

**OAO E.ON RUSSIA AND SUBSIDIARIES  
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
PREPARED IN ACCORDANCE WITH IAS 34, INTERIM FINANCIAL REPORTING  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**



## ***Report on Review of 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 2014 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*.

21 August 2014

Moscow, Russian Federation

**OAO E.ON Russia and subsidiaries**  
**Condensed Consolidated Interim Statement of Financial Position**  
**as at 30 June 2014**  
(RUB thousand)

	Note	At 30 June 2014	At 31 December 2013
		Unaudited	Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	95,794,367	90,416,319
Goodwill	4	499,082	-
Intangible assets	4	1,244,342	366,625
Long-term financial assets	6	2,560,170	2,443,275
Other non-current assets		839,923	689,185
<b>Total non-current assets</b>		<b>100,937,884</b>	<b>93,915,404</b>
<b>Current assets</b>			
Cash and cash equivalents		22,557,444	18,026,997
Short-term financial assets	9	9,493,715	8,845,451
Accounts receivable and prepayments	8	5,517,938	6,764,684
Inventories	7	1,984,094	1,869,167
Income tax prepayments		994,693	1,321,634
Assets held for sale		153	153
<b>Total current assets</b>		<b>40,548,037</b>	<b>36,828,086</b>
<b>TOTAL ASSETS</b>		<b>141,485,921</b>	<b>130,743,490</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital</b>			
Share capital		25,219,482	25,219,482
Share premium		40,052,405	40,052,405
Other reserves	13	694,796	721,407
Retained earnings		37,311,209	53,290,789
<b>Total equity attributable to shareholders of OAO E.ON Russia</b>		<b>103,277,892</b>	<b>119,284,083</b>
Non-controlling interest		526,018	62,908
<b>Total equity</b>		<b>103,803,910</b>	<b>119,346,991</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		5,950,493	5,163,392
Pension liabilities		1,099,806	1,027,866
Other non-current liabilities	4	278,486	-
<b>Total non-current liabilities</b>		<b>7,328,785</b>	<b>6,191,258</b>
<b>Current liabilities</b>			
Accounts payable and accruals	14	27,892,961	4,146,253
Taxes payable other than income tax		2,460,265	1,058,988
<b>Total current liabilities</b>		<b>30,353,226</b>	<b>5,205,241</b>
<b>Total liabilities</b>		<b>37,682,011</b>	<b>11,396,499</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>141,485,921</b>	<b>130,743,490</b>

General Director

M.G. Shirokov

Financial Director

U. Backmeyer

Approved and signed

21 August 2014

Translation of the original prepared in Russian  
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**OAo E.ON Russia and subsidiaries**  
**Condensed Consolidated Interim Statement of Comprehensive Income**  
**for the six months ended 30 June 2014**  
(RUB thousand)

	Note	Six months ended 30 June 2014	Six months ended 30 June 2013
		Unaudited	Unaudited
Revenues	10	39,255,038	38,399,889
Operating expenses	11	(30,505,251)	(28,160,019)
Other operating income		118,384	91,761
<b>Operating profit</b>		<b>8,868,171</b>	<b>10,331,631</b>
Finance income	12	1,149,770	1,345,994
Finance expense	12	(78,949)	(93,624)
<b>Profit before income tax</b>		<b>9,938,992</b>	<b>11,584,001</b>
Income tax charge	15	(1,961,859)	(2,195,246)
<b>Profit for the period</b>		<b>7,977,133</b>	<b>9,388,755</b>
<b>Profit for the period attributable to:</b>			
		7,946,926	9,369,810
Shareholders of OAO E.ON Russia		30,207	18,945
Non-controlling interest		30,207	18,945
<b>Profit for the period</b>		<b>7,977,133</b>	<b>9,388,755</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post employment benefit obligations		-	100,318
<b>Total items that will not be reclassified to profit or loss</b>		<b>-</b>	<b>100,318</b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value loss on available-for sale financial assets		4,455	10,461
Reclassification of cash flow hedge gain to profit and loss		(69,672)	(27,435)
Gain from cash flow hedge		38,606	190,072
<b>Total items that that may be reclassified subsequently to profit or loss</b>		<b>(26,611)</b>	<b>173,098</b>
<b>Total comprehensive income for the period</b>		<b>7,950,522</b>	<b>9,662,171</b>
<b>Comprehensive income attributable to:</b>			
Shareholders of OAO E.ON Russia		7,920,315	9,643,226
Non-controlling interest		30,207	18,945
<b>Earnings per ordinary share for profit attributable to the shareholders of OAO E.ON Russia – basic and diluted (in Russian roubles)</b>	16	<b>0,126</b>	<b>0,149</b>

