



**RAO ENERGY SYSTEM OF EAST GROUP**

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

**AS AT AND FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2015**

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

To the Shareholders and Board of Directors of Public Joint Stock Company RAO Energy System of East

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Public Joint Stock Company RAO Energy System of East and its subsidiaries (the "Group") as of 30 June 2015 and the related condensed consolidated interim statements of income and comprehensive income for the three-month and six-month periods then ended, and cash flows and changes in equity 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"*.

25 August 2015

Moscow, Russian Federation

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This is an English translation of the Russian original, which is the official version and takes absolute precedence.

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**RAO Energy System of East Group**  
**Condensed Consolidated Interim Statement of Financial Position (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)



	Note	30 June 2015	31 December 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	92,919	90,890
Investments in associates		1,152	1,036
Available-for-sale financial assets		326	305
Deferred tax assets		1,078	987
Other non-current assets		1,897	1,854
<b>Total non-current assets</b>		<b>97,372</b>	<b>95,072</b>
<b>Current assets</b>			
Cash and cash equivalents	7	9,681	12,572
Income tax receivable		569	244
Accounts receivable and prepayments	8	25,494	23,137
Inventories	9	17,563	19,384
Other current assets		127	101
<b>Total current assets excluding assets of disposal group classified as held for sale</b>		<b>53,434</b>	<b>55,438</b>
Assets of disposal group classified as held for sale	10	1,210	311
<b>Total current assets</b>		<b>54,644</b>	<b>55,749</b>
<b>TOTAL ASSETS</b>		<b>152,016</b>	<b>150,821</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	22,717	22,717
Treasury shares		(410)	(410)
Revaluation reserve		8,000	8,023
Retained losses and other reserves		(15,507)	(13,214)
<b>Equity attributable to shareholders of parent company</b>		<b>14,800</b>	<b>17,116</b>
Non-controlling interest		6,804	9,972
<b>Total equity</b>		<b>21,604</b>	<b>27,088</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		2,432	2,817
Non-current debt	12	40,438	45,524
Other non-current liabilities	13	8,066	6,624
<b>Total non-current liabilities</b>		<b>50,936</b>	<b>54,965</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	12	43,758	32,470
Accounts payable and accruals	14	28,933	29,592
Current income tax payable		387	230
Other taxes payable	15	4,942	5,980
<b>Total current liabilities excluding liabilities of disposal group classified as held for sale</b>		<b>78,020</b>	<b>68,272</b>
Liabilities of disposal group classified as held for sale	10	1,456	496
<b>Total current liabilities</b>		<b>79,476</b>	<b>68,768</b>
<b>Total liabilities</b>		<b>130,412</b>	<b>123,733</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>152,016</b>	<b>150,821</b>

General Director

S. N. Tolstoguzov

Chief Accountant

Y. G. Medvedeva

25 August 2015



The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Information

**RAO Energy System of East Group**  
**Condensed Consolidated Interim Income Statement (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)



		Six months ended 30 June		Three months ended 30 June	
	Note	2015	2014	2015	2014
Revenue	17	81,167	75,054	32,794	30,086
Government grants	18	5,505	5,607	2,457	2,507
Expenses	19	(87,692)	(76,434)	(39,169)	(35,150)
Impairment of property, plant and equipment	6	(375)	-	(375)	-
Other operating income	3	863	-	83	-
<b>Operating (loss)/profit</b>		<b>(532)</b>	<b>4,227</b>	<b>(4,210)</b>	<b>(2,557)</b>
Finance income	20	1,037	316	492	129
Finance expenses	20	(5,272)	(3,211)	(2,840)	(1,812)
Share of income of associates		116	109	21	48
<b>(Loss)/profit before income tax</b>		<b>(4,651)</b>	<b>1,441</b>	<b>(6,537)</b>	<b>(4,192)</b>
Total income tax (expense)/income	16	(156)	(178)	181	794
<b>(Loss)/profit for the period</b>		<b>(4,807)</b>	<b>1,263</b>	<b>(6,356)</b>	<b>(3,398)</b>
Attributable to:					
Shareholders of parent company		(1,958)	780	(3,480)	(1,967)
Non-controlling interest		(2,849)	483	(2,876)	(1,431)
(Loss)/profit per ordinary and preferred share from profit attributable to the shareholders of parent company – basic and diluted (in Russian Rubles per share)	21	(0.0439)	0.0175	(0.0780)	(0.0441)
Weighted average number of ordinary shares (in thousands)	21	42,537,972	42,537,972	42,537,972	42,537,972
Weighted average number of preference shares (in thousands)	21	2,075,149	2,075,149	2,075,149	2,075,149

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Information

**RAO Energy System of East Group**  
**Condensed consolidated Interim Statement of Comprehensive Income (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)



	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
<b>(Loss)/profit for the year</b>	<b>(4,807)</b>	<b>1,263</b>	<b>(6,356)</b>	<b>(3,398)</b>
<b>Other comprehensive income, net of tax:</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Revaluation of property, plant and equipment	(2)	-	(2)	-
Remeasurements of pension benefit obligations	(673)	162	(673)	162
<b>Total items that will not be reclassified to profit or loss</b>	<b>(675)</b>	<b>162</b>	<b>(675)</b>	<b>162</b>
<i>Items that may be reclassified subsequently to profit or loss</i>				
Change in fair value of available-for-sale financial assets	-	10	-	10
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>10</b>
<b>Total other comprehensive (loss)/income for the year</b>	<b>(675)</b>	<b>172</b>	<b>(675)</b>	<b>172</b>
<b>Total comprehensive (loss)/income for the year</b>	<b>(5,482)</b>	<b>1,435</b>	<b>(7,031)</b>	<b>(3,226)</b>
Attributable to:				
Shareholders of parent company	(2,316)	873	(3,838)	(1,874)
Non-controlling interest	(3,166)	562	(3,193)	(1,352)

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**RAO Energy System of East Group**  
**Condensed consolidated Interim Statement of Cash Flows (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)



	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>(Profit)/loss before income tax</b>		<b>(4,651)</b>	<b>1,441</b>
Depreciation of property, plant and equipment	19	3,837	3,765
Impairment of property, plant and equipment		375	-
(Profit)/loss from disposal of property, plant and equipment	19	(20)	78
Finance expense, net	20	4,235	2,895
Profit from disposal of subsidiary	3	(863)	-
Accrual of impairment of accounts receivable	19	1,146	618
Profit from associates		(116)	(109)
Other expense/(income)		44	(23)
<b>Operating cash flows before working capital changes, income tax paid and change in other assets and liabilities</b>		<b>3,987</b>	<b>8,665</b>
Working capital changes:			
Increase in accounts receivable and prepayments		(3,469)	(7,576)
Decrease in inventories		1,124	1,332
Increase/(decrease) in accounts payable and accruals		338	(4,627)
Decrease in other taxes payable		(833)	(497)
Increase in other non-current assets		(51)	(361)
Increase/(decrease) in other non-current liabilities		357	(76)
Income tax paid		(631)	(465)
<b>Net cash generated by / (used in) operating activity</b>		<b>822</b>	<b>(3,605)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(5,400)	(4,941)
Proceeds from sale of property, plant and equipment		21	337
Interest received		746	205
Issue of loans and deposits placed		(2,407)	(808)
Proceeds from issued loans and deposits		2,409	51
Proceeds from sale of shares in subsidiary	3	60	-
Decrease in cash due to disposal of subsidiary		(8)	-
<b>Net cash used in investing activity</b>		<b>(4,579)</b>	<b>(5,156)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from debt		24,468	29,408
Repayment of debt		(17,898)	(16,609)
Interest paid		(5,330)	(2,837)
Finance lease payments		(317)	(315)
<b>Net cash generated by financing activity</b>		<b>923</b>	<b>9,647</b>
Foreign exchange difference influence		(46)	-
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(2,880)</b>	<b>886</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7</b>	<b>12,573</b>	<b>7,552</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>9,693</b>	<b>8,438</b>

