other movements	-	-	-	3,137	<b>3,137</b>	-	<b>3,137</b>
<b>At 30 June 2015 (Unaudited)</b>	<b>25,219,482</b>	<b>40,052,405</b>	<b>1,746,874</b>	<b>34,362,474</b>	<b>101,381,235</b>	<b>562,138</b>	<b>101,943,373</b>

**E.ON Russia Group**  
**Condensed Consolidated Interim Statement of Cash Flow**  
(RUB thousand)

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
		Unaudited	Unaudited
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		7,198,624	9,938,992
<b>Adjustments for non-cash items:</b>			
Depreciation and amortization	11	3,679,843	3,901,760
Reclassification of cash flow hedge gain to profit and loss	11	(278,132)	(87,090)
Provision for impairment of accounts receivable	8	110,135	160,073
Interest income and effect of discounting	12	(823,152)	(1,113,578)
Interest expense and effect of discounting	12	88,685	78,949
Foreign exchange loss /(gain)	12	38,589	(36,192)
Other non-cash items		739,977	(89,197)
<b>Operating cash flows before working capital changes and income tax paid</b>		<b>10,754,569</b>	<b>12,753,717</b>
<b>Working capital changes:</b>			
Decrease in accounts receivable and prepayments	8	878,922	1,341,208
Increase in VAT recoverable		(31,119)	(417,408)
Increase in inventories	7	(438,841)	(168,388)
Increase in accounts payable and accruals	14	473,734	617,419
Increase in taxes payable other than income tax		130,135	49,257
Income tax paid	15	(2,315,648)	(1,138,528)
<b>Net cash generated from operating activities</b>		<b>9,451,752</b>	<b>13,037,277</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment and other non-current assets	5	(5,524,118)	(7,748,750)
Proceeds from sale of property, plant and equipment and other non-current assets	5	15,533	13,033
Acquisition of subsidiary	4	-	(1,051,829)
Change in short-term financial assets	9	(5,370,865)	(484,618)
Loans issued	9	(2,222,653)	(77,563)
Loans returned		2,679	1,525
Interest received	12	535,460	743,220
<b>Net cash from / (used in) investing activities</b>		<b>(12,563,964)</b>	<b>(8,604,982)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Dividends paid to non-controlling interest shareholders		(32,159)	-
<b>Net cash used in financing activities</b>		<b>(32,159)</b>	<b>-</b>
Effect of exchange rate changes on cash and cash equivalents		(107,364)	98,152
<b>Net (decrease)/increase in cash</b>		<b>(3,251,735)</b>	<b>4,530,447</b>
Cash and cash equivalents at the beginning of the year		13,100,785	18,026,997
Cash and cash equivalents at the end of the year		9,849,050	22,557,444

**Note 1. The Group and its operations**

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

The Company's principal activities are generation and sale of electricity and heat.

Shares of E.ON Russia are listed in the Russian Trade System (RTS) and in the Moscow Interbank Currency Exchange (MICEX).

The Company operates the following five power plants (GRES) as branches: Surgutskaya GRES-2, Shaturinskaya GRES, Berezovskaya GRES, Smolenskaya GRES and Yayvinskaya GRES. The Company also runs a representative office in Moscow and a branch E.ON Engineering (opened in 2014) that coordinates all activities in connection with the construction of a 800 MW steam unit at Berezovskaya GRES. The branch Berezovskaya GRES Heat Supply Network, that provided heat services to the local population was merged into the branch Berezovskaya GRES in 2014. All references to the "Group" refer to the Company, its branches and subsidiaries.

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

Principal activity		Ownership, %	
		At 30 June 2015	At 31 December 2014
<b>Subsidiaries of OAO E.ON Russia</b>			
OOO E.ON Connecting Energies	Provision of distributed energy solutions to all types of customers	100	100
OOO Uniper	Generation and sale of electricity and heat	100	-
OOO Noginsky Teplovoy Center	Generation and sale of electricity and heat	67	67
OAO Shaturinskaya Management Company	Municipal services	51	51
OOO Teplosbyt	Securities trading	-	100

OOO Teplosbyt (100% subsidiary of OAO E.ON Russia) has been liquidated on 21 April 2015, assets and liabilities were transferred to OAO E.ON Russia.

