

Public Joint Stock Company Quadra – Power generation

**Interim Condensed Consolidated
Financial Information (unaudited)**
for the six months ended 30 June 2015

PUBLIC JOINT STOCK COMPANY QUADRA – POWER GENERATION

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015	1
INDEPENDENT AUDITORS' REPORT	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015:	
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of profit or loss and other comprehensive income	4-5
Interim condensed consolidated statement of cash flows	6
Interim condensed consolidated statement of changes in equity	7
Selected notes to the interim condensed consolidated financial information	8-11

PUBLIC JOINT STOCK COMPANY QUADRA – POWER GENERATION

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015

The following statement, which should be read in conjunction with the independent auditors’ report on review of interim condensed consolidated financial information set out on page 2, is made with a view to distinguishing the responsibilities of management and those of the independent auditors in relation to the interim condensed consolidated financial information of Public Joint Stock Company Quadra – Power Generation and its subsidiaries (the “Group”).

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of the Group as at 30 June 2015, and financial performance, cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”).

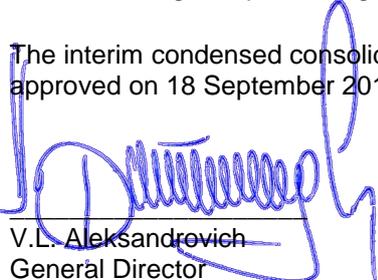
In preparing the interim condensed consolidated financial information, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial information;
- Preparing the interim condensed consolidated financial information on a going concern basis, unless it is inappropriate to presume that the Group will continue its business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- Maintaining statutory accounting records in compliance with the legislation and accounting standards of the Russian Federation;
- Taking steps to safeguard the assets of the Group;
- Detecting and preventing fraud and other irregularities.

The interim condensed consolidated financial information for the six months ended 30 June 2015 was approved on 18 September 2015 by:



V.L. Aleksandrovich
General Director



I.A. Lapitskaya
Chief Accountant

Tula, Russia

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Public Joint Stock Company Quadra – Power Generation:

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Company Quadra – Power Generation and its subsidiaries (the “Group”) as of 30 June 2015 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected notes (altogether referred to as “interim condensed consolidated financial information”). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated 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 interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Emphasis of matter

Without qualifying our conclusion, we draw attention to the information in Note 2 to the interim condensed consolidated financial information. As at 30 June 2015, the net current liabilities of the Group amounted to RUB 7,437,761 thousand. The Group had access to unused credit facilities in the amount of RUB 9,506,425 thousand. Management are undertaking measures to revise the conditions of the Group’s credit agreements and have prepared an action plan to reduce the deficiency of working capital and to attract additional financing.



18 September 2015
Moscow, Russia

PUBLIC JOINT STOCK COMPANY QUADRA – POWER GENERATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015 (UNAUDITED) *in thousands of Russian Roubles*

	Notes	30 June 2015	31 December 2014
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	5	56,174,385	54,684,820
Investment properties		99,995	99,996
Available-for-sale investments		24,378	23,767
Accounts receivable and advances paid	6	335,592	323,088
Deferred tax assets		201,323	254,390
Other assets		308,892	330,793
		57,144,565	55,716,854
<i>Current assets</i>			
Inventories	7	1,451,432	1,569,792
Accounts receivable and advances paid	6	5,583,442	7,565,235
Income tax receivable		71,640	61,931
Cash and cash equivalents		411,635	988,223
Other assets		9,617	9,616
		7,527,766	10,194,797
Assets held for sale		164,141	–
		7,691,907	10,194,797
TOTAL ASSETS		64,836,472	65,911,651
EQUITY AND LIABILITIES			
<i>Capital and reserves</i>			
Ordinary shares		19,125,056	19,125,056
Preferred shares		752,729	752,729
Share premium		10,921,097	10,921,097
Revaluation reserve for property, plant and equipment		12,005,545	12,778,558
Revaluation reserve for available-for-sale investments		(2,242)	(2,731)
Accumulated deficit		(12,784,123)	(13,944,785)
Equity attributable to owners of the Company		30,018,062	29,629,924
Non-controlling interests		50	50
TOTAL EQUITY		30,018,112	29,629,974
<i>Non-current liabilities</i>			
Loans and borrowings	8	17,745,965	18,108,407
Pension liabilities		352,139	344,404
Deferred tax liabilities		1,590,588	1,344,459
		19,688,692	19,797,270
<i>Current liabilities</i>			
Loans and borrowings	8	11,293,964	12,648,838
Accounts payable and accruals		2,609,031	2,646,706
Provisions		405,454	453,689
Income tax payable		5,837	245
Other taxes payable		793,358	734,929
		15,107,644	16,484,407
Liabilities related to assets held for sale		22,024	–
		15,129,668	16,484,407
TOTAL LIABILITIES		34,818,360	36,281,677
TOTAL EQUITY AND LIABILITIES		64,836,472	65,911,651