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Information

**RAO Energy System of East Group**  
**Condensed Consolidated Interim Statement of Changes in Equity (unaudited)**

(in millions of Russian Rubles unless noted otherwise)



	Share capital	Treasury shares	Available-for-sale financial assets	Revaluation reserve	Revaluation of pension benefit obligations	Retained losses	Total	Non-controlling interest	Total Equity
<b>Balance as at 01 January 2014</b>	<b>22,717</b>	<b>(410)</b>	<b>-</b>	<b>8,131</b>	<b>1,326</b>	<b>(14,101)</b>	<b>17,663</b>	<b>10,617</b>	<b>28,280</b>
Profit for the period	-	-	-	-	-	780	780	483	1,263
Other comprehensive income	-	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale financial assets	-	-	7	-	-	-	7	3	10
Revaluation of pension benefit obligations	-	-	-	-	86	-	86	76	162
Total other comprehensive income	-	-	7	-	86	-	93	79	172
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>86</b>	<b>780</b>	<b>873</b>	<b>562</b>	<b>1,435</b>
Transfer of revaluation reserve to retained earnings	-	-	-	(15)	-	15	-	-	-
Dividends declared earlier unclaimed up to expiry date	-	-	-	-	-	-	-	1	1
<b>Balance as at 30 June 2014</b>	<b>22,717</b>	<b>(410)</b>	<b>7</b>	<b>8,116</b>	<b>1,412</b>	<b>(13,306)</b>	<b>18,536</b>	<b>11,180</b>	<b>29,716</b>
<b>Balance as at 01 January 2015</b>	<b>22,717</b>	<b>(410)</b>	<b>-</b>	<b>8,023</b>	<b>1,895</b>	<b>(15,109)</b>	<b>17,116</b>	<b>9,972</b>	<b>27,088</b>
Loss for the period	-	-	-	-	-	(1,958)	(1,958)	(2,849)	(4,807)
Other comprehensive loss	-	-	-	-	-	-	-	-	-
Revaluation of pension benefit obligations	-	-	-	-	(357)	-	(357)	(316)	(673)
Change in revaluation reserve due to changes of reserve for ash dump	-	-	-	(1)	-	-	(1)	(1)	(2)
Total other comprehensive loss	-	-	-	(1)	(357)	-	(358)	(317)	(675)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(357)</b>	<b>(1,958)</b>	<b>(2,316)</b>	<b>(3,166)</b>	<b>(5,482)</b>
Transfer of revaluation reserve to retained earnings	-	-	-	(22)	-	22	-	-	-
Change in non-controlling interest related to disposed subsidiaries	-	-	-	-	-	-	-	(2)	(2)
<b>Balance as at 30 June 2015</b>	<b>22,717</b>	<b>(410)</b>	<b>-</b>	<b>8,000</b>	<b>1,538</b>	<b>(17,045)</b>	<b>14,800</b>	<b>6,804</b>	<b>21,604</b>

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Information





## **Note 1. RAO Energy System of East Group and its Operations**

The Public Joint Stock Company RAO Energy System of East (hereinafter referred to as "the Company") was incorporated and is domiciled in the Russian Federation, is a joint responsibility of shareholders in the value of their shares and was incorporated under the laws of the Russian Federation (in July 2015 Open Joint Stock Company RAO Energy System of East was renamed in Public Joint Stock Company RAO Energy System of East ).

As at 30 June 2015 and as at 31 December 2014 PJSC RusHydro owns 84.39 percent of the Company. The ultimate controlling party is the Russian Federation. Related party transactions are disclosed in Note 5.

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

The Company's registered office is located at 46, Leningradskaya str., Khabarovsk, Russia, 680021.

Principal activities of the Company and its subsidiaries (hereinafter the Group) are:

- electricity and heat generation;
- electricity and heat distribution;
- electricity and heat retail;
- electricity wholesale.

The Group operates in the Far East Federal region, which comprises Republic of Sakha (Yakutiya), Kamchatka territory, Primorye territory, Khabarovsk territory, Amur region, Magadan region, Sakhalin region, Evreiskaya autonomous district and Chukotka autonomous district and also in the Khanty-Mansi and Yamalo-Nenets autonomous districts.

Principal subsidiaries are disclosed in Note 3.

**Relations with the State and current regulation.** Many consumers of electricity and heat supplied by the Group are controlled by or affiliated with the Russian Federation. Moreover, the Russian Federation controls a number of fuel suppliers and suppliers of other materials for the Group (Note 5).

The Government affects the Group's operations through:

- electricity, capacity and heat tariff regulation;
- ratification of the Company and some of subsidiaries investment programs, including volume and sources of their financing, control over their implementation;
- existing antimonopoly regulation.

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

**Operating environment.** The economy of the Russian Federation has some characteristics of an emerging economy including relatively high inflation and high interest rates. It is particularly sensitive to oil and gas prices.

The tax, currency and customs legislation of the Russian Federation continues to develop and is subject to varying interpretations.

Decrease in oil prices, political instability, observed in the region, as well as international sanctions against several russian companies and citizens, have had and may have in future a negative impact on the economy of the Russian Federation as well as weakening of the ruble and difficulty in external borrowing.

During first half of 2015 year:

- exchange rate set by the Central Bank of the Russian Federation fluctuated between RR 49.1777 and RR 69.6640 per USD and between RR 52.9087 and RR 78.7900 per Euro;
- key interest rate set by the Central Bank of the Russian Federation decreased from 17.00 percent p.a. to 11.50 percent p.a.

Currently the financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 30 June 2015:

- exchange rate set the Central Bank of the Russian Federation fluctuated between RR 55.4756



per USD and RR 70.7465 per USD and between RR 61.5661 and RR 81.1533 per Euro;

These and other events may have on the Group's business, its future financial position, operating results and business prospects a significant impact, the results of which at the moment, management is not able to predict. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business.

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

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

The Group manages the liquidity risk of encountering difficulties in meeting its obligations under various scenarios covering both normal and more severe market conditions (Note 23).

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

**Statement of compliance.** This Condensed Consolidated Interim Financial Information has been prepared in accordance with and complies with IAS 34, Interim Financial Reporting and should be read in conjunction with the annual Consolidated Financial Statements as at and for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

This Condensed Consolidated Interim Financial Information is unaudited and does not contain certain information and disclosures required in annual IFRS financial statements. Disclosures duplicating information included in the annual Consolidated Financial Statements as at and for the year ended 31 December 2014 have been omitted or condensed.

**Accounting policy.** The accounting policies followed in the preparation of this Condensed Consolidated Interim Financial Information are consistent with those applied in the annual Consolidated Financial Statements as at and for the year ended 31 December 2014 except for income tax which is accrued in the interim periods using the tax rate that would be applicable to expected total annual profit or loss, and new standards and interpretations effective from 1 January 2015.

Certain reclassifications have been made to prior period data to conform to the current period presentation. These reclassifications are not material.

**New standards and interpretations.** The Group has adopted all new standards and interpretations that were effective from 1 January 2015. The impact of the adoption of these new standards and interpretations has not been significant with respect to this Condensed Consolidated Interim Financial Information.

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the Consolidated Financial Statements as at and for the year ended 31 December 2014, have been issued but are not effective for the financial year beginning 1 January 2015 and which the Group has not early adopted.

**Critical accounting estimates and judgements.** The preparation of Condensed Consolidated Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this Condensed Consolidated Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2014 with the exception of changes in estimates that are required in determining the weighted average annual income tax rate (Note 16) and discounting rate used for calculation of pension obligation (Note 13).



