

PJSC Enel Russia

Interim Condensed Consolidated Financial Statements

for the six months ended 30 June 2015 (unaudited)

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Report on review of the interim condensed consolidated financial statements

To the shareholders and the Board of Directors of
PJSC Enel Russia

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Public Joint Stock Company Enel Russia and its subsidiaries (hereinafter collectively referred to as the "Company"), comprising the interim consolidated statement of financial position as at 30 June 2015 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements 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 statements are not prepared, in all material respects, in accordance with IAS 34.



30 July 2015

Moscow, Russia

PJSC Enel Russia
Interim Consolidated Statement of Financial Position
Thousands of Russian Roubles, unless otherwise stated

	Note	30 June 2015 (unaudited)	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	5	106,837,477	110,641,596
Intangible assets		383,120	548,610
Available-for-sale financial assets		28,530	18,280
Non-current derivative assets	9	1,533,590	2,930,360
Other non-current assets		3,084,478	420,276
Total non-current assets		111,867,195	114,559,122
Current assets			
Inventories		4,569,630	4,261,182
Trade and other receivables		6,139,760	7,159,361
Income tax receivable	7	935,287	1,698,040
Current derivative assets	9	1,200,330	6,131,743
Cash and cash equivalents	6	12,758,960	7,557,580
Total current assets		25,603,967	26,807,906
TOTAL ASSETS		137,471,162	141,367,028
EQUITY AND LIABILITIES			
Equity			
Share capital	8	35,371,898	35,371,898
Share premium		6,818,747	6,818,747
Treasury shares		(411,060)	(411,060)
Fair value reserve	8	3,220	(5,010)
Hedge reserve	8	424,630	973,140
Retained earnings	8	37,175,613	41,005,043
Total equity attributable to equity holders of PJSC Enel Russia		79,383,048	83,752,758
Non-controlling interest		(43,220)	(36,190)
TOTAL EQUITY		79,339,828	83,716,568
Non-current liabilities			
Loans and borrowings		22,932,555	21,242,020
Deferred tax liabilities		9,186,909	10,169,005
Employee benefits		1,509,460	1,439,560
Provisions		1,291,340	1,303,520
Non-current derivative liabilities	9	—	—
Other non-current liabilities		280	260
Total non-current liabilities		34,920,544	34,154,365
Current liabilities			
Loans and borrowings		7,420,150	7,396,520
Trade and other payables		13,768,540	14,165,323
Current derivative liabilities	9	—	—
Other taxes payable		899,460	762,925
Provisions		1,122,640	1,171,327
Total current liabilities		23,210,790	23,496,095
Total liabilities		58,131,334	57,650,460
TOTAL EQUITY AND LIABILITIES		137,471,162	141,367,028

General Director

C. Palasciano

Chief Accountant

E.A. Dubtcova

30 July 2015



The notes on pages 6 to 12 are an integral part of these Interim Condensed Consolidated Financial Statements.

PJSC Enel Russia
Interim Consolidated Statement of Comprehensive Income
Thousands of Russian Roubles, unless otherwise stated

	Note	For the six months ended	
		30 June 2015 (unaudited)	30 June 2014 (unaudited)
Revenue		34,547,310	36,045,850
Operating expenses		(33,667,103)	(31,053,390)
Other operating income		913,120	711,089
Operating profit		1,793,327	5,703,549
Finance income	10	2,889,788	236,090
Finance expenses	10	(5,862,033)	(1,626,970)
(Loss)/profit before income tax		(1,178,918)	4,312,669
Income tax benefit/(expense)		198,058	(883,070)
(Loss)/profit for the period		(980,860)	3,429,599
Other comprehensive /(loss)/income			
<i>Other comprehensive (loss)/income to be reclassified to profit and loss in subsequent periods:</i>			
Net change in the fair value of available-for-sale financial assets	8	9,876	348
Income tax effect		(1,646)	(58)
		8,230	290
Net movement on cash flow hedges	8	(685,638)	12,350
Income tax effect		137,128	(2,470)
		(548,510)	9,880
Net other comprehensive (loss)/income to be reclassified to profit and loss in subsequent periods		(540,280)	10,170
Total comprehensive (loss)/income for the period		(1,521,140)	3,439,769
(Loss)/profit attributable to:			
Owners of PJSC Enel Russia		(973,830)	3,438,599
Non-controlling interest		(7,030)	(9,000)
Total comprehensive (loss)/income attributable to:			
Owners of PJSC Enel Russia		(1,514,110)	3,448,769
Non-controlling interest		(7,030)	(9,000)
Earnings per ordinary share for (loss)/profit attributable to the equity holders of PJSC Enel Russia – basic and diluted (in Russian Roubles per share)		(0.0277)	0.0976