PUBLIC JOINT STOCK COMPANY QUADRA – POWER GENERATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED) *in thousands of Russian Roubles, unless otherwise stated*

	Notes	Six months ended 30 June 2015	Six months ended 30 June 2014
Revenue			
Heat energy		12,479,859	12,510,041
Electricity		6,695,270	7,356,476
Capacity		4,808,444	3,841,711
Other revenue		485,463	459,167
Total revenue		24,469,036	24,167,395
Operating expenses			
Fuel		(12,610,118)	(13,620,362)
Staff costs		(3,184,010)	(3,029,250)
Purchase of energy and capacity		(2,921,330)	(2,732,990)
Depreciation of property, plant and equipment		(1,326,426)	(967,031)
Water usage expenses		(398,546)	(393,416)
Taxes, other than income tax		(281,445)	(290,868)
Materials and spare parts		(245,465)	(314,343)
Charge for doubtful receivables		(234,297)	(948,910)
OREM services		(195,279)	(201,954)
Rent expenses		(191,400)	(149,677)
Repair and maintenance		(185,326)	(187,263)
Heat transportation		(179,971)	(565,212)
Penalties		(134,925)	(19,932)
(Loss)/gain from disposal of property, plant and equipment		(105,609)	1,978
Security services		(92,223)	(92,164)
Loss from disposal of subsidiary		(83,057)	-
Charge for legal claims and fines		(69,806)	(125,947)
Other operating expenses, net		(355,209)	(416,818)
Operating profit		1,674,594	113,236
Finance costs, net		(941,496)	(357,278)
Profit/(loss) before income tax		733,098	(244,042)
Current income tax (expense)/benefit		(345,449)	3,565
Profit/(loss) for the period		387,649	(240,477)
Attributable to:			
Owners of the Company		387,649	(240,477)
Non-controlling interests		-	-
		387,649	(240,477)

PUBLIC JOINT STOCK COMPANY QUADRA – POWER GENERATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED) *in thousands of Russian Roubles, unless otherwise stated*

	Notes	Six months ended 30 June 2015	Six months ended 30 June 2014
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Gain from revaluation of available-for-sale investments, net of income tax		489	3,904
		489	3,904
Other comprehensive income for the period		489	3,904
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		388,138	(236,573)
Attributable to:			
Owners of the Company		388,138	(236,573)
Non-controlling interests		-	-
		388,138	(236,573)
EARNINGS/(LOSS) PER SHARE			
Weighted average number of the Company's ordinary shares, in thousand of shares		1,912,505,578	1,912,505,578
Basic and diluted earnings/(loss) per share (in Roubles)		0.00020	(0.00013)

PUBLIC JOINT STOCK COMPANY QUADRA – POWER GENERATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED) *in thousands of Russian Roubles*