**OAo E.ON Russia and subsidiaries**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**for the six months ended 30 June 2014**  
(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 2013 (Audited)</b>	<b>25,219,482</b>	<b>40,052,405</b>	<b>293,573</b>	<b>57,302,257</b>	<b>122,867,717</b>	<b>5,724</b>	<b>122,873,441</b>
Restated	-	-	-	(131,010)	(131,010)	-	(131,010)
<b>At 1 January 2013 (Audited)</b>	<b>25,219,482</b>	<b>40,052,405</b>	<b>293,573</b>	<b>57,171,247</b>	<b>122,736,707</b>	<b>5,724</b>	<b>122,742,431</b>
Profit / (loss) for the period	-	-	-	9,369,810	<b>9,369,810</b>	18,945	<b>9,388,755</b>
Other comprehensive income:							
Available-for-sale financial assets revaluation	-	-	10,461	-	10,461	-	10,461
Remeasurements of post employment benefit obligations	-	-	100,318	-	100,318	-	100,318
Cash flow hedge	-	-	190,072	-	190,072	-	190,072
Reclassification of cash flow hedge gain to profit and loss	-	-	(27,435)	-	(27,435)	-	(27,435)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>273,416</b>	<b>9,369,810</b>	<b>9,643,226</b>	<b>18,945</b>	<b>9,662,171</b>
Dividends	-	-	-	(18,255,203)	<b>(18,255,203)</b>	-	<b>(18,255,203)</b>
<b>At 30 June 2013 (Unaudited)</b>	<b>25,219,482</b>	<b>40,052,405</b>	<b>566,989</b>	<b>48,285,854</b>	<b>114,124,730</b>	<b>24,669</b>	<b>114,149,399</b>
<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 /(loss) 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
Cash flow hedge	-	-	38,606	-	38,606	-	38,605
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>77,946,926</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>

Translation of the original prepared in Russian  
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**OA O.E.ON Russia and subsidiaries**  
**Condensed Consolidated Interim Statement of Cash Flow**  
**for the six months ended 30 June 2014**  
(RUB thousand)

	Note	Six months ended 30 June 2014	Six months ended 30 June 2013
		Unaudited	Unaudited
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
<b>Profit before income tax</b>		<b>9,938,992</b>	<b>11,584,001</b>
<b>Adjustments for non-cash items:</b>			
Depreciation and amortization	11	3,901,760	4,168,579
Reclassification of cash flow hedge gain to profit and loss	11	(87,090)	(34,294)
Provision for impairment of accounts receivable	9	160,073	925,348
Foreign exchange gain /( loss)	12	(36,192)	10,521
Interest income and effect of discounting	12	(1,113,578)	(1,345,994)
Interest expense and effect of discounting	12	78,949	83,103
Income on disposal of property, plant and equipment and impairment	5	(8,908)	(31,544)
Change in pension liabilities		32,242	112,202
Change in provisions for estimated liabilities		(8,665)	(88,240)
Other non-cash items		(103,866)	(124,174)
<b>Operating cash flows before working capital changes and income tax paid</b>		<b>12,753,717</b>	<b>15,259,509</b>
<b>Working capital changes:</b>			
Decrease in accounts receivable and prepayments	8	923,800	227,905
Increase in inventories	7	(168,388)	(276,830)
Decrease in accounts payable and accruals	14	(734,601)	(75,009)
Increase /Decrease) in taxes payable other than income tax		1,401,277	(362,701)
Income tax paid	16	(1,138,528)	(2,954,784)
<b>Net cash generated from operating activities</b>		<b>13,037,277</b>	<b>11,818,090</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment and other non-current assets	5	(7,748,750)	(5,859,846)
Proceeds from sale of property, plant and equipment and other non-current assets	5	13,033	42,626
Acquisition of subsidiary	4	(1,0951,829)	-
Change in short-term financial assets	9	(484,618)	5,083,769
Loans issued		(77,563)	(76,106)
Loans returned		1,525	14,269
Interest received	12	743,220	1,217,170
<b>Net cash from / (used in) investing activities</b>		<b>(8,604,982)</b>	<b>421,882</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Dividends paid to non-controlling interest shareholders		-	-
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>
Effect of exchange rate changes on cash and cash equivalents		98,152	23,148
<b>Net (decrease)/increase in cash</b>		<b>4,530,447</b>	<b>12,263,120</b>
Cash and cash equivalents at the beginning of the year		18,026,997	5,813,097
Cash and cash equivalents at the end of the year		22,557,444	18,076,217