**Note 3. Principal subsidiaries**

All subsidiaries are incorporated and operate in the Russian Federation. The following are the principal subsidiaries as at 30 June 2015 and 31 December 2014:

Name	30 June 2015		31 December 2014	
	Ownership %	Voting %	Ownership %	Voting %
PJSC DEK	51.08	51.13	51.08	51.13
JSC DGK (subsidiary of PJSC DEK)	51.08	100.00	51.08	100.00
JSC DRSK (subsidiary of PJSC DEK)	51.08	100.00	51.08	100.00
<b>Isolated energy systems:</b>				
PJSC Kamchatskenergo	98.74	98.74	98.74	98.74
PJSC Magadanenergo*	49.00	49.00	49.00	49.00
PJSC Yakutskenergo*	49.37	49.37	49.37	49.37
OJSC Sakhalinenergo	55.55	55.55	55.55	55.55

\* Control is based on the ability to secure a majority of votes on the shareholders meeting.

**Changes in group structure**

During 2015, in accordance with the requirements of the legislation, some subsidiaries of the Group has changed the legal form of ownership, and have been re-registered.

23 March 2015 the Group has sold share in OJSC Daltekhenergo. The consideration will be fully paid in cash and amounted to RR 210 million. The Group has received RR 35 million on the date of transaction. The disposal of the OJSC Daltekhenergo was carried out in accordance with the decision of the Board of Directors of the Company (minutes No. 113 dated 28 November 2014). The amount of net assets of the OJSC Daltekhenergo at the date of disposal was negative and equaled to RR 548 million, including borrowings received from the Group amounted RR 400 million. Gain on disposal was recorded in amount of RR 758 million in other operating income.

In second quarter of 2015, management of the Group decided accrual bad debt provision for borrowings issued to OJSC Daltekhenergo amounted RR 400 million, as insolvency court case was initiated.

Also, 24 March 2015 the Group has sold share in OJSC Gubеровskiy machinery and repair plant (OJSC GRMZ). The consideration was fully paid in cash and amounted to RR 25 million. The disposal of the OJSC Gubеровskiy machinery and repair plant was carried out in accordance with the decision of the Board of Directors of PJSC DEK (minutes No. 230 dated 19 December 2014). The amount of net assets of the OJSC Gubеровskiy machinery and repair plant at the date of disposal equaled to RR 3 million. Gain on disposal was recorded in amount of RR 22 million.

6 May 2015 LLC Energokomfort. Amur electricity wholesale company was acknowledged as a bankrupt, also 5 June 2015 OJSC Kamchatskenergoremservis was liquidated. The amounts of net assets of disposed subsidiaries compose RR 33 million and RR 49 million respectively. Profit from disposal of LLC Energokomfort. Amur electricity wholesale company and OJSC Kamchatskenergoremservis comprise RR 83 million.

Up to the date of disposal loss from operating activities of subsidiaries disposed amounted to RR 35 million. As a result of disposal non-controlling interest was reduced by RR 2 million.

OJSC Daltekhenergo, OJSC Gubеровskiy machinery and repair plant and OJSC Kamchatskenergoremservis provided repair and construction services. LLC Energokomfort. Amur electricity wholesale company has sold electricity in Amur region in present this function transferred to PJSC DEK.

**Note 4. Segment information**

Operating segments are components of the Group engaged in operations from which they may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Group. The individual financial information of the segments is available and is



regularly reviewed by the chief operating decision maker (CODM) to make operating decisions about resources to be allocated and the performance of segments' operating activities.

CODM analysed information about the Group in respect of five main reporting segments:

- Segment "Subgroup DEK" - PJSC DEK Group's segment includes JSC DGK and JSC DRSK that generate, transport, distribute electricity and heat in Amur region, Khabarovsk territory, Primorye territory and Evreiskaya autonomous district. Other PJSC DEK subsidiaries provide transportation and repair services, modernization and reconstruction of power equipment, and also engaged in the construction of energy facilities and performing service functions.
- Segment "Subgroup Kamchatskenergo" - PJSC Kamchatskenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Kamchatka territory.
- Segment "Subgroup Magadanenergo" - PJSC Magadanenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Magadan region and Chukotka autonomous district.
- Segment "Subgroup Sakhalinenergo" - OJSC Sakhalinenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Sakhalin region.
- Segment "Subgroup Yakutskenergo" - PJSC Yakutskenergo segment represents subsidiaries that generate electricity and heat and provide transportation, distribution and other services in the Republic of Sakha (Yakutiya).

The Group also includes entities supporting Group's operations which are not considered as separate segment by the CODM due to immaterial quantitative data for reporting periods.

Management of operating activities of segments is performed with direct participation of individual segment managers accountable to the CODM. Segment managers on a regular basis submit for approval to the CODM results of operating activities and financial performance of segments. The CODM approves the annual business plan at the level of reportable segments as well as analyses actual financial performance of segments. Management bears responsibility for execution of approved plan and management of operating activities at the level of segments.

The segments' operational results are estimated on the basis of EBITDA, which is calculated as operating profit / loss excluding depreciation of property, plant and equipment and intangible assets, impairment of property, plant and equipment, reversal and accrual of impairment for accounts receivable, profit or loss on disposal of property, plant and equipment. This method of definition of EBITDA may differ from the methods applied by other companies. CODM believes that EBITDA represents the most useful means of assessing the performance of ongoing operating activities of the Company and the Group's subsidiaries, as it reflects the earnings trends without showing the impact of certain charges.

Segment information also contains capital expenditures and the amount of debt as these indicators are analysed by the CODM. Intersegment debt's balances are excluded.

All information provided to the CODM complies with the information presented in the condensed consolidated interim financial statements.

Transactions between the operating segments are on normal commercial terms. Sales between segments are carried out as between independent parties.

Segment information for the six and three months ended 30 June 2015 and 30 June 2014 and as at 30 June 2015 and 31 December 2014 is presented below:

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Six months ended 30 June 2015	Subgroup DEK	Subgroup Kamchatskenergo	Subgroup Magadanenergo	Subgroup Sakhalinenergo	Subgroup Yakutskenergo	Other	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>86,417</b>	<b>5,870</b>	<b>5,547</b>	<b>4,339</b>	<b>18,259</b>	<b>1,802</b>	<b>122,234</b>	<b>(41,067)</b>	<b>81,167</b>
<i>including:</i>									
<i>from external companies:</i>	51,183	5,829	5,294	4,314	13,447	1,100	81,167	-	<b>81,167</b>
<i>sales of electricity</i>	30,902	2,430	3,268	3,460	10,612	455	51,127	-	<b>51,127</b>
<i>sales of capacity</i>	2,874	-	-	-	-	166	3,040	-	<b>3,040</b>
<i>heat sales</i>	11,822	3,343	1,917	712	2,268	-	20,062	-	<b>20,062</b>
<i>other revenue</i>	5,585	56	109	142	567	479	6,938	-	<b>6,938</b>
<i>from intercompany operations</i>	35,234	41	253	25	4,812	702	41,067	(41,067)	-
Government grants	204	2,287	545	372	1,938	159	5,505	-	<b>5,505</b>
Expenses (excluding depreciation and other non-monetary items)	(84,673)	(7,782)	(7,500)	(4,011)	(18,217)	(1,818)	(124,001)	41,272	<b>(82,729)</b>
<i>including:</i>									
<i>from intercompany operations</i>	(31,345)	(63)	(174)	(147)	(5,363)	(72)	(37,164)	37,164	-
Other operating income	25	-	-	-	-	210	235	-	<b>235</b>
<b>EBITDA</b>	<b>1,973</b>	<b>375</b>	<b>(1,408)</b>	<b>700</b>	<b>1,980</b>	<b>353</b>	<b>3,973</b>	<b>205</b>	<b>4,178</b>
Depreciation of property, plant and equipment	(2,500)	(25)	(165)	(334)	(639)	(220)	(3,883)	46	<b>(3,837)</b>
Other non-monetary items	(532)	(246)	52	(51)	(170)	66	(881)	8	<b>(873)</b>
<i>including:</i>									
<i>reversal/(accrual) of impairment for accounts receivable, net</i>	(318)	(179)	47	(58)	(158)	(480)	(1,146)	-	<b>(1,146)</b>
<i>profit/(loss) from disposal of property, plant and equipment, net</i>	12	2	5	7	(12)	(2)	12	8	<b>20</b>
<i>accrual of impairment of property, plant and equipment, net</i>	(258)	(117)	-	-	-	-	(375)	-	<b>(375)</b>
<i>profit from disposal of subsidiaries</i>	32	48	-	-	-	548	628	-	<b>628</b>
<b>Operating profit/(loss)</b>	<b>(1,059)</b>	<b>104</b>	<b>(1,521)</b>	<b>315</b>	<b>1,171</b>	<b>199</b>	<b>(791)</b>	<b>259</b>	<b>(532)</b>
Finance income									<b>1,037</b>
Finance expenses									<b>(5,272)</b>
Share of income of associates									<b>116</b>
<b>Loss before income tax</b>									<b>(4,651)</b>
Total income tax expense									<b>(156)</b>
<b>Loss for the period</b>									<b>(4,807)</b>
<b>Capital expenditure</b>	<b>2,710</b>	<b>184</b>	<b>156</b>	<b>242</b>	<b>1,150</b>	<b>2,367</b>	<b>6,809</b>	<b>-</b>	<b>6,809</b>
<b>30 June 2015</b>									
<b>Non-current and current debt</b>	<b>(55,391)</b>	<b>(5,638)</b>	<b>(2,301)</b>	<b>(3,524)</b>	<b>(10,152)</b>	<b>(7,190)</b>	<b>(84,196)</b>	<b>-</b>	<b>(84,196)</b>

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Six months ended 30 June 2014	Subgroup DEK	Subgroup Kamchatskenergo	Subgroup Magadanenergo	Subgroup Sakhalinenergo	Subgroup Yakutskenergo	Other	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>79,838</b>	<b>5,751</b>	<b>5,453</b>	<b>4,071</b>	<b>17,186</b>	<b>2,019</b>	<b>114,318</b>	<b>(39,264)</b>	<b>75,054</b>
including:									
from external companies:	46,895	5,715	5,199	4,050	12,217	978	75,054	-	75,054
sales of electricity	27,659	2,224	2,952	3,184	8,874	390	45,283	-	45,283
sales of capacity	1,844	-	-	-	-	162	2,006	-	2,006
heat sales	11,355	3,405	2,007	692	2,084	-	19,543	-	19,543
other revenue	6,037	86	240	174	1,259	426	8,222	-	8,222
from intercompany operations	32,943	36	254	21	4,969	1,041	39,264	(39,264)	-
Government grants	223	1,990	766	389	2,087	152	5,607	-	5,607
Expenses									
(excluding depreciation and other non-monetary items)	(75,277)	(7,218)	(6,424)	(3,555)	(16,873)	(1,662)	(111,009)	39,036	(71,973)
including:									
from intercompany operations	(28,939)	(56)	(208)	(167)	(5,766)	(40)	(35,176)	35,176	-
<b>EBITDA</b>	<b>4,784</b>	<b>523</b>	<b>(205)</b>	<b>905</b>	<b>2,400</b>	<b>509</b>	<b>8,916</b>	<b>(228)</b>	<b>8,688</b>
Depreciation of property, plant and equipment	(2,398)	(71)	(122)	(385)	(601)	(245)	(3,822)	57	(3,765)
Other non-monetary items	(314)	(210)	53	(2)	(120)	(103)	(696)	-	(696)
including:									
reversal/(accrual) of impairment for accounts receivable, net	(290)	(210)	36	(4)	(137)	(13)	(618)	-	(618)
profit/(loss) from disposal of property, plant and equipment, net	(24)	-	17	2	17	(90)	(78)	-	(78)
<b>Operating profit/(loss)</b>	<b>2,072</b>	<b>242</b>	<b>(274)</b>	<b>518</b>	<b>1,679</b>	<b>161</b>	<b>4,398</b>	<b>(171)</b>	<b>4,227</b>
Finance income									316
Finance expenses									(3,211)
Share income of associates									109
<b>Profit before income tax</b>									<b>1,441</b>
Total income tax expense									(178)
<b>Profit for the period</b>									<b>1,263</b>
<b>Capital expenditure</b>	<b>2,476</b>	<b>127</b>	<b>264</b>	<b>402</b>	<b>1,076</b>	<b>1,361</b>	<b>5,706</b>	<b>-</b>	<b>5,706</b>
<b>31 December 2014</b>									
<b>Non-current and current debt</b>	<b>(51,017)</b>	<b>(5,666)</b>	<b>(2,003)</b>	<b>(4,272)</b>	<b>(8,566)</b>	<b>(6,470)</b>	<b>(77,994)</b>	<b>-</b>	<b>(77,994)</b>



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Three months ended 30 June 2015	Subgroup DEK	Subgroup Kamchatskenergo	Subgroup Magadanenergo	Subgroup Sakhalinenergo	Subgroup Yakutskenergo	Other	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>34,819</b>	<b>2,539</b>	<b>2,525</b>	<b>1,930</b>	<b>7,404</b>	<b>769</b>	<b>49,986</b>	<b>(17,192)</b>	<b>32,794</b>
including:									
from external companies:	20,044	2,507	2,405	1,919	5,421	498	32,794	-	32,794
sales of electricity	12,639	1,153	1,532	1,583	4,484	171	21,562	-	21,562
sales of capacity	1,642	-	-	-	-	76	1,718	-	1,718
heat sales	3,224	1,333	813	258	646	-	6,274	-	6,274
other revenue	2,539	21	60	78	291	251	3,240	-	3,240
from intercompany operations	14,775	32	120	11	1,983	271	17,192	(17,192)	-
Government grants	102	1,044	344	112	821	77	2,500	(43)	2,457
Expenses (excluding depreciation and other non-monetary items)	(35,946)	(3,672)	(3,597)	(2,055)	(7,833)	(936)	(54,039)	17,477	(36,562)
including:									
from intercompany operations	(12,678)	(48)	(98)	(70)	(2,210)	(28)	(15,132)	15,132	-
<b>EBITDA</b>	<b>(1,025)</b>	<b>(89)</b>	<b>(728)</b>	<b>(13)</b>	<b>392</b>	<b>(90)</b>	<b>(1,553)</b>	<b>242</b>	<b>(1,311)</b>
Depreciation of property, plant and equipment	(1,191)	(15)	(78)	(158)	(303)	(106)	(1,851)	14	(1,837)
Other non-monetary items	(532)	(50)	(21)	(20)	25	(464)	(1,062)	-	(1,062)
including:									
reversal/(accrual) of impairment for accounts receivable, net	(315)	19	(22)	(27)	41	(463)	(767)	-	(767)
profit/(loss) from disposal of property, plant and equipment, net	6	-	1	7	(16)	(1)	(3)	-	(3)
accrual of impairment of property, plant and equipment, net	(258)	(117)	-	-	-	-	(375)	-	(375)
profit from disposal of subsidiaries	35	48	-	-	-	-	83	-	83
<b>Operating profit/(loss)</b>	<b>(2,748)</b>	<b>(154)</b>	<b>(827)</b>	<b>(191)</b>	<b>114</b>	<b>(660)</b>	<b>(4,466)</b>	<b>256</b>	<b>(4,210)</b>
Finance income									492
Finance expenses									(2,840)
Share of income of associates									21
<b>Loss before income tax</b>									<b>(6,537)</b>
Total income tax income									181
<b>Loss for the period</b>									<b>(6,356)</b>
<b>Capital expenditure</b>	<b>1,457</b>	<b>121</b>	<b>99</b>	<b>177</b>	<b>710</b>	<b>795</b>	<b>3,359</b>	<b>-</b>	<b>3,359</b>
<b>30 June 2015</b>									
<b>Non-current and current debt</b>	<b>(55,391)</b>	<b>(5,638)</b>	<b>(2,301)</b>	<b>(3,524)</b>	<b>(10,152)</b>	<b>(7,190)</b>	<b>(84,196)</b>	<b>-</b>	<b>(84,196)</b>