General Director

Chief Accountant

30 July 2015



C. Palasciano

E.A. Dubtcova

PSC Enel Russia
Interim Consolidated Statement of Cash Flows
Thousands of Russian Roubles, unless otherwise stated

	Note	For the six months ended	
		30 June 2015 (unaudited)	30 June 2014 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		(1,178,918)	4,312,669
<i>Adjustments for:</i>			
Depreciation and amortisation		3,319,643	3,178,450
Loss on disposal of property, plant and equipment		535,980	7,890
Finance income		(2,889,788)	(236,090)
Finance expenses		5,862,033	1,626,970
Increase in allowance for impairment of trade and other receivables		660,100	119,980
Change in other provisions		(133,612)	53,629
Adjustments for other non-cash transactions		33,697	(21,689)
Operating cash flows before working capital changes		6,209,135	9,041,809
Decrease in trade and other receivables		237,911	1,540,329
Increase in inventories		(63,822)	(105,322)
Decrease in trade and other payables and prepaid expenses		(3,060,921)	(2,912,421)
Increase in taxes payable, other than income tax		136,535	231,750
Net cash inflows from operating activities before income tax paid		3,458,838	7,796,145
Income tax received (paid)		28,543	(992,609)
Net cash from operating activities		3,487,381	6,803,536
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(3,498,460)	(6,036,052)
Interest received		563,879	262,683
Net cash used in investing activities		(2,934,581)	(5,773,369)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from current loans and borrowings		4,000,000	–
Proceeds from non-current loans and borrowings		5,000,000	–
Repayment of loans and borrowings		(5,005,787)	(5,722,450)
Proceeds from derivatives		2,183,881	–
Payment on derivatives		(796,114)	(175,665)
Interest paid		(733,400)	(767,802)
Net cash from financing activities		4,648,580	(6,665,917)
Net increase/(decrease) in cash and cash equivalents		5,201,380	(5,635,750)
Cash and cash equivalents at 1 January	6	7,557,580	8,618,040
Cash and cash equivalents at 30 June	6	12,758,960	2,982,290

General Director

Chief Accountant

30 July 2015



C. Palasciano

E.A. Dubtcova

PJSC Enel Russia
Interim Consolidated Statement of Changes in Equity
Thousands of Russian Roubles, unless otherwise stated

	Attributable to equity holders of PJSC Enel Russia						Non-controlling interest	Total equity	
	Share capital	Share premium	Treasury shares	Fair value reserve	Hedge reserve	Retained earnings			Total
Balance at 1 January 2014	35,371,898	6,818,747	(411,060)	3,950	129,580	36,212,889	78,126,004	(22,400)	78,103,604
Profit/(loss) for the period	-	-	-	-	-	3,438,599	3,438,599	(9,000)	3,429,599
Other comprehensive income									
Net movement on cash flow hedges, net of tax	-	-	-	-	9,880	-	9,880	-	9,880
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	290	-	-	290	-	290
Total other comprehensive income	-	-	-	290	9,880	-	10,170	-	10,170
Total comprehensive income/(loss)	-	-	-	290	9,880	3,438,599	3,448,769	(9,000)	3,439,769
Distribution of dividends	-	-	-	-	-	(1,976,973)	(1,976,973)	-	(1,976,973)
Balance at 30 June 2014 (unaudited)	35,371,898	6,818,747	(411,060)	4,240	139,460	37,674,515	79,597,800	(31,400)	79,566,400
Balance at 1 January 2015	35,371,898	6,818,747	(411,060)	(5,010)	973,140	41,005,043	83,752,758	(36,190)	83,716,568
Loss for the period	-	-	-	-	-	(973,830)	(973,830)	(7,030)	(980,860)
Other comprehensive income/(loss)									
Net movement on cash flow hedges, net of tax	-	-	-	-	(548,510)	-	(548,510)	-	(548,510)
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	8,230	-	-	8,230	-	8,230
Total other comprehensive income/(loss)	-	-	-	8,230	(548,510)	-	(540,280)	-	(540,280)
Total comprehensive income/(loss)	-	-	-	8,230	(548,510)	(973,830)	(1,514,110)	-	(1,521,140)
Distribution of dividends	-	-	-	-	-	(2,855,600)	(2,855,600)	-	(2,855,600)
Balance at 30 June 2015 (unaudited)	35,371,898	6,818,747	(411,060)	3,220	424,630	37,175,613	79,383,048	(43,220)	79,339,828

General Director

C. Palasciano

Chief Accountant

E.A. Dubtcova

30 July 2015



The notes on pages 6 to 12 are an integral part of these Interim Condensed Consolidated Financial Statements.