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**OAo E.ON Russia and subsidiaries**  
**Notes to Condensed Consolidated Interim Financial Information**  
**for the six months ended 30 June 2014**

(RUB thousand)

**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 Moscow Interbank Currency Exchange (MICEX).

The Company operates the following five power plants (GRES) as branches: Surgutskaya GRES-2, Shaturuskaya GRES, Berezovskaya GRES, Smolenskaya GRES and Yayvinskaya GRES. The Company also runs a representative office in Moscow and a branch E.ON Engineering. 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 and its branches and subsidiaries.

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

Principal activity	Ownership, %		
	At 31 December 2013	At 31 December 2012	
<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 Teplosbyt	Securities trading	100	100
OOO Noginsky Teplovoy Center	Generation and sale of electricity and heat	67	-
OAO Shaturuskaya Management Company	Municipal services	51	51

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 governed by normative documents on the state regulating 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), an accounting standard which significantly differs 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 the increasing costs.

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 elsewhere in the world. In 2014 the Russian Government continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. During the first six months of 2014 economic and political

**OA O E.ON Russia and subsidiaries**  
**Notes to Condensed Consolidated Interim Financial Information**  
**for the six months ended 30 June 2014**

(RUB thousand)

instability in Ukraine were increasing. 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.

While management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances, further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

These 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***

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 2013 –from 1 January by 6.6%, in 2014 –from 1 January by 6.5%, in 2015 – without indexation.
- The indexation of regulated prices (tariffs) for electric energy (power) in 2013 - from 1 July, in 2014 and 2015 - without indexation.

Cancellation of indexation of regulated prices (tariffs) and prices ROM is part of measures to limit the cost increase of the goods and services of natural monopolies, approved in November 2013 by the Government of the Russian Federation.

In addition, in accordance with the Government action plan to limit the value of goods and services of natural monopolies, in 2014 the wholesale gas prices was "frozen" (in accordance with the Order of the Federal Tariff Service number 177-e / 2 of 26 September 2013), the level of them set by the price of gas in 2014 corresponds to the prices August 2013).

***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 2014 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 2013, which have been prepared in accordance with IFRS.

***Accounting policies***

The accounting policies applied are consistent with those applied for preparing the consolidated financial statements for the year ended 31 December 2013 except for standards and interpretations come in force starting from 1 January 2014 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.



**Consolidated financial statements.** Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill, bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services.

Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

**Goodwill.** Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

**OA0 E.ON Russia and subsidiaries**  
**Notes to Condensed Consolidated Interim Financial Information**  
**for the six months ended 30 June 2014**  
(RUB thousand)

**Fair values.** Management believes that the fair value of financial assets and liabilities approximates their carrying value (Level 3 fair value hierarchy).

**New accounting pronouncements**

Certain new standards and interpretations became effective starting from annual periods beginning from 1 of January 2014. Details of these changes were described in the Group's consolidated financial statements prepared in accordance with IFRS for the year ended 31 December 2013.

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

The Group has not early adopted any other standard, interpretation or amendment that was issued but are not yet effective.

**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 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 2014</b>	<b>At 31 December 2013</b>
Accounts receivable	56,939	23,646
Accounts payable and accruals	113,238	5,438

  

	<b>Six months ended 30 June 2014</b>	<b>Six months ended 30 June 2013</b>
Revenues (less VAT)	4,743	892
Services provided and works performed (less VAT)	122,770	5,430

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 (during the period from 1 January 2013 to 30 June 2013 the interest rate was 7.55-7.37% 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)

**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 2014 was RUB 105,119 thousand (for the six months ended 30 June 2013: RUB 80,306 thousand) including:

<b>Name</b>	<b>Six months ended 30 June 2014</b>	<b>Six months ended 30 June 2013</b>
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**OA O E.ON Russia and subsidiaries**  
**Notes to Condensed Consolidated Interim Financial Information**  
**for the six months ended 30 June 2014**

(RUB thousand)

Salaries, bonuses and other benefits	95,618	73,001
Contributions to state pension fund	8,335	7,305
Termination benefits	1,166	-
<b>Total</b>	<b>105,119</b>	<b>80,306</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 aggregate 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 April 15, 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 272 100 thousand rubles. OOO E.ON Connecting Energies shall additionally pay 10,547 rubles for 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 272.1 million rubles in the aggregate for the period up to December 31, 2018.

The present values of the second and 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 cost of debt. The estimated fair value of the third component is determined by discounting the maximum cash payment using 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.

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 valuer, 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

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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 ООО Noginsky Teplovoy Center:

<b>ООО 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	<b>499,082</b>
<b>Total consideration</b>	<b>1,378,005</b>
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.

Also 29 January 2014 E.ON Connecting Energies (Group's subsidiary) and DEGA Group (AMG) had signed a Joint Activity Agreement for provision of energy solutions for industrial and business parks on the territory of the Russian Federation. The Agreement defines terms and conditions under which these companies will cooperate in production and delivery of heat and electricity and their responsibilities.

Under this Agreement, during the construction of new industrial parks in the Russian Federation, DEGA Group shall work exclusively with E.ON Connecting Energies as concerns decentralized delivery of the heat and electricity, generating and distributing equipment.

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.

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**Note 5. Property, plant and equipment (PP&E)**

	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	-	<b>8,347,359</b>
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	<b>916,672</b>
Disposals	(23)	(4,072)	(46)	-	(5,856)	(30,248)	<b>(40,245)</b>
<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>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	<b>3,788,040</b>
Impairment loss	-	25,010	4,045	-	-	8,418	<b>37,473</b>
Reclassification	-	-	-	-	-	-	-
Acquisition of subsidiary	-	34,250	-	-	-	24671	<b>58,921</b>
Disposals	-	(3,478)	-	-	(5,856)	(29,362)	<b>(38,696)</b>
<b>Closing balance as at 30 June 2014</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>

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**Note 5. Property, plant and equipment (PP&E) (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 2013</b>	<b>67,908</b>	<b>90,803,961</b>	<b>8,008,158</b>	<b>946,279</b>	<b>15,983,124</b>	<b>10,788,893</b>	<b>126 598 323</b>
Additions	-	-	-	-	6,119,526	-	6 119 526
Transfers	464	452,723	28,630	-	(629,439)	147,622	-
Reclassification	-	-	101,734	-	-	(101,734)	-
Disposals	(437)	(61,936)	(3,191)	-	(3,292)	(34,693)	<b>(103,549)</b>
<b>Closing balance as at 30 June 2013</b>	<b>67,935</b>	<b>91,194,748</b>	<b>8,135,331</b>	<b>946,279</b>	<b>21,469,919</b>	<b>10,800,088</b>	<b>132,614,300</b>
<b>Accumulated depreciation (including impairment)</b>							
<b>Opening balance as at 1 January 2013</b>	-	<b>29,485,515</b>	<b>2,385,964</b>	<b>544,796</b>	-	<b>5,556,360</b>	<b>37,972,635</b>
Charge for the period	-	3,182,323	315,635	21,768	-	551,354	4,071,080
Reclassification	-	-	(2,876)	-	-	2,876	-
Disposals	-	(57,899)	(3,044)	-	-	(31,523)	<b>(92 ,466)</b>
<b>Closing balance as at 30 June 2013</b>	-	<b>32,609,939</b>	<b>2,695,679</b>	<b>566,564</b>	-	<b>6,079,067</b>	<b>41,951,249</b>
<b>Net book value as at 1 January 2013</b>	<b>67,908</b>	<b>61,318,446</b>	<b>5,622,194</b>	<b>401,483</b>	<b>15,983,124</b>	<b>5,232,533</b>	<b>88,625,688</b>
<b>Net book value as at 30 June 2013</b>	<b>67,935</b>	<b>58,584,809</b>	<b>5,439,652</b>	<b>379,715</b>	<b>21,469,919</b>	<b>4,721,021</b>	<b>90,663,051</b>

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

As of 30 June 2014, the carrying amount of property, plant and equipment reflects impairment and obsolescence loss of RUB 3,387,211 thousand (31 December 2013: RUB 3,435,978 thousand).