	Six months ended 30 June 2015	Six months ended 30 June 2014
OPERATING ACTIVITIES		
Profit/(loss) before income tax	733,098	(244,042)
Adjustments for:		
Depreciation of property, plant and equipment	1,326,426	967,031
Finance costs, net	941,496	357,278
Charge for doubtful receivables	234,297	948,910
Loss/(gain) from disposal of property, plant and equipment	105,609	(1,978)
Loss from disposal of subsidiary	83,057	-
Charge for legal claims and fines	69,806	125,947
Other	21,300	11,930
Operating profit before working capital changes	3,515,089	2,165,076
Change in inventories	52,264	(147,368)
Change in accounts receivable, advances paid and other assets*	1,092,897	723,163
Change in pension liabilities	(12,911)	(24,353)
Change in accounts payable and accruals*	71,272	396,403
Change in other taxes payable	55,555	(488,036)
Cash generated from operations	4,774,166	2,624,885
Interest paid	(913,037)	(325,746)
Interest received	15,857	1,065
Income tax paid	(50,492)	(82,874)
Net cash generated from operating activities	3,826,494	2,217,330
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,237,255)	(4,214,566)
Interest capitalised	(1,377,749)	(845,207)
Proceeds from disposal of property, plant and equipment	8,450	9,240
Purchase of intangible assets	(2,416)	(25,186)
Net cash outflow from disposal of subsidiary	(21,016)	-
Other investing activities, net	716	615
Net cash used in investing activities	(2,629,270)	(5,075,104)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	22,677,313	27,271,728
Repayments of loans and borrowings	(24,438,091)	(24,385,929)
Dividends paid	-	(20)
Net cash (used in)/generated from financing activities	(1,760,778)	2,885,779
Effect of exchange rates changes on the balance of cash and cash equivalents held in foreign currencies	73	-
Net (decrease)/increase in cash and cash equivalents	(563,481)	28,005
Cash and cash equivalents at beginning of the period	988,223	245,030
Cash and cash equivalents at end of the period,	424,742	273,035
shown under:		
Cash and cash equivalents	411,635	273,035
Assets held for sale	13,107	-

* For the six months ended 30 June 2015 the offset of mutual claims in the amount of RUB 503 563 thousand was executed.

PUBLIC JOINT STOCK COMPANY QUADRA – POWER GENERATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

in thousands of Russian Roubles

	Equity attributable to owners of the Company							Non-controlling interests	Total
	Ordinary shares	Preferred shares	Share premium	Revaluation reserve for property, plant and equipment	Revaluation reserve for available-for-sale investments	Accumulated deficit	Total		
Balance at 31 December 2013	19,125,056	752,729	10,921,097	8,737,423	(1,208)	(9,265,850)	30,269,247	50	30,269,297
Total comprehensive loss for the period, net of income tax	-	-	-	-	3,904	(240,477)	(236,573)	-	(236,573)
Transfer of realised revaluation reserve for property, plant and equipment to accumulated deficit, net of deferred income tax in the amount of RUB 90,072 thousand	-	-	-	(360,287)	-	360,287	-	-	-
Balance at 30 June 2014	19,125,056	752,729	10,921,097	8,377,136	2,696	(9,146,040)	30,032,674	50	30,032,724
Balance at 31 December 2014	19,125,056	752,729	10,921,097	12,778,558	(2,731)	(13,944,785)	29,629,924	50	29,629,974
Total comprehensive income for the period, net of income tax	-	-	-	-	489	387,649	388,138	-	388,138
Transfer of realised revaluation reserve for property, plant and equipment to accumulated deficit, net of deferred income tax in the amount of RUB 193,253 thousand	-	-	-	(773,013)	-	773,013	-	-	-
Balance at 30 June 2015	19,125,056	752,729	10,921,097	12,005,545	(2,242)	(12,784,123)	30,018,062	50	30,018,112

PUBLIC JOINT STOCK COMPANY QUADRA – POWER GENERATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED) *in thousands of Russian Roubles, unless otherwise stated*

1. GENERAL INFORMATION

Organisation

Public Joint Stock Company Quadra – Power Generation (the “Company”) was established on 18 April 2005, as a subsidiary of Open Joint Stock Company RAO “UES of Russia” within the framework of Russian electricity sector restructuring.