OOO Uniper (100% subsidiary of OAO E.ON Russia) has been established on 5 June 2015.

The Company is registered with the District Inspectorate of the Federal Tax Service of Surgut, Tyumen Region, Khanty-Mansiysk Autonomous District (Yugra). The Company's office is located at bld. 10, Block B, Presnenskaya nab., Moscow, Russia, 123317.

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

Tariffs for electricity (capacity) and heat for the Group's entities are mainly governed by normative documents on the state regulation of prices (tariffs).

For regulating prices (tariffs) both a cost-plus method and tariff indexation are used. When applying a cost-plus method costs are determined in accordance with Russian Accounting Rules (RAR), which significantly differ from International Financial Reporting Standards. In practice, tariff decisions are significantly affected by social and political considerations causing significant delays in tariff increases required to compensate increasing costs.



## **Note 1. The Group and its operations (continued)**

### ***Operating environment***

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

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The Russian economy is vulnerable to market downturns and economic slowdowns in other regions of the world. In 2015 the Russian Government continued to take measures to support the economy in order to overcome the consequences of the local economic downturn. During the first six months of 2015 economic and political instability in Ukraine were continuing. The Group has no assets and operations in Ukraine, so it is not directly influenced by those events. However, those events might create uncertainty regarding further economic growth, which could negatively affect the Group's future consolidated results of operations and business prospects.

This condensed consolidated interim financial information reflects management's views on the impact of the current business environment in the Russian Federation on the Group's operations and financial position. Actual impact of future environment may differ from the estimates made by management.

### ***Changes in Industry***

In accordance with the Russian Regulation No 505 issued by the Russian Government as of 02 June 2014 introduces amendments into the acts for the regulated prices (tariffs) for electricity and capacity. The above Regulation provides for the following:

- The indexation of capacity prices resulted from the competitive capacity selection in 2014 – from 1 January by 6.5%, in 2015 – without indexation.
- The indexation of regulated prices (tariffs) for electricity (capacity) in 2014 and 2015 - without indexation.

In 2014 the wholesale gas prices were «frozen" (in accordance with the Order of the Federal Tariff Service number 177-e / 2 of 26 September 2013).

In 2015 gas prices were indexed by 7,5% from the 01 of July 2015 in accordance with the Order of the Federal Tariff Service number 218-e/3 of the 8 of June 2015.

### ***Seasonality***

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

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

## **Note 2. Basis of preparation**

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with IAS 34, Interim Financial Reporting.

This information should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRS.

**Note 2. Basis of preparation (continued)**

***Changes in accounting policies, judgements, estimates and assumptions***

The principal accounting policies, judgments, estimates and assumptions followed by the Group in this are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2014, and as at this date, except for standards and interpretations come in force starting from 1 January 2015, and income taxes determined at interim reporting periods based on the best estimated weighted average of annual income tax rate expected for the full financial year.

**New accounting pronouncements**

In 2015 certain new standards and interpretations, that are mandatory for year periods, became effective starting from annual periods beginning from 1 of January 2015 and effected for the Group.

- Amendments to IAS 19 – “Defined benefit plans: Employee contributions”
- Annual Improvements to IFRSs 2012 (consist from changes in some standarts);
- Annual Improvements to IFRSs 2013 (consist from changes in some standarts).

These changes did not affect significantly the Group’s Condensed Consolidated Interim Financial Information.

Certain new standards and interpretations have been issued that are not mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Group has not early adopted.

**Note 3. Transactions with related parties**

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions as defined by IAS 24, Related Party Disclosure.

E.ON SE is the Group’s ultimate parent company and the ultimate controlling party. E.ON SE is a widely held company. The Group’s immediate parent is E.ON Russia Holding GmbH.

The Group had the following transactions and balances with its ultimate parent and other entities under common control:

	<b>At 30 June 2015</b>	<b>At 31 December 2014</b>
Accounts receivable	131,358	309
Accounts payable and accruals	6,820	249,788
	<b>Six months ended 30 June 2015</b>	<b>Six months ended 30 June 2014</b>
Revenues (less VAT)	1,161	4,743
Services and works received (less VAT)	35,181	122,770

On 30 November 2010, the Group provided a loan to E.ON SE in the amount of RUB 1,750,000 thousand due on 30 November 2017. During the period from 1 January 2014 to 30 June 2014 the interest rate was 7.00-9.95% per annum. A portion of accrued interest was capitalised over the reporting period. As of 30 June 2014 the loan increased to RUB 2,501,988 thousand (at 31 December 2013 - RUB 2,417,604 thousand). On 04 August 2014 the loan was fully repaid at the amount of RUB 2,559,280 thousand. (including the amount of the loan - RUB 2,501,988 thousand, interest on the loan - RUB 57,292 thousand).