The recoverable amount of property, plant and equipment was not estimated as at 30 June 2014 because the Group's management did not note any indicators of impairment.

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

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

	<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
Loan E.ON SE	2,501,988	2,417,604
RusHydro shares	30,551	25,671
Contribution to special partnership	27,631	-
<b>Total</b>	<b>2,560,170</b>	<b>2,443,275</b>

**Note 7. Inventories**

	<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
Fuel production supplies	1,068,491	1,202,973
Materials and supplies	905,846	671,194
Other inventory	34,176	26,620
Provision for inventory impairment	(24,419)	(31,620)
<b>Total</b>	<b>2,020,993</b>	<b>1,869,167</b>

**Note 8. Accounts receivable and prepayments**

	<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
<b>Trade and other receivables</b>		
Trade receivables	6,774,020	8,292,520
Other financial receivables	421,732	287,418
Less provision for impairment of accounts receivable	(2,743,783)	(2,577,508)
<b>Total financial assets within trade and other receivables</b>	<b>4,451,969</b>	<b>6,002,430</b>
VAT recoverable	480,434	199,517
Prepayments to suppliers	368,737	412,104
Due from budget (excluding VAT)	216,798	150,633
<b>Total account receivable and prepayments</b>	<b>5,517,938</b>	<b>6,764,684</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).

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

During the first 6 months of 2014 the Group continued to place temporarily available cash received from operations on deposit accounts with OAO Sberbank (Moody's credit rating Baa1), OAO Bank VTB (Moody's credit rating Baa2), OAO Gazprombank (Moody's credit rating Baa3), ZAO UniCredit Bank (Fitch credit rating BBB), OOO H-S-B-C (Fitch credit rating BBB) and ING BANK (EVRAZIYA) ZAO (Fitch credit rating BBB). The interest on these short-term deposits is fixed.

Name	Effective interest rate, %	Closing balance as at 30 June 2014 (hard currency, thousand)	Closing balance as at 30 June 2014 (RUB thousand)	Closing balance as at 31 December 2013 (hard currency, thousand)	Closing balance as at 31 December 2013 (RUB, thousand)
<b>Total short-term deposits</b>			<b>22,427,895</b>		<b>8,318,302</b>
Short-term deposits in US Dollars	0.55%	2,000	67,261	26,300	860,778
Short-term deposits in Euros	-	-	-	5,727	257,524
Short-term deposits in Russian Roubles	8.15-9.08%		8,800,000		7,200,000
Total promissory notes			<b>626,454</b>		<b>527,149</b>
<b>Total short-term financial assets</b>			<b>9,493,715</b>		<b>8,845,451</b>

**Note 10. Revenues**

	Six months ended 30 June 2014	Six months ended 30 June 2013
Electricity and capacity	38,040,604	37,287,943
Heating	674,111	623,942
Other	540,323	488,004
<b>Total</b>	<b>39,255,038</b>	<b>38,399,889</b>

**Note 11. Operating expenses**

	Six months ended 30 June 2014	Six months ended 30 June 2013
Fuel	19,178,132	16,888,250
Depreciation and amortization	3,855,217	4,134,285
Staff costs	2,793,508	2,766,298
Taxes other than income tax	711,953	551,049
Operational dispatch management	595,421	552,345
Purchase of electricity and heat	565,510	480,071
Repairs and maintenance	561,588	538,106
Security	197,669	178,393
Raw materials and supplies	173,818	202,173
Provision for impairment of accounts receivable	160,073	925,348
Water usage expenses	86,845	80,115
Insurance cost	80,171	79,700
Rent expenses	70,636	65,203
Transportation expenses	58,531	59,602



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	Six months ended 30 June 2014	Six months ended 30 June 2013
Bank services	4,651	3,838
Social expenditure	1,753	5,196
Other expenses	1,409,775	650,047
<b>Total expenses</b>	<b>28,160,019</b>	<b>28,160,019</b>

Staff costs include:

	Six months ended 30 June 2013	Six months ended 30 June 2012
Salaries and wages, including payroll taxes	2,364,738	2,033,350
Pension costs – defined contribution plans (including state pension fund)	342,323	350,529
Pension costs – defined benefit plans	53,174	24,716
Termination benefits	6,063	4,287
<b>Total staff costs</b>	<b>2,766,298</b>	<b>2,412,882</b>

Other expenses for 6 months ended 30 June 2014 include an accrual for repayment of compensation for the early termination of the contract with OOO Energoprojekt in the amount of RUB 682,920 thousand (See Note 17).