The principal business activity of the Company and its subsidiaries (the “Group”) is generation and sale of electricity (capacity) and heat energy. The major operational facilities of the Group are located on the territory of the Russian Federation in the following regions: Belgorod, Voronezh, Kaluga, Kursk, Lipetsk, Oryol, Ryazan, Smolensk, Tambov and Tula.

The Company’s registered office is located at: 99v, Timiryazev str., 300012, Tula, Russian Federation.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual consolidated financial statements in accordance with IFRS. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards (“IFRS”).

Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this financial information is read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 December 2014 prepared in accordance with IFRS.

Going concern

To assess the ability of the Group to continue as a going concern, management considered all the factors that are likely to affect the future development and business performance, financial position of the Group, including cash flows, liquidity position, borrowing facilities availability and the risks and uncertainties relating to the business activities.

As at 30 June 2015 the Group had a working capital deficiency of RUB 7,437,761 thousand. At the same time the Group had access to unused credit facilities in the amount of RUB 9,506,425 thousand (Note 8). Furthermore, revolving credit lines with the maturities over twelve months after the reporting date in the amount of RUB 9,565,232 thousand are shown as short-term borrowings. Management expects that these credit resources and revolving credit lines will remain available in the foreseeable future.

As disclosed in Note 8, starting from 31 December 2014 the Group did not comply with the certain credit agreement terms in respect of timely input into operation of certain items of property, plant and equipment. The Group timely obtained a written confirmation from creditors waiving their rights to use any sanctions against the Group, including exercise of margin calls of outstanding debt amounts. Management are undertaking measures to revise the conditions of the Group’s credit agreements and have prepared an action plan to reduce the deficiency of working capital and to attract additional financing.

PUBLIC JOINT STOCK COMPANY QUADRA – POWER GENERATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

in thousands of Russian Roubles, unless otherwise stated

As a result of the analysis management concluded that the Group will be able to settle its current liabilities as they fall due and will continue as a going concern for the foreseeable future and accordingly this interim condensed consolidated financial information has been prepared on that basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies, presentation and methods of computation have been followed in this interim condensed consolidated financial information as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

New and revised Standards

In the preparation of this consolidated financial information, the Group has adopted the following amendments to IFRSs that are mandatory for adoption in annual periods beginning on 1 January 2015:

- Amendments to IAS 19 – *Defined Benefit Plans: Employee Contributions*;
- Amendments to IFRSs – *Annual Improvements to IFRSs 2010-2012 Cycle*;
- Amendments to IFRSs – *Annual Improvements to IFRSs 2011-2013 Cycle*.

Adoption of those amendments did not result in changes to the Group financial position, results of operations or level of disclosures.

The Group did not early adopt any other standard or amendment that has been issued and is not yet effective.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2014 prepared in accordance with IFRS.

5. PROPERTY, PLANT AND EQUIPMENT

During the reporting period the Group invested in the capital construction and purchase of property, plant and equipment RUB 2,970,101 thousand (six months, ended 30 June 2014: RUB 4,955,677 thousand).

Certain items of property, plant and equipment were pledged as a security under credit agreements (Note 8). As at 30 June 2015 carrying value of pledged property, plant and equipment amounted to RUB 15,772,280 thousand (31 December 2014: RUB 15,908,901 thousand), pledge value – RUB 10,970,781 thousand (31 December 2014: RUB 10,970,781 thousand).

PUBLIC JOINT STOCK COMPANY QUADRA – POWER GENERATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED) *in thousands of Russian Roubles, unless otherwise stated*

6. ACCOUNTS RECEIVABLE AND ADVANCES PAID

	<u>30 June 2015</u>	<u>31 December 2014</u>
Trade accounts receivable	10,204,979	12,308,808
Other accounts receivable	295,105	156,292
Allowance for doubtful receivables	<u>(5,025,063)</u>	<u>(5,436,862)</u>
Total financial assets	<u>5,475,021</u>	<u>7,028,238</u>
Advances paid and prepaid expenses	348,482	625,591
VAT reimbursable	25,595	139,639
Other taxes receivable	<u>69,936</u>	<u>94,855</u>
Total non-financial assets	<u>444,013</u>	<u>860,085</u>
Total non-current portion of accounts receivable and advances paid	<u>335,592</u>	<u>323,088</u>
Total current portion of accounts receivable and advances paid	<u>5,583,442</u>	<u>7,565,235</u>

The decrease of trade accounts receivable is related to the seasonality of the business.