On 5 February 2015, the Group provided a loan to E.ON SE in the amount of RUB 2,150,000 thousand due on 04 August 2015. During the period from 5 February 2015 to 04 August 2015 the interest rate will be 15.24% per annum, and interest was accrued at the amount of RUB 131,064 thousand. . At the date of approval of this condensed consolidated interim financial information the loan was fully repaid at the amount of RUB 2,150,000 thousand.

**Note 3. Transactions with related parties (continued)**

***Remuneration to the members of the Board of Directors and Management Board***

Total remuneration in the form of salary and bonuses paid to the members of the Board of Directors and Management Board for the six months ended 30 June 2015 was RUB 224,205 thousand (for the six months ended 30 June 2014: RUB 105,119 thousand) including:

Name	Six months ended 30 June 2015	Six months ended 30 June 2014
Salaries, bonuses and other benefits	166,915	95,618
Contributions to state pension fund	21,219	8,335
Cash-settled share-based compensation	36,071	-
Termination benefits	-	1,166
<b>Total</b>	<b>224,205</b>	<b>105,119</b>

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

**Note 4. Acquisitions**

***Acquisition of ownership interest in OOO OOO Noginsky Teplovoy Zentr***

29 January 2014 OOO E.ON Connecting Energies (Group's subsidiary) and AMG Industrial Investment Corporation AG signed a Sale and Purchase Agreement. According to this document E.ON Connecting Energies acquired a 67% share in OOO Noginsky Teplovoy Center (owned by Subsidiary of DEGA Group).

Currently, OOO Noginsky Teplovoy Center owns and manages 2 combined cycle gas turbines with aggregated capacity of 30 MW in the industrial park Borilovo in Noginsk (Moscow region). Customers of the OOO Noginsky Teplovoy Center are large Russian and international companies, such as Bayer, Metro, Oriflame and MacDonalds.

By April 2014, the Group received the unconditional and unqualified approval of the transaction by the Federal Antimonopoly Service of Russia ("FAS Approval"). In April 15, 2014, the Group recognized the acquisition of the 67% stake in OOO Noginsky Teplovoy Center.

The purchase price for the 67% of Share of OOO Noginsky Teplovoy Center consists of the following components:

- 1) The Initial Share Purchase Price - a cash payment in the amount of 22,040,630 euro (RUB 1,099, 519 thousand) in favor of AMG Industrial Investment Corporation AG (payment is made on 15 April 2014);
- 2) The Additional Share Purchase Price - a cash payment in the the amount of EUR 2 000 000 in favor of AMG Industrial Investment Corporation AG (payment will be made within the period until 31 December 2018);
- 3) The Bonus Payment - a cash payment from zero to RUB 272 100 thousand. OOO E.ON Connecting Energies shall additionally pay RUB 10,547for each full kW contracted OOO Noginsky Teplovoy Center power over 25.45 MW contracted at the date of the sales contract, but not more than RUB 272.1 millionin the aggregate for the period up to 31 December 2018.

The present values of the second and the third components are determined at fair value in the amount of RUB 278,486 thousand.The fair value was determined by applying the discounted cash flow method. Estimated fair value of the second component is determined by discounting the cash outflows using a discount rate of 3.6% which is a cost of debt. The estimated fair value of the third component is determined by discounting the maximum cash payment using the WACC equal to 9.6%.

As a result of the transaction, the Group obtained control over the operating and financial activities of OOO Noginsky Teplovoy Center by controlling the majority of votes at the general meeting of shareholders.

**Note 4. Acquisitions (continued)**

The consideration transferred by the Group, was based on an assessment of the value of the business acquired entity as a whole, produced by an external appraiser, KPMG AG Wirtschaftsprüfungsgesellschaft. However, in accordance with IFRS (IFRS) 3 "Business Combinations" Group should reflect the acquisition at the fair value of assets acquired and the acquisition of liabilities and contingent liabilities of OOO Noginsky Teplovoy Center at the acquisition date. These two different approaches can lead to differences; and, as set out in the table below, the recognition of goodwill.