**Note 12. Finance income and expense**

<b>Finance income</b>	Six months ended 30 June 2014	Six months ended 30 June 2013
Interest income (deposits and loan issued)	1,067,400	1,301,522
Other interest income	46,178	44,472
Foreign exchange gain	36,192	-
<b>Total</b>	<b>1,149,770</b>	<b>1,345,994</b>

**Finance expense**

	Six months ended 30 June 2014	Six months ended 30 June 2013
Effect of liability and pension obligation discounting	78,949	83,103
Foreign exchange loss	-	10,521
<b>Total</b>	<b>78,949</b>	<b>93,624</b>

**Note 13. Other provisions**

	At 30 June 2014			At 31 December 2013		
	Before tax	Income tax expense	After tax	Before tax	Income tax expense	After tax
Revaluation of financial assets available for sale	7,499	-	7,499	3,044	-	3,044
Remeasurements of post employment benefit	158,681	(31,736)	126,945	158,681	(31,736)	126,945

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	At 30 June 2014			At 31 December 2013		
	Before tax	Income tax expense	After tax	Before tax	Income tax expense	After tax
obligations						
Cash flow hedging	700,440	(140,088)	560,352	739,273	(147,855)	591,418
<b>Total</b>	<b>866,620</b>	<b>(171,824)</b>	<b>694,796</b>	<b>900,998</b>	<b>(179,591)</b>	<b>721,407</b>

**Note 14. Accounts payable and accruals**

	At 30 June 2014	At 31 December 2013
<b>Financial liabilities</b>	<b>27,101,048</b>	<b>3,226,921</b>
Dividends payable	22,574,485	229,703
Trade payables	2,079,369	2,295,346
Accounts payable to capital construction contractors	2,001,510	623,033
Other payables	445,684	78,839
<b>Non- financial liabilities</b>	<b>791,913</b>	<b>919,332</b>
Staff payables	776,095	909,349
Advances from customers	15,818	9,983
<b>Total</b>	<b>27,892,961</b>	<b>4,146,253</b>

The Annual General Shareholder's Meeting of E.ON Russia, decided on June 27, 2014 to pay dividends on the Group's common stock based on the financial results for 2013 in the amount of RUB 18,926,506 thousand, and from retained earnings of prior years in the amount of RUB 5,000,000 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.

**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 2014 is 20% (weighted average income tax rate for the six months 2013 was 19%).

**Income tax charge**

	Six months ended 30 June 2014	Six months ended 30 June 2013
Current income tax charge	1,467,749	2,130,846
Deferred income tax charge / (income)	494,110	64,400
<b>Total</b>	<b>1,961,859</b>	<b>2,195,246</b>

**Note 16. Basic earnings per share payable to shareholders of OAQ 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:

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	Six months ended 30 June 2014	Six months ended 30 June 2013
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)	7,946,926	9,369,810
<b>Basic earnings per ordinary share attributable to the shareholders of OAO E.ON Russia (in RUB)</b>	<b>0,126</b>	<b>0,149</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 2014, the Group had contractual capital expenditure commitments with respect to property, plant and equipment totalling RUB 5,928,802 thousand (2013: RUB 14,236,934 thousand). Most of the commitments (RUB 4,792,041 thousand) refers to commitments of realization of the project "Construction of the 3rd power unit PSU-800 on the basis of branch "Berezovskaya GRES".

This construction was conducted by JSC Energoprojekt (general contractor). On 17 May 2011, OAO E.ON Russia (Customer), OAO Energoprojekt (Contractor) and JSC Zarubezhenergoprojekt (Guarantor) concluded an agreement for the design, engineering, supply and construction on a turnkey basis of the third power unit PSU-800 at Berezovskaya GRES (hereinafter – Project), according to which the Contractor fulfils the construction (hereinafter - Agreement).

During the implementation of the Project it became clear that the Contractor was not able to fulfill the assumed obligations on finalizing the construction in time and for the fixed price determined by the Agreement.