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Three months ended 30 June 2014	Subgroup DEK	Subgroup Kamchatskenergo	Subgroup Magadanenergo	Subgroup Sakhalinenergo	Subgroup Yakutskenergo	Other	Total segments	Unallocated adjustments and intercompany operations	TOTAL
<b>Revenue</b>	<b>32,681</b>	<b>2,455</b>	<b>2,588</b>	<b>1,758</b>	<b>6,774</b>	<b>1,103</b>	<b>47,359</b>	<b>(17,273)</b>	<b>30,086</b>
including:									
from external companies:	18,186	2,425	2,456	1,749	4,765	505	30,086	-	30,086
sales of electricity	11,736	1,024	1,403	1,421	3,664	170	19,418	-	19,418
sales of capacity	869	-	-	-	-	71	940	-	940
heat sales	2,800	1,362	857	231	546	-	5,796	-	5,796
other revenue	2,781	39	196	97	555	264	3,932	-	3,932
from intercompany operations	14,495	30	132	9	2,009	598	17,273	(17,273)	-
Government grants	129	904	661	129	624	60	2,507	-	2,507
Expenses									
(excluding depreciation and other non-monetary items)	(33,477)	(3,293)	(3,065)	(1,756)	(7,454)	(890)	(49,935)	17,173	(32,762)
including:									
from intercompany operations	(11,954)	(36)	(116)	(134)	(2,267)	(22)	(14,528)	14,528	-
<b>EBITDA</b>	<b>(667)</b>	<b>66</b>	<b>184</b>	<b>131</b>	<b>(56)</b>	<b>273</b>	<b>(69)</b>	<b>(100)</b>	<b>(169)</b>
Depreciation of property, plant and equipment	(1,184)	(35)	(38)	(159)	(301)	(126)	(1,843)	21	(1,822)
Other non-monetary items	(311)	(132)	(30)	(2)	(4)	(87)	(566)	-	(566)
including:									
reversal/(accrual) of impairment for accounts receivable, net	(335)	(134)	(37)	(4)	(67)	3	(574)	-	(574)
profit/(loss) from disposal of property, plant and equipment, net	24	2	7	2	63	(90)	8	-	8
<b>Operating profit</b>	<b>(2,162)</b>	<b>(101)</b>	<b>116</b>	<b>(30)</b>	<b>(361)</b>	<b>60</b>	<b>(2,478)</b>	<b>(79)</b>	<b>(2,557)</b>
Finance income									129
Finance expenses									(1,812)
Share income of associates									48
<b>Loss before income tax</b>									<b>(4,192)</b>
Total income tax income									794
<b>Loss for the period</b>									<b>(3,398)</b>
<b>Capital expenditure</b>	<b>1,611</b>	<b>97</b>	<b>176</b>	<b>298</b>	<b>692</b>	<b>831</b>	<b>3,704</b>	<b>-</b>	<b>3,704</b>
<b>31 December 2014</b>									
<b>Non-current and current debt</b>	<b>(51,017)</b>	<b>(5,666)</b>	<b>(2,003)</b>	<b>(4,272)</b>	<b>(8,566)</b>	<b>(6,470)</b>	<b>(77,994)</b>	<b>-</b>	<b>(77,994)</b>





**Note 5. Related party transactions**

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

**Government-related entities.** In the normal course of business the Group enters into transactions with the entities controlled by the Government. The Group had transactions during the six months ended 30 June 2015 and 30 June 2014 and balances outstanding as at 30 June 2015 and 31 December 2014 with a number of government-related banks. Loans are provided at commercial terms.

The Group sells electricity, capacity and heat to government-related entities. Prices for such electricity and capacity sales are based on tariffs set by FTS and Regional Energy Commissions. The Group's sales to government-related entities comprised approximately 35 percent of total sales for the six months ended 30 June 2015 (for the six months ended 30 June 2014: approximately 35 percent). The Group's purchases from government-related entities comprised approximately 20 percent of total expenses on purchased goods and services for the six months ended 30 June 2015 (for the six months ended 30 June 2014: approximately 25 percent).

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

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

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

Short-term remuneration paid to the key management of the Group for the six months ended 30 June 2015 was RR 404 million (for the six months ended 30 June 2014: RR 393 million). For the three months ended 30 June 2015 remuneration paid to the key management of the Group was RR 287 million (for the three months ended 30 June 2014: RR 278 million).

**Parent company and entities under common control.** In the normal course of business the Group enters into transactions with the PJSC RusHydro and entities under common control.

At 30 June 2015 and at 31 December 2014 the outstanding balances with entities controlled by PJSC RusHydro were as follows:

	30 June 2015	31 December 2014
Accounts receivable and prepayments	28	35
Accounts payable and accruals	1,315	1,203
Non-current debt	21,832	23,359
Current debt	1,752	139

The income and expense items with entities controlled by PJSC RusHydro:

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
Sales of electricity	119	130	33	33
Other revenue	15	5	14	-
Fixed assets sales	-	352	-	352
Expenses	4,106	3,877	1,835	1,710
Finance expenses	1,500	1,035	750	562

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The above balances include the following amounts of transactions and balances with parent company PJSC RusHydro:

	30 June 2015	31 December 2014
Accounts receivable and prepayments	4	2
Accounts payable and accruals	430	715
Non-current debt	21,832	23,359
Current debt	1,752	139

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
Other revenue	2	2	2	-
Expenses	2,880	2,720	1,238	1,159
Finance expenses	1,500	1,035	750	562

**Associates.** At 30 June 2015 and at 31 December 2014 the outstanding balances with associates were as follows:

	30 June 2015	31 December 2014
Accounts receivable and prepayments	241	293
Accounts payable and accruals	590	351

The income and expense items with associates:

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
Revenue	1,378	1,308	557	506
Expenses	236	139	152	138