Below is the information about the assets and liabilities acquired and goodwill arising in connection with the acquisition of OOO Noginsky Teplovoy Center:

<b>OOO Noginsky Teplovoy Center</b>	<b>Fair value at the acquisition date</b>
Intangible assets	931,471
Property, plant and equipment	857,751
Trade receivables	3,440
Other current assets	12,345
Cash and cash equivalents	47,690
Deferred income tax liabilities	(300,759)
Trade payables	(8,022)
Other current liabilities	(232,090)
<b>Total identifiable net assets</b>	<b>1,311,826</b>
Non-controlling interest (33%)	(432,903)
Goodwill	499,082
Total consideration	1,378,005
Less: cash and cash equivalents of subsidiary acquired	(47,690)
Less: non-cash consideration	278,486
<b>Outflow of cash and cash equivalents on acquisition</b>	<b>1,051,829</b>

The non-controlling interest represents the interest in the net assets of the acquired entity belonging to the non-controlling owners.

The fair value of the assets acquired and liabilities was determined on the basis of discounted cash flow. The valuation of identifiable intangible assets is performed by an independent professional appraiser. During the evaluation, in addition to tangible assets (fixed assets for production and distribution of energy) was recognized as an intangible asset (client relationships), which is considered the main asset of the company.

Goodwill is primarily due to the expected synergies from the acquisition and the uniqueness of the services provided, as well as the lack of connectivity of the industrial park to other energy sources. For future periods, goodwill will not reduce the tax base.

During the period from the date of acquisition to 30 June 2014 the share of the subsidiary acquired in the Group's revenues amounted to RUB 115,702 thousand, and profit to RUB 18,296 thousand. If the acquisition had occurred on 1 January 2014, the revenue of the Group for 2014 amounted to RUB 39,435, 235 thousand, and the profit for 2014 amounted to RUB 8,036,675 thousand.

As at 30 June 2015 the Group carried out an impairment test for goodwill related to acquisition of OOO Noginsky Teplovoy Center. For the purpose of impairment testing goodwill is allocated to OOO Noginsky Teplovoy Center as an individual cash-generating unit in the amount of RUB 499,082 thousand.

Based on the discounted cash flow model, management concluded that goodwill for OOO Noginsky Teplovoy Center is not impaired as of 30 June 2015.

**Note 5. Property, plant and equipment**

	Land	Electricity and heat generation	Electricity distribution	Heating network	Construction in progress	Other	Total
<b>Cost</b>							
<b>Opening balance as at 1 January 2015</b>	<b>83,455</b>	<b>96,597,849</b>	<b>8,409,191</b>	<b>1,021,983</b>	<b>42,599,219</b>	<b>11,744,561</b>	<b>160,456,258</b>
Additions	-	-	-	-	5,913,290	-	<b>5,913,290</b>
Transfers	2,024	51,950	7,479	-	(135,051)	73,598	-
Reclassification	-	-	-	-	-	-	-
Disposals	-	(17,077)	-	-	(262,300)	(118,540)	<b>(397,917)</b>
<b>Closing balance as at 30 June 2015</b>	<b>85,479</b>	<b>96,632,722</b>	<b>8,416,670</b>	<b>1,021,983</b>	<b>48,115,158</b>	<b>11,699,619</b>	<b>165,971,631</b>
<b>Accumulated depreciation (including impairment)</b>							
<b>Opening balance as at 1 January 2015</b>	-	<b>45,431,740</b>	<b>3,822,297</b>	<b>648,072</b>	<b>23,127</b>	<b>7,534,510</b>	<b>57,459,746</b>
Charge for the period	-	2,879,390	271,031	19,298	-	525,532	<b>3,695,251</b>
Impairment loss	-	19 191	2 890	-	7,520	55,528	<b>85,129</b>
Disposals	-	(17,031)	-	-	-	(88,645)	<b>(105,676)</b>
<b>Closing balance as at 30 June 2015</b>	-	<b>48,313,290</b>	<b>4,096,218</b>	<b>667,370</b>	<b>30,647</b>	<b>8,026,925</b>	<b>61,134,450</b>
<b>Net book value as at 1 January 2015</b>	<b>83,455</b>	<b>51,166,109</b>	<b>4,586,894</b>	<b>373,911</b>	<b>42,576,092</b>	<b>4,210,051</b>	<b>102,996,512</b>
<b>Net book value as at 30 June 2015</b>	<b>85,479</b>	<b>48,319,432</b>	<b>4,320,452</b>	<b>354,613</b>	<b>48,084,511</b>	<b>3,672,694</b>	<b>104,837,181</b>