Therefore, OAO E.ON Russia made a decision to carry out payment to subcontractors and suppliers directly to minimize the above mentioned risks. On 7 February 2014, a new branch of OAO E.ON Russia was registered in the Krasnoyarsk region – " E.ON Engineering". This branch was created for the completion of the construction of the third power unit at Beryozovskaya GRES. Later on, the branch may be involved in the implementation of other projects of the Company.

On 25<sup>th</sup> of February, 2014, an amendment to the contract was signed, that specified main parameters of premature contract termination, including the rights and responsibilities transition of sub-Contracts from Company's Contractor.

Despite the early termination of the contract with OAO "Energoprojekt", the Group expects to complete the construction for 5 months ahead of schedule. The new date for commissioning the unit - June 1, 2015, moves the commissioning date by five months earlier than previous commitment (November 2015).

**Note 18. Contingencies**

**Political 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.

**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.

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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 24,899 thousand on these programmes for the six months ended 30 June 2014 (for the six months ended 30 June 2013: RUB 6,500 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 2014 the amount of the provision was RUB 8,824 thousand (31 December 2013: RUB 12,550 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 May 2014 the Company received tax acts in respect of tax audits for 2010-2011. Upon the results of the tax audits total claims for taxes by tax authorities amounted to RUB 182.355 thousand, and for penalties and interest – RUB 12.550 thousand. These estimated liabilities were accrued in this financial information.

As of 30 June 2014, 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.

The Group understands its responsibility for environmental protection and the rational use of natural resources. The Group operations are directly related to the exploitation of natural resources and have a direct impact on the environment. The Group endeavours to fully understand the impact of its operations on the environment and to minimise any negative effects.

The Group has implemented and currently operates the Environmental Management System (EMS), which determines the Group's policies, goals and objectives for environmental protection and security as well as the tools needed to achieve these targets.

The Group annually performs established control procedures such as internal audit of EMS and industrial environmental monitoring designed to identify gaps in EMS operation. When any such gaps are identified, the Group develops corrective actions for their prompt removal. In addition, the Group management reviews effectiveness of EMS operation on an annual basis.

Using the information obtained as a result of this work, the Group management decides whether it is

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reasonable to implement specific environmental protection measures and to include them in the Group's relevant financial programmes.

The Group introduced documented procedures to manage key environmental aspects in order to implement specific initiatives for compliance with the corporate and regulatory requirements. In 2012, the Group introduced "Environmental Rules for OAo E.ON Russia's contractors and lessees", which are basically aimed at achieving contractor's (lessee's) compliance with the Russian environmental legislation and environmental management standards adopted in the customer's organisation.

In October-December 2013 the Group conducted an external (by Bureau Veritas) Evaluative (predsertifikatsionny) audit of the EMS to meet the requirements of the international standard ISO 14001:2004.

Certification was carried out by Certification Association "Russian Register" accredited international certification bodies, members of the International Accreditation Forum (IAF). Thus, the results of certification listed on the international level, as well as evidence the certificate issued network IQ Net, which is a member of the "Russian Register".

Voluntary certification testifies to the existence and operation of the Group management system environmental aspects in accordance with international requirements and allows you to:

- to strengthen the Group's favorable image among the partners and to the exchange;
- confirm the controllability and predictability of the risks of emergencies with environmental consequences and as a result affect the amount of insurance premiums;
- strengthen relationships with stakeholders, to make them more transparent and trustworthy;
- strengthen relationships with investors.

In October-December 2014 in two of the branches and in the Head Office the first scheduled inspection audit is planned for confirmation the action of the above certificate of conformity.

The Group is implementing a dry ash disposal construction project at Berezovskaya GRES. This system is principally intended for environmentally safe storage of ashes and slag waste for sustainable operation of the power plant without allocation of additional land plots for storing such waste (with similar area filled in within 3 years with hydraulic ash disposal and within 40 years with dry ash disposal). Another intended purpose of the system is to reduce water usage for ashes and slag waste transportation (water is used only for humidifying to exclude dusting).

Work continues on the construction of purification facilities for waste water at Yavinskaya GRES. To date, there were completed design, foundation and surface works and major supplies of main and auxiliary equipment. The stage of completion of construction works constitutes around 70%. Preparation works for registration permits for the discharge of treated water have started. The main objective of the project - implementation of stringent requirements on the maximum allowable concentrations imposed on the emissions in the fishery water bodies.