**Note 6. Property, plant and equipment**

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

<b>Cost</b>	<b>Production buildings</b>	<b>Facilities</b>	<b>Machinery and equipment</b>	<b>Construction in progress</b>	<b>Other</b>	<b>Total</b>
<b>Balance as at 1 January 2015</b>	<b>27,812</b>	<b>58,309</b>	<b>53,640</b>	<b>18,833</b>	<b>7,310</b>	<b>165,904</b>
Additions	2	39	259	6,351	158	6,809
Transfers	43	567	1,799	(2,419)	10	-
Reclassification to assets of disposal group	(469)	(278)	(404)	(55)	(187)	(1,393)
Disposals	(27)	-	(66)	(43)	(76)	(212)
<b>Balance as at 30 June 2015</b>	<b>27,361</b>	<b>58,637</b>	<b>55,228</b>	<b>22,667</b>	<b>7,215</b>	<b>171,108</b>
<b>Accumulated depreciation (including impairment)</b>						
<b>Balance as at 1 January 2015</b>	<b>(12,612)</b>	<b>(28,895)</b>	<b>(27,907)</b>	<b>(2,080)</b>	<b>(3,520)</b>	<b>(75,014)</b>
Impairment charge	(2)	(6)	(28)	(332)	(7)	(375)
Depreciation charge	(412)	(1,512)	(1,614)	-	(406)	(3,944)
Transfers	(13)	(73)	(129)	215	-	-
Reclassification to assets of disposal group	290	179	326	72	153	1,020
Disposals	9	-	62	2	51	124
<b>Balance as at 30 June 2015</b>	<b>(12,740)</b>	<b>(30,307)</b>	<b>(29,290)</b>	<b>(2,123)</b>	<b>(3,729)</b>	<b>(78,189)</b>
<b>Net book value as at 30 June 2015</b>	<b>14,621</b>	<b>28,330</b>	<b>25,938</b>	<b>20,544</b>	<b>3,486</b>	<b>92,919</b>
<b>Net book value as at 1 January 2015</b>	<b>15,200</b>	<b>29,414</b>	<b>25,733</b>	<b>16,753</b>	<b>3,790</b>	<b>90,890</b>
<b>Balance as at 1 January 2014</b>						
<b>2014</b>	<b>26,473</b>	<b>51,984</b>	<b>48,888</b>	<b>16,996</b>	<b>6,985</b>	<b>151,326</b>
Additions	42	10	246	5,138	270	5,706
Transfers	557	415	360	(1,358)	26	-
Disposals	(53)	(70)	(141)	(517)	(137)	(918)
<b>Balance as at 30 June 2014</b>	<b>27,019</b>	<b>52,339</b>	<b>49,353</b>	<b>20,259</b>	<b>7,144</b>	<b>156,114</b>
<b>Accumulated depreciation (including impairment)</b>						
<b>Balance as at 1 January 2014</b>	<b>(11,374)</b>	<b>(25,652)</b>	<b>(24,192)</b>	<b>(2,557)</b>	<b>(2,911)</b>	<b>(66,686)</b>
Depreciation charge	(410)	(1,521)	(1,540)	-	(364)	(3,835)
Transfers	(251)	(63)	(49)	363	-	-
Disposals	22	42	122	3	124	313
<b>Balance as at 30 June 2014</b>	<b>(12,013)</b>	<b>(27,194)</b>	<b>(25,659)</b>	<b>(2,191)</b>	<b>(3,151)</b>	<b>(70,208)</b>
<b>Net book value as at 30 June 2014</b>	<b>15,006</b>	<b>25,145</b>	<b>23,694</b>	<b>18,068</b>	<b>3,993</b>	<b>85,906</b>
<b>Net book value as at 1 January 2014</b>	<b>15,099</b>	<b>26,332</b>	<b>24,696</b>	<b>14,439</b>	<b>4,074</b>	<b>84,640</b>

Included in the above carrying amount of RR 1,988 million (31 December 2014: RR 2,027 million) represents cost of assets relating to office buildings of the Group which are stated at non-revalued deemed cost.



**Impairment as at 30 June 2015.** Management of the Group considered the market and economic environment in which the Group operates to assess whether any indicators of property, plant and equipment being impaired existed, or that an impairment loss recognised in prior periods may no longer exist or may have decreased for each reporting date. As a result of this analysis as at 30 June 2015 no indicators of significant changes of management's assumptions used to determine the recoverable amounts of cash-generating units as at 31 December 2014 were revealed.

Based on the assumptions used as of 31 December 2014, the Group recognised impairment loss in the amount of RR 375 million for the three and six months ended 30 June 2015 in respect of additions of property, plant and equipment related to cash-generating units impaired in previous periods (for the three and six months ended 30 June 2014 impairment loss was not recognized).

**Note 7. Cash and cash equivalents**

	30 June 2015	31 December 2014
Cash at bank	3,748	5,176
Deposits less than three month and others cash equivalents	5,909	7,382
Cash in hand	24	14
<b>Total cash and cash equivalents</b>	<b>9,681</b>	<b>12,572</b>

The line Cash and cash equivalents as at 30 June 2015 and 31 December 2014 in the Consolidated Statement of Cash Flows included RR 12 million and RR 1 million of cash and cash equivalents held by the disposal group classified as held for sale respectively (Note 10).

**Note 8. Accounts receivable and prepayments**

	30 June 2015	31 December 2014
Trade receivables	27,149	26,488
Provision for impairment of trade receivables	(9,135)	(8,907)
<b>Trade receivables, net</b>	<b>18,014</b>	<b>17,581</b>
Other receivables	2,268	1,707
Provision for impairment of other receivables	(535)	(486)
<b>Other receivables, net</b>	<b>1,733</b>	<b>1,221</b>
Advances to suppliers and prepayments	3,383	2,583
Provision for impairment of advances to suppliers and other prepayments	(71)	(349)
<b>Advances to suppliers and other prepayments, net</b>	<b>3,312</b>	<b>2,234</b>
Value added tax recoverable	2,435	2,101
<b>Total accounts receivable and advances given</b>	<b>25,494</b>	<b>23,137</b>

The Group does not hold any accounts receivable pledged as collateral.

**Note 9. Inventories**

	30 June 2015	31 December 2014
Fuel	10,394	13,226
Materials and supplies	4,578	4,531
Spare parts	1,459	1,279
Other materials	1,179	381
<b>Total inventories, gross</b>	<b>17,610</b>	<b>19,417</b>
Provision for inventory obsolescence	(47)	(33)
<b>Total inventories</b>	<b>17,563</b>	<b>19,384</b>

**Note 10. Assets and liabilities of disposal group classified as held for sale**

In the end of 2014 the decision management of the Group decided to sell 100% of shares of OJSC Daltekhenergo and OJSC GRMZ. The selling price was determined by a professional appraiser. As at 31 December 2014 in accordance with management professional judgment the probability of selling of shares OJSC Daltekhenergo and OJSC GRMZ was assessed as high, the Group has classified the equity investments in OJSC Daltekhenergo and OJSC GRMZ as assets of disposal group held for sale. The Group has sold shares of OJSC Daltekhenergo and OJSC GRMZ 23 and 24 March 2015 respectively (Note 3).

**RAO Energy System of East Group**  
**Notes to the Condensed Consolidated Interim Financial Information**  
**as at and for the three and six months ended 30 June 2015 (unaudited)**  
(in millions of Russian Rubles unless noted otherwise)



In the end of the first half of 2015 management of the Group made decision to sell shares of OJSC HRSK and OJSC SK Agroenergo at open auction. As as at 30 June 2015 the probability of selling of shares OJSC HRSK and OJSC SK Agroenergo was assessed as high, the Group has classified the equity investments in OJSC HRSK and OJSC SK Agroenergo as assets of disposal group held for sale.

As at 30 June 2015 Group has provided borrowings and loans in respect of OJSC HRSK amounted RR 1,245 million.

	Note	30 June 2015	31 December 2014
<b>Non-current assets</b>			
Property, plant and equipment	6	371	75
Other non-current assets		19	109
<b>Total non-current assets</b>		<b>390</b>	<b>184</b>
<b>Current assets</b>			
Cash and cash equivalents	7	12	1
Trade receivables	8	61	33
Advances to suppliers and prepayments	8	20	10
Other receivables	8	97	15
Inventories	9	630	43
Other current assets		-	25
<b>Total current assets</b>		<b>820</b>	<b>127</b>
<b>Assets of disposal group</b>		<b>1,210</b>	<b>311</b>

	Note	30 June 2015	31 December 2014
<b>Non-current liabilities</b>			
Non-current debt	13	40	-
Other non-current liabilities	14	44	7
<b>Total non-current liabilities</b>		<b>84</b>	<b>7</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	13	187	1
Trade accounts payable	15	265	389
Advances received	15	762	37
Other taxes payable	16	158	62
<b>Total current liabilities</b>		<b>1,372</b>	<b>489</b>
<b>Liabilities of disposal group</b>		<b>1,456</b>	<b>496</b>

**Note 11. Equity**

**Share capital.** As at 30 June 2015 and 31 December 2014 share capital of the Company is RR 22,717 million and consists of 43,358,822,914 ordinary shares and 2,075,149,384 preference share with nominal value 0.5 RR each.