**Note 5. Property, plant and equipment (continued)**

	Land	Electricity and heat generation	Electricity distribution	Heating network	Construction in progress	Other	Total
<b>Cost</b>							
<b>Opening balance as at 1 January 2014</b>	<b>67,930</b>	<b>92,757,527</b>	<b>8,334,134</b>	<b>995,340</b>	<b>27,868,602</b>	<b>11,302,001</b>	<b>141,325,534</b>
Additions	-	-	-	-	8,347,359	-	8,347,359
Transfers	-	1,119,823	3,873	-	(1,231,912)	108,216	-
Reclassification	-	(323,238)	-	-	323,238	-	-
Acquisition of subsidiary	15,503	326,616	-	-	-	574,553	916,672
Disposals	(23)	(4,072)	(46)	-	(5,856)	(30,248)	(40,245)
<b>Closing balance as at 30 June 2014</b>	<b>83,410</b>	<b>93,876,656</b>	<b>8,337,961</b>	<b>995,340</b>	<b>35,301,431</b>	<b>11,954,522</b>	<b>150,549,320</b>
<b>Accumulated depreciation (including impairment)</b>							
<b>Opening balance as at 1 January 2014</b>	<b>-</b>	<b>40,118,489</b>	<b>3,230,197</b>	<b>604,436</b>	<b>11,505</b>	<b>6,944,588</b>	<b>50,909,215</b>
Charge for the period	-	3,001,771	304,152	21,858	-	460,259	3,788,040
Impairment loss	-	25,010	4,045	-	-	8,418	37,473
Acquisition of subsidiary	-	34,250	-	-	-	24671	58,921
Disposals	-	(3,478)	-	-	(5,856)	(29,362)	(38,696)
<b>Closing balance as at 30 June 2014</b>	<b>-</b>	<b>43,176,042</b>	<b>3,538,394</b>	<b>626,294</b>	<b>5,649</b>	<b>7,408,574</b>	<b>54,754,953</b>
<b>Net book value as at 1 January 2014</b>	<b>67,930</b>	<b>52,639,038</b>	<b>5,103,937</b>	<b>390,904</b>	<b>27,857,097</b>	<b>4,357,413</b>	<b>90,416,319</b>
<b>Net book value as at 30 June 2014</b>	<b>83,410</b>	<b>50,700,614</b>	<b>4,799,567</b>	<b>369,046</b>	<b>35,295,782</b>	<b>4,545,948</b>	<b>95,794,367</b>

**Note 5. Property, plant and equipment (continued)**

As of 30 June 2015, the carrying amount of property, plant and equipment reflects impairment and obsolescence loss of RUB 3,167,809 thousand (31 December 2014: RUB 3,387,211 thousand).

The recoverable amount of property, plant and equipment was not estimated as at 30 June 2015 because the Group's management did not note any indicators of impairment.

In July, 2015 Management Board decided to sell the real estate assets of Shaturskaya GRES. At 30 June 2015 the book value of the assets to be sold is RUB 87,162 thousand, fair value less costs to sell is RUB 13,898 thousand.