In the present time situation, resulting from the coming into force of the Federal Law of 07.12.2011 No "On the Water Supply and Sanitation", as well as a number of RF Government Regulations establishing the need to ration effluent entering the centralized sewerage system and the simultaneous absence of regulations that establish specific procedures and mechanisms for the implementation of these regulations, for OAo " E.ON Russia ", as well as for other businesses, there are risks to be deemed guilty of dereliction of environmental legislation without their being any ability to take preventive measures to prevent such violations.

Draft resolution of the Government of the Russian Federation is currently being agreed, according to which in 2015-2017 the rate of payment for water use should increase by 3 times and be further indexed for inflation. Thus, measures may be needed to optimize the use of water resources, in particular, at the co-current stations (Yavinskaya GRES). The Group may need to transit to the closed cycle cooling (cooling tower). On the other hand,- there is a need to revise and clarify the individual rates of water consumption, installing meters at water intakes and outfalls. The law also defined the procedure to obtain legal entities and individual entrepreneurs engaged in business activities at the sites I category, integrated environmental permit.

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The Federal Law of 21.07.2014 N 219-FZ "On Amending the Federal Law" On Environmental Protection "and Certain Legislative Acts of the Russian Federation", was signed with effect from 01.01.2015. It is aimed at establishing a new system of regulation of environmental environment. Exploiting the objects I category (objects that have a significant negative impact on the environment and related fields of application of the best available technologies) Group of 01/01/2019 will also face more stringent valuation of negative impacts on the basis of best available techniques (BAT), including equipment and technology to meet the latest developments in science, with a minimum level of environmental pollution and at the same time economically affordable for businesses. In the transition to technological regulation will increase the amount of the financial burden in terms of the need to move to BAT or application of significant increase (75-and 100-fold) for the calculation of the coefficients for negative impact in the absence of measures to reduce it. In addition, the Act lays down the procedure for legal entities and individual entrepreneurs engaged in business activities at the facilities of Category I to obtain integrated environmental permit.

It is impossible to estimate the potential liabilities that may arise as a result of changes in legislation and regulations and arbitration practice, but they could be material. Under the current legislation on the protection of the environment, management believes that there are no significant liabilities for 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. Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES, and Yayvinskaya GRES are combined into one operating segment which accounts for over 90% of the Group's external revenue, as they have similar economic and other characteristics. Smolenskaya GRES operating segment comprises less than 4% of the total external revenue and 1% of total assets. 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.

	<b>Six months ended 30 June 2014</b>	<b>Six months ended 30 June 2013</b>
Earnings before interest, tax, depreciation and amortization for 5 power plants (EBITDA)	14,315,654	16,136,994
Other segments	(1,438,818)	(1,701,139)
<b>Total earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>12,876,836</b>	<b>14,435,855</b>
Depreciation and impairment	(3,519,329)	(3,378,961)
<b>Total earnings before interest and tax (EBIT)</b>	<b>9,357,507</b>	<b>11,056,894</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

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information of the Group, is provided below:

	<b>Six months ended 30 June 2014</b>	<b>Six months ended 30 June 2013</b>
<b>Earnings before interest and tax (EBIT)</b>	<b>9,357,507</b>	<b>11,056,894</b>
Finance income	1,149,770	1,345,994
Finance expense	(78,949)	(93,624)
PPE depreciation and capitalized repairs amortization	(379,249)	(793,891)
Other adjustments	(110 087)	68 628
<b>Profit before income tax</b>	<b>9,938,992</b>	<b>11,584,001</b>

Reconciliation of revenue from external customers:

	<b>Six months ended 30 June 2014</b>	<b>Six months ended 30 June 2013</b>
Revenue of 5 power plants	38,731,540	37,752,972
Other segments	523,498	646,917
<b>Total revenue</b>	<b>39,255,038</b>	<b>38,399,889</b>

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

	<b>Six months ended 30 June 2014</b>	<b>Six months ended 30 June 2013</b>
ZAO CFS	24,826,262	23,956,852
Others (mainly distribution companies, under 10% each)	14,428,776	14,443,037
<b>Total</b>	<b>39,255,038</b>	<b>38,399,889</b>