7. INVENTORIES

	<u>30 June 2015</u>	<u>31 December 2014</u>
Fuel	1,159,353	1,231,462
Raw materials and spare parts	341,329	356,707
Other inventories	<u>158,154</u>	<u>176,407</u>
Total inventories, at cost	<u>1,658,836</u>	<u>1,764,576</u>
Allowance for obsolete and slow moving items	<u>(3,774)</u>	<u>(4,242)</u>
Total	<u>1,655,062</u>	<u>1,760,334</u>
Total non-current portion of inventories	<u>203,630</u>	<u>190,542</u>
Total current portion of inventories	<u>1,451,432</u>	<u>1,569,792</u>

8. LOANS AND BORROWINGS

	<u>30 June 2015</u>		<u>31 December 2014</u>	
	<u>Rate, %</u>	<u>Balance</u>	<u>Rate, %</u>	<u>Balance</u>
Secured bank loans:				
JSC Gazpombank	11.64 – 12.98	3,576,907	11.76 – 13.12	3,698,659
JSC Sberbank	11.64 – 12.98	3,571,194	11.76 – 13.12	3,698,659
Unsecured bank loans:				
JSC Gazpombank	11.30 – 25.00	15,877,967	10.80 – 25.00	15,476,067
JSC Sberbank	8.05 – 16.95	5,755,454	8.05 – 13.95	7,668,917
Interest accrued	–	<u>258,407</u>	–	<u>214,943</u>
		<u>29,039,929</u>		<u>30,757,245</u>
Long-term portion of loans and borrowings		<u>17,745,965</u>		<u>18,108,407</u>
Current portion of loans and borrowings		<u>11,293,964</u>		<u>12,648,838</u>

All bank loans are RUB-denominated and are obtained within credit facilities provided to the Group. Interest rates are fixed for each tranche as set up in credit facility agreements and respective addendums.

PUBLIC JOINT STOCK COMPANY QUADRA – POWER GENERATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED) *in thousands of Russian Roubles, unless otherwise stated*

As at 30 June 2015 and as at 31 December 2014 certain credit facilities were secured by pledged property, plant and equipment (Note 5).

Certain bank loans are subject to the restrictive covenants that the Group has to comply with. All bank loan agreements have clauses, allowing creditors to request early repayment of outstanding amounts in case of non-compliance with these covenants. Starting from 31 December 2014 the Group, in particular, did not comply with the credit agreement terms in respect of timely input into operation of certain items of property, plant and equipment. In respect of this matter the Group timely obtained a written confirmation from JSC Gazprombank and JSC Sberbank waiving their rights to use any sanctions against the Group, including exercise of margin calls of outstanding debt amounts.

Available credit facilities

The following committed credit facilities provided by the financial institutions to the Group were unused at the end of respective reporting periods:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Secured credit facilities and credit lines	9,171,079	9,433,979
Unsecured credit facilities and credit lines	29,000,000	29,000,000
Overdrafts	500,000	500,000
Less: amounts used by the Group	<u>(29,164,654)</u>	<u>(30,939,118)</u>
Total unused credit facilities	<u>9,506,425</u>	<u>7,994,861</u>

9. CONTINGENCIES AND COMMITMENTS

Capital commitments

As at 30 June 2015, the Group's contractual capital commitments, including VAT, amounted to RUB 7,944,721 thousand (31 December 2014: RUB 9,533,042 thousand).

Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015, the oil price decreased significantly, which led to substantial decrease of the Russian Ruble exchange rate.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. In the first quarter of 2015 international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, slackening of the economic growth rates and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.