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

**Note 6. Long-term financial assets**

	At 30 June 2015	At 31 December 2014
RusHydro shares	24,378	31,976
Contribution to special partnership	-	23,767
<b>Total</b>	<b>24,378</b>	<b>55,743</b>

**Note 7. Inventories**

	At 30 June 2015	At 31 December 2014
Fuel production supplies	1,251,269	1,356,679
Materials and supplies	1,189,941	771,468
Other inventory	45,993	36,323
Provision for inventory impairment	(16,566)	(14,931)
<b>Total</b>	<b>2,470,637</b>	<b>2,149,539</b>

**Note 8. Accounts receivable and prepayments**

	At 30 June 2015	At 31 December 2014
<b>Trade and other receivables</b>		
Trade receivables	6,830,737	7,623,270
Other financial receivables	300,514	356,960
Less provision for impairment of accounts receivable	(3,211,917)	(3,132,345)
<b>Total financial assets within trade and other receivables</b>	<b>3,919,334</b>	<b>4,847,885</b>
VAT recoverable	473,482	471,194
Prepayments to suppliers	433,400	402,282
Due from budget (excluding VAT)	23,063	261,722
<b>Total account receivable and prepayments</b>	<b>4,849,279</b>	<b>5,983,083</b>

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

The above mentioned accounts receivable and prepayments include amounts receivable from related parties (see Note 3).

**Note 9. Short-term financial assets**

During the first 6 months of 2015 the Group continued to place temporarily available cash received from operations on deposit accounts with DEUTSCHE BANK AG (Moody's credit rating A3. The interest on these short-term deposits is fixed.

Name	Effective interest rate, %	Closing balance as at 30 June 2015 (hard currency, thousand)	Closing balance as at 30 June 2015 (RUB thousand)	Closing balance as at 31 December 2014 (hard currency, thousand)	Closing balance as at 31 December 2014 (RUB, thousand)
<b>Total short-term deposits</b>	-	-	<b>6,000,000</b>	-	<b>298,928</b>
Short-term deposits in US Dollars	-	-	-	5,313	298,928
Short-term deposits in Euros	11.45%	-	6,000,000	-	-
<b>Loan E.On SE</b>	<b>15.24%</b>	-	<b>2,150,000</b>	-	-
<b>Total promissory notes</b>			<b>583,670</b>	-	<b>620,127</b>
<b>Total short-term financial assets</b>			<b>8,733,670</b>		<b>919,055</b>

**Note 10. Revenues**

	Six months ended 30 June 2015	Six months ended 30 June 2014
Electricity and capacity	34,673,067	38,040,604
Heating	666,373	674,111
Other	484,120	540,323
<b>Total</b>	<b>35,823,560</b>	<b>39,255,038</b>

**Note 11. Operating expenses**

	Six months ended 30 June 2015	Six months ended 30 June 2014
Fuel	16,852,079	19,178,132
Depreciation and amortization	3,524,273	3,855,217
Staff costs	3,020,261	2,793,508
Repairs and maintenance	2,211,211	561,588
Purchase of electricity and heat	897,996	565,510
Taxes other than income tax	621,875	711,953
Operational dispatch management	592,677	595,421
Security	208,042	197,669
Raw materials and supplies	168,408	173,818
Provision for impairment of accounts receivable	110,135	160,073
Water usage expenses	82,796	86,845
Other expenses	2,202,386	1,625,517
<b>Total expenses</b>	<b>30,492,139</b>	<b>30 505 251</b>



**Note 11. Operating expenses (continued)**

Staff costs include:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Salaries and wages, including payroll taxes	2,452,551	2,299,359
Pension costs – defined contribution plans (including state pension fund)	521,165	427,067
Pension costs – defined benefit plans	24,323	24,469
Termination benefits	22,222	42,613
<b>Total staff costs</b>	<b>3,020,261</b>	<b>2,793,508</b>

Repairs and maintenance expenses for 6 months ended 30 June 2015 include the costs of repair for power units No.4 and No.7 of Surgutskaya GRES-2 in the amount of RUB 1,692,400 thousand.

This damage was partly compensated by the insurance company in accordance with the terms of the insurance contract. Other operating income for 6 months ended 30 June 2015 includes this insurance compensation in the amount of RUB 1,070,000 thousand.

Other expenses for 6 months ended 30 June 2015 include an accrual for penalty for delay of three months in delivery capacity from block №3 Berezovskaya GRES in the amount of RUB 1,333,302 thousand.