**Dividends.** In accordance with general annual shareholders meeting of the Company for the year ended 31 December 2014 the dividends were not declared and paid. Due to the non-payment of dividends on preferred shares their owners were given voting rights until the first payment of dividends on such shares will be made in full.



**Note 12. Current and non-current debt**

*Non-current borrowings*

	Year of maturity	30 June 2015	31 December 2014
PJSC RusHydro	2016-2026	23,584	23,498
Sberbank	2015-2018	12,084	13,781
OJSC Bank of Moscow	2015	7,536	7,536
EBRD	2016-2025	6,889	6,068
PJSC ROSBANK	2015-2016	4,560	4,481
JSC VTB Bank	2018	4,521	4,522
Bank GPB (JSC)	2015-2016	577	1,179
Other	2016-2036	538	587
Finance lease liabilities		1,928	2,133
<b>Total</b>		<b>62,217</b>	<b>63,785</b>
Less current portion of loans and borrowings		(21,083)	(17,506)
Less current finance lease liabilities		(696)	(755)
<b>Total Non-current borrowings</b>		<b>40,438</b>	<b>45,524</b>

*Current borrowings*

	30 June 2015	31 December 2014
Sberbank	9,173	3,610
PJSC ROSBANK	5,270	4,096
JSC VTB Bank	4,931	4,921
Bank GPB (JSC)	1,382	26
JSC Raiffeisenbank	557	598
Bank «RRDB» (JSC)	485	727
OJSC Kamchatkomargoprombank	180	-
Rosselkhozbank	-	227
Other	1	4
<b>Total</b>	<b>21,979</b>	<b>14,209</b>
Current portion of loans and borrowings	21,083	17,506
Current finance lease liabilities	696	755
<b>Total current borrowings and current part of non-current borrowings</b>	<b>43,758</b>	<b>32,470</b>

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

As at 30 June 2015 and 31 December 2014 some of the Group's credit contracts are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators. The Group fulfilled all of the requirements as at 30 June 2015 and as at 31 December 2014.

**Note 13. Other non-current liabilities**

	30 June 2015	31 December 2014
Pension benefit obligations	5,492	4,417
Reserve for ash dump	699	589
Other non-current liabilities	1,875	1,618
<b>Total other non-current liabilities</b>	<b>8,066</b>	<b>6,624</b>

Principal actuarial assumptions at 31 December 2014 and on 30 June 2015 remained unchanged, except discount rate which reduced from 13,00% as at 31 December 2014 till 11,00% as at 30 June 2015.

Other non-current liabilities include mainly non-current accounts payable related to income recognition under finance lease-back agreements and advances received under the contracts of technological connection to the grids.



**Note 14. Accounts payable and accruals**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Trade payables	14,308	15,428
Accounts payable under factoring agreement	2,830	1,376
Other accounts payable	1,701	1,505
<b>Total financial liabilities within accounts payable and accruals</b>	<b>18,839</b>	<b>18,309</b>
Advances received	4,674	6,069
Settlements with personnel	5,413	5,205
Dividends payable	7	9
<b>Total accounts payable and accruals</b>	<b>28,933</b>	<b>29,592</b>

All accounts payable nominated in Russian Rubles.

Payables to suppliers of property, plant and equipment of RR 2,004 million (31 December 2014: RR 2,035 million) included in current accounts payable.

**Note 15. Other taxes payable**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Value added tax	2,166	3,572
Insurance contribution	1,877	1,517
Property tax	506	437
Other taxes	393	454
<b>Total other taxes payable</b>	<b>4,942</b>	<b>5,980</b>

**Note 16. Income tax**

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional or one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the six months ended 30 June 2015 was 21 percent (for the six months ended 30 June 2014: 23 percent).

	<b>Six months ended 30 June</b>		<b>Three months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Current income tax expense	(463)	(145)	(157)	329
Deferred income tax (expense)/income	307	(33)	338	465
<b>Total income tax (expense)/income</b>	<b>(156)</b>	<b>(178)</b>	<b>181</b>	<b>794</b>

**Note 17. Revenue**

	<b>Six months ended 30 June</b>		<b>Three months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Sales of electricity and capacity	54,167	47,289	23,280	20,358
Heat and hot water sales	20,062	19,543	6,274	5,796
Other revenue	6,938	8,222	3,240	3,932
<b>Total revenue</b>	<b>81,167</b>	<b>75,054</b>	<b>32,794</b>	<b>30,086</b>

Other revenue includes mainly revenue from transportation of electricity and heat, repair and construction services, technological connection, resale of goods, rentals and communication services.





**Note 18. Government grants**

In accordance with law some subsidiaries are entitled to government subsidies, these government subsidies appropriated for compensation of the difference between approved economically viable electricity and heat tariffs and actual reduced tariffs and for compensation of losses on purchased fuel. During the six months ended 30 June 2015 the Group received government subsidies in amount of RR 5,505 million (for the six months ended 30 June 2014 in the amount of RR 5,607 million). During the three months ended 30 June 2015 the Group received government subsidies in amount of RR 2,457 million (for the three months ended 30 June 2014 in the amount of RR 2,507 million). The subsidies were received in the following subsidised territories: Kamchatka territory, Republic of Sakha (Yakutiya), Magadan region and other Far East regions.

**Note 19. Expenses**

	<b>Six months ended 30 June</b>		<b>Three months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Fuel expenses	28,732	24,074	10,253	8,980
Employee benefit expenses (including payroll taxes and pension benefit expenses)	26,042	23,042	12,696	11,541
Electricity distribution expenses	7,200	7,321	3,281	3,259
Purchased electricity and capacity	6,762	4,615	3,024	2,028
Third parties services, including:				
Repairs and maintenance	1,097	766	775	533
Rent	690	583	377	275
Security expenses	666	578	337	271
Services of subcontracting companies	388	481	156	269
Services of SO-CDU, NP Council Market, CFS	365	360	179	177
Consulting, legal and information expenses	315	396	174	166
Transportation expenses	298	399	146	239
Insurance cost	182	155	101	90
Other third parties services	1,886	1,500	961	735
Depreciation of property, plant and equipment	3,837	3,765	1,837	1,822
Other materials	2,954	3,053	1,634	1,778
Purchase and transportation of heat power	1,590	1,510	628	633
Taxes other than on income	1,211	1,028	586	524
Accrual of impairment for accounts receivable, net	1,146	618	767	574
Water usage expenses	932	889	444	439
Social charges	364	359	225	267
Purchase of oil products for sale	141	243	80	17
(Profit)/loss on disposal of property, plant and equipment, net	(20)	78	3	(8)
Insurance indemnity	(49)	(28)	(15)	(8)
Other expenses	963	649	520	549
<b>Total expenses</b>	<b>87,692</b>	<b>76,434</b>	<b>39,169</b>	<b>35,150</b>





**Note 20. Finance income, expenses**

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
<i>Finance income</i>				
Interest income	817	222	377	129
Foreign exchange gain	76	94	-	-
Finance gain related to discounting	121	-	115	-
Other finance income	23	-	-	-
<b>Finance income</b>	<b>1,037</b>	<b>316</b>	<b>492</b>	<b>129</b>
<i>Finance expenses</i>				
Interest expense	(4,485)	(2,721)	(2,363)	(1,405)
Finance expense related to discounting	(112)	(76)	(27)	(25)
Finance lease expense	(217)	(59)	-	(51)
Foreign exchange loss	(132)	(66)	(124)	(66)
Other finance expenses	(326)	(289)	(326)	(265)
<b>Finance expenses</b>	<b>(5,272)</b>	<b>(3,211)</b>	<b>(2,840)</b>	<b>(1,812)</b>

**Note 21. Earnings per share**

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Weighted average number of ordinary shares, in thousands	42,537,972	42,537,972	42,537,972	42,537,972
Weighted average number of preference shares, in thousands	2,075,149	2,075,149	2,075,149	2,075,149
<b>Profit attributable to ordinary and preference shareholders, thousand Russian Rubles</b>	<b>(1,958)</b>	<b>780</b>	<b>(3,480)</b>	<b>(1,967)</b>
<b>Basic and diluted profit per share for profit from operations attributable to the owners of the Company (in RR per share)</b>	<b>(0.0439)</b>	<b>0.0175</b>	<b>(0.0780)</b>	<b>(0.0441)</b>

**Note 22. Contingencies and commitments**

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

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

Management believes that as at 30 June 2015 its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

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



During the six months ended 30 June 2015 Group companies have been carrying out controlled transactions and transactions that are highly likely to be recognized as such by the end of the period.