**Note 12. Finance income and expense**

Finance income	Six months ended 30 June 2015	Six months ended 30 June 2014
Interest income (deposits and loan issued)	764,508	1,067,400
Other interest income	58,644	46,178
Foreign exchange gain	-	36,192
<b>Total</b>	<b>823,152</b>	<b>1,149,770</b>

Finance expense	За 6 месяцев, закончившихся 30 июня 2015 года	За 6 месяцев, закончившихся 30 июня 2014 года
Effect of liability and pension obligation discounting	88,685	78,949
Foreign exchange loss	38,589	-
<b>Total</b>	<b>127,274</b>	<b>78,949</b>

**Note 13. Other provisions**

	At 30 June 2015			At 31 December 2014		
	Before tax	Income tax expense	After tax	Before tax	Income tax expense	After tax
Revaluation of financial assets available for sale	1,750	-	1,750	1,140	-	1,140
Remeasurements of post employment benefit obligations	619,756	(123,951)	495,805	619,756	(123,951)	495,805
Cash flow hedging	1,561,649	(312,330)	1,249,319	1,902,224	(380,445)	1,521,779
<b>Total</b>	<b>2,183,155</b>	<b>(436,281)</b>	<b>1,746,874</b>	<b>2,523,120</b>	<b>(504,396)</b>	<b>2,018,724</b>

**Note 14. Accounts payable and accruals**

	At 30 June 2015	At 31 December 2014
<b>Financial liabilities</b>	<b>22,933,860</b>	<b>4,982,180</b>
Dividends payable	17,087,224	453,467
Trade payables	2,899,080	2,353,155
Accounts payable to capital construction contractors	1,856,670	1,636,935
Other payables	1,090,886	538,623
<b>Non- financial liabilities</b>	<b>1,007,537</b>	<b>1,145,133</b>
Staff payables	989,009	1,118,725
Advances from customers	18,528	26,408
<b>Total</b>	<b>23,941,397</b>	<b>6,127,313</b>

The Annual General Shareholder`s Meeting of E.ON Russia, decided on 26 June 2015 to pay dividends on the Group`s common stock based on the financial results for 2014 in the amount of RUB 17,504, 994 thousand. At the date of approval of this condensed consolidated interim financial information funds for payment of these dividends have been paid to the depositary for further distribution to shareholders or have been directly paid to shareholders.

**Note 15. Income tax**

Income tax expense is recognized based on management`s best estimate of weighted average income tax rate expected for the full financial year. The estimated average income tax rate used for the six months of 2015 and 2014 is 20%.

**Income tax charge**

	Six months ended 30 June 2015	Six months ended 30 June 2014
Current income tax charge	697,550	1,467,749
Deferred income tax charge / (income)	746,017	494,110
<b>Total</b>	<b>1,443,567</b>	<b>1,961,859</b>

**Note 16. Basic earnings per share payable to shareholders of OAO E.ON Russia**

Basic earnings per share are calculated by dividing the net income attributable to the Group`s shareholders by the weighted average number of ordinary shares in circulation, excluding treasury stock:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Weighted average number of ordinary shares in circulation during the reporting period	63,048,706,145	63,048,706,145
Profit attributable to the shareholders of OAO E.ON Russia (RUB thousand)	5,686,614	7,946,926
<b>Basic earnings per ordinary share attributable to the shareholders of OAO E.ON Russia (in RUB)</b>	<b>0,090</b>	<b>0,126</b>

Diluted earnings per share are equal to basic earnings as there were no contracts with a potential dilutive effect during the reporting period.

## **Note 17. Capital commitments**

As of 30 June 2015, the Group had contractual capital expenditure commitments with respect to property, plant and equipment totalling RUB 4,357,556 thousand (in 2014: RUB 5,139,446 thousand). Most of the commitments (RUB 3,685,276 thousand) refer to commitments of realization of the project "Construction of the 3rd power unit PSU-800 on the basis of branch "Berezovskaya GRES" (in 2014: RUB 4,582,225 thousand).

The Group expects that the new unit will be commissioned on 1 September 2015.

## **Note 18. Contingencies**

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

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

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

The Group continues traditions present in power plants which have come under its control: providing charity support to various organisations, public associations and individuals in those regions where these power plants operate. The Group spent RUB 31,221 thousand on these programmes for the six months ended 30 June 2015 (for the six months ended 30 June 2014: RUB 24,899 thousand).

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

The Group has created a provision in relation to lawsuits where the risk of a negative outcome is assessed as being high, as of 30 June 2015 the amount of the provision was RUB 21,786 thousand (31 December 2014: RUB 4,977 thousand).