Management believes that the prices used by the Group companies in the first half of 2015 and the preceding years, correspond to the market level, and it has implemented internal control procedures for the implementation of new regulations on transfer pricing.

Due to the specifics of Russian transfer pricing rules the impact of any challenge by tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

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

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage. The Group recognised environmental provision for land recultivation as at 30 June 2015 and 31 December 2014. The amount of environmental provision as at 30 June 2015 RR 721 million, including short term part RR 22 million (RR 621 million as at 31 December 2014, including short term part RR 32 million) Note 13.

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

**Capital expenditure commitments.** In accordance with separate investment programmes of subsidiaries the Group has to invest RR 69,414 million for the period 2015-2017 for reconstruction of the existing and construction of capacities.

Capital commitments of the Group as at 30 June 2015 were RR 61,929 million, including 2015 year – RR 24,442 million, 2016 year – RR 21,573 million, 2017 year – RR 15,914 million.

During the year the separate investment programmes of subsidiaries could be revised. Corresponding changes are proposed to competent bodies for approval which as a rule is conducted at the year end.

Future capital expenditures are mainly related to reconstruction of existed equipment of power plants and grid.

## **Note 23. Financial instruments and financial risk management**

**Financial risks.** The group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management department or in any risk management policies in the reporting period.

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

As at 30 June 2015 the Group's current assets are less than current liabilities on RR 24,586 million (as at 31 December 2014 current assets were less than current liabilities on RR 12,834 million).



The Group manages liquidity risk as follows:

- tariffs for electricity and heat are set on cost plus basis, which covered the major part of the Group's expenses;
- the Group received continuing strong support from Government in the form of grants received for compensation of low electricity tariff;
- the Group considers the possibility of restructuring of current borrowings and loans to postpone the payments and increase liquidity;
- significant part of current liabilities is represented by advances received for future services and electricity supply, which also guarantees the demand on the Group's products.

The risk assessment carried out in the Group's liquidity, taking into account the fact that in case of shortage of funds needed to maintain adequate levels of liquidity the Group can be provided with financial support in the form of loans or guarantees from the parent company, PJSC RusHydro.

**Presentation of financial instruments by measurement category.** The following table provides a reconciliation of classes of financial assets with the measurement categories of IAS 39, Financial Instruments: Recognition and Measurement as at 30 June 2015 and 31 December 2014:

	Loans and receivables	Available-for-sale financial assets	Total
<b>30 June 2015</b>			
<b>Assets</b>			
<b>Other non-current assets</b>	<b>556</b>	-	<b>556</b>
Non-current accounts receivable	556	-	556
<b>Available-for-sale financial assets</b>	-	<b>326</b>	<b>326</b>
<b>Trade and other receivables (Note 8)</b>	<b>19,800</b>	-	<b>19,800</b>
Trade receivables	17,981	-	17,981
Other receivables	1,819	-	1,819
<b>Cash and cash equivalents (Note 7)</b>	<b>9,681</b>	-	<b>9,681</b>
<b>Total financial assets</b>	<b>30,037</b>	<b>326</b>	<b>30,363</b>
<b>Total non-financial assets</b>	<b>121,653</b>	-	<b>121,653</b>
<b>Total assets</b>	<b>151,690</b>	<b>326</b>	<b>152,016</b>
<b>31 December 2014</b>			
<b>Assets</b>			
<b>Other non-current assets</b>	<b>539</b>	-	<b>539</b>
Non-current accounts receivable	539	-	539
<b>Available-for-sale financial assets</b>	-	<b>305</b>	<b>305</b>
<b>Trade and other receivables (Note 8)</b>	<b>18,802</b>	-	<b>18,802</b>
Trade receivables	17,581	-	17,581
Other receivables	1,221	-	1,221
<b>Cash and cash equivalents (Note 7)</b>	<b>12,572</b>	-	<b>12,572</b>
<b>Total financial assets</b>	<b>31,913</b>	<b>305</b>	<b>32,218</b>
<b>Total non-financial assets</b>	<b>118,603</b>	-	<b>118,603</b>
<b>Total assets</b>	<b>150,516</b>	<b>305</b>	<b>150,821</b>

All of the Group's financial liabilities are carried at amortised cost. Financial liabilities represented mainly by current and non-current debt (Note 12), trade payables and other accounts payable (Note 14).

#### **Note 24. Fair value of assets and liabilities**

##### **a) Recurring fair value measurements**

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.



The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	30 June 2015				31 December 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Available-for-sale financial assets	173	-	153	<b>326</b>	141	-	164	<b>305</b>
<b>Non-financial assets</b>								
Property, plant and equipment (excluding construction in progress, office buildings and land)	-	-	70,387	<b>70,387</b>	-	-	72,110	<b>72,110</b>
<b>Total assets recurring fair value measurements</b>	<b>173</b>	<b>-</b>	<b>71,096</b>	<b>71,269</b>	<b>141</b>	<b>-</b>	<b>72,813</b>	<b>72,954</b>

The Group had no liabilities measured at fair value as at 30 June 2015 and 31 December 2014.

There were no changes in valuation techniques, inputs and assumptions for recurring fair value measurements during the six months ended 30 June 2015.

**(b) Assets and liabilities not measured at fair value but for which fair value is disclosed**

**Financial assets carried at amortised cost.** The Group considers that the fair value of cash, short term deposits and accounts receivable approximates their carrying value. The fair value of long term accounts receivable is estimated based on future cash flows expected to be received including expected losses (Level 3 of the fair value hierarchy), the fair value of these assets approximates their carrying value.

**Liabilities carried at amortised cost.** The fair value of floating rate liabilities approximates their carrying value. Fair value of the fixed rate liabilities is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity (Level 3 of the fair value hierarchy).

The carrying value of current liabilities carried at amortised cost approximates their fair value.

As at 30 June 2015 fair value of non-current fixed rate loans and borrowings comprised RR 17,184 million, its carrying value comprised RR 20,419 million. As at 31 December 2014 fair value of non-current fixed rate loans and borrowings comprised RR 22,689 million, its carrying value comprised RR 26,179 million.

**Note 25. Subsequent events**

According to an agreement concluded by the Group with JSC VTB Bank effective since 01 July 2015 the Group will be able to attract additional finance in amount of RR 6,613 million with interest rate on specialized refinancing instruments set by Central Bank of Russian Federation increased by 2.5%. Besides after the end of the reporting period the Group has concluded loan agreements (including those on credit lines) with commercial banks. The agreements were concluded with Sberbank in total amount of RR 5,964 million with annual interest rate of 12.15-12.60 percent; PJSC ROSBANK in total amount of RR 1,141 million with annual interest rates of 12.00-12.43 percent.