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

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

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

In first 6 months 2015 Group received a claim for property tax amounted to RUB 144,200 thousand (Shaturskaya GRES and Yayvinskaya GRES) (for 2014: RUB 241,500 thousand) and for income tax and VAT amounted to RUB 343,527 thousand (for 2014: 40,632 thousand).

Management intends to challenge the decision of the tax authorities to charge additional and protect the Group's position in court.

The Group has created a provision in relation to lawsuits related to tax risks as of 30 June 2015 in the amount of RUB 22,700 thousand.

**Note 18. Contingencies (continued)**

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

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

Management believes that in the conditions of effective legislation on environmental protection the Group does not have material liabilities associated with environmental pollution.

**Note 19. Segment information**

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

The Chief operating decision-maker assess performance on a plant-by-plant basis, i.e. the performance of each of the 5 power plants: Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES, Yayvinskaya GRES and Smolenskaya GRES. All GRES are combined into one operating segment, as they have similar economic and other characteristics. The other segments comprise costs of the Moscow office, and subsidiaries.

The Chief operating decision-maker assesses the performance of the operating segments based on earnings before interest, tax, depreciation and amortization (EBITDA) and revenue. In addition, the information on amortization and impairment of non-current assets and earnings before interest and tax (EBIT) is provided to the Chief operating decision-maker. Information regarding assets and liabilities of a segment base are not provided to the Chief operating decision-maker.

	Six months ended 30 June 2015	Six months ended 30 June 2014
Earnings before interest, tax, depreciation and amortization for 5 power plants (EBITDA)	11,137,980	14,315,654
Other segments	(639,359)	(1,438,818)
<b>Total earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>10,498,621</b>	<b>12,876,836</b>
Depreciation and impairment	(2,750,869)	(3,519,329)
<b>Total earnings before interest and tax (EBIT)</b>	<b>7,747,752</b>	<b>9,357,507</b>

Reconciliation of earnings before interest and tax (EBIT) for operating segments provided to the Chief operating decision-maker, with profit before tax as in this condensed consolidated interim financial information of the Group, is provided below:

	Six months ended 30 June 2015	Six months ended 30 June 2014
<b>Earnings before interest and tax (EBIT)</b>	<b>7,747,752</b>	<b>9,357,507</b>
Finance income	823,152	1,149,770
Finance expense	(127,274)	(78,949)
PPE depreciation and impairment	(857,120)	(379,249)
Penalty for delay in delivery capacity	(446,444)	-
Other adjustments	58,558	(110 087)
<b>Profit before income tax</b>	<b>7,198,624</b>	<b>9,938,992</b>

**Note 19. Segment information (continued)**

Reconciliation of revenue from external customers:

	Six months ended 30 June 2015	Six months ended 30 June 2014
External revenue of 5 power plants	35,127,777	38,731,540
Other segments	695,783	523,498
<b>Total</b>	<b>35,823,560</b>	<b>39,255,038</b>

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

	Six months ended 30 June 2015	Six months ended 30 June 2014
ZAO CFS	21,918,889	24,826,262
Others (mainly distribution companies, under 10% each)	13,904,671	14,428,776
<b>Total revenues</b> according to the Group's financial statements	<b>35,823,560</b>	<b>39,255,038</b>

**Note 20. Events subsequent to the balance sheet date**

***Change in the participatory stake of OOO «E.ON Connecting Energies»***

On 29 May 2015 the Board of Directors OAO «E.ON Russia» approved a change in the participatory stake of «E.ON Russia» in the share capital of OOO «E.ON Connecting Energies» from 100% to 50% in connection with the share capital increase of OOO «E.ON Connecting Energies» due to a contribution of a third party - E.ON Connecting Energies GmbH, in the amount of RUB 1,000 thousand to RUB 2,000 thousand. E.ON Connecting Energies GmbH has paid its contribution for the shares to the company in July, registration is ongoing.

The Group is in the process of finalizing the fair value estimates for certain assets and liabilities, primarily for property, plant and equipment. Management is required to finalize the fair value determination within 12 months of the date of acquisition.

***Transaction with E.ON SE***

On 4 August 2015, the Group was received a loan from E.ON SE in the amount of RUB 2,450,000 thousand due on 22 December 2015. During the period from 4 August 2015 to 22 December 2015 the interest rate will be 13.75% per annum.