1. BACKGROUND

(a) Organisation and operations

Public Joint-Stock Company “Enel Russia” (the “Company” or “Enel Russia”, previously known as OJSC “The Fifth Generating Company of the Wholesale Electric Power Market”, Open Joint-Stock Company “Enel OGK-5”, Open Joint-Stock Company “Enel Russia”) was established on 27 October 2004 within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1254-r adopted by the Government of the Russian Federation on 1 September 2003. On 8 August 2014 Open Joint-Stock Company “Enel OGK-5” was renamed into Open Joint-Stock Company “Enel Russia”. On 25 June 2015 OJSC Enel Russia was renamed to Public Joint-Stock Company Enel Russia (PJSC Enel Russia).

Enel Investment Holding B.V. is a parent company with share in the net assets of the Company amounted to 56.43%. Ultimate parent company is Enel S.p.A., listed on Milan Stock Exchange.

On 11 May 2012 PFR Partners Fund I Limited purchased 9,350,472,893 (26.43%) of voting shares of Enel OGK-5 OJSC from Inter RAO UES OJSC and became minority shareholder of the Company. PFR Partners Fund I Limited is non-public investment fund incorporated in Cyprus.

In 2015 European Bank for reconstruction and development sold its share in Enel Russia capital comprising 5.18% of voting shares, whereas Prosperity Capital Management Limited has acquired a 6.33% in Enel Russia capital.

The Enel Russia Group (the “Group”) operates 4 State District Power Plants (“SDPP”) and its principal activity is electricity and heat generation. Furthermore, the Company owns:

- a wholly-owned subsidiary LLC “OGK-5 Finance”;
- a wholly-owned subsidiary OJSC “Health resort-preventorium “Energetik”;
- a wholly-owned subsidiary LLC “Prof-Energo”;
- 60% interest subsidiary OJSC “Teploprogress”. The State Property Committee of Sredneuralsk holds the remaining 40% ownership interest in OJSC “Teploprogress”.

The Company is registered by the Lenin District Inspectorate of the Russian Federation Ministry of Taxation of Yekaterinburg, Sverdlovsk Region. The Company’s office is located at bld. 1, 7, Pavlovskaya, 115093, Moscow, Russia.

(b) Regulatory environment

The Group’s customer base includes a large number of entities controlled by or related to the state. The Government of the Russian Federation directly affects the Group’s operations through regulation by Ministry of Energy, the Federal Tariff Service (“FST”), with respect to its sale of energy and capacity, and by the Regional Energy Commissions (“RECs”) or by the Regional Tariff Commission (“RTC”), with respect to its heat energy and other products. The operations of all generating facilities are coordinated by OJSC “System Operator – the Central Dispatch Unit of Unified Energy System” (“SO-CDU”) in order to meet system requirements in an efficient manner. SO-CDU is controlled by NP “Administrator of trade system”.

Tariffs for sales of electricity for householders, heat and other products are calculated on the basis of legislative documents, which regulate pricing of heat and electricity. Tariffs are calculated in accordance with the “Cost-Plus” method and “Indexation” method. Costs are determined under the Pricing principle for electricity and heat industry approved by Russian Government and based on Regulations on Accounting and Reporting of the Russian Federation, a basis of accounting which significantly differs from International Financial Reporting Standards (“IFRS”).

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2014.

The Group’s interim condensed consolidated financial statements are presented in thousands of Russian Roubles (“RR”), unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption, where applicable, of new standards and interpretations effective as of 1 January 2015.

No one of new standards and interpretations effective as of 1 January 2015 had impact on Interim Financial Statements of the Group.

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

Seasonality of operations

The Company's operations are not seasonal. Income and expenses are recognized on a straight-line basis throughout the year.

Segment reporting

The Group has a single reportable segment – the generation of electric power and heat in the Russian Federation as the management does not review profit measures for individual SDPPs or any other components in order to make a decision about allocation of resources. The Group generates its revenues from the generation of electricity and heat in the Russian Federation. The Group holds assets in the same geographical area – the Russian Federation.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(b) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes only.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(d) Derivatives

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes, if available. If broker quotes are not available then fair value is determined by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

5. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2015 the Group acquired assets with a total cost of RR 2,785,093 thousand.

During the six months ended 30 June 2014 the Group acquired assets with a total cost of RR 4,337,345 thousand.

At 30 June 2015 Group's Property, plant and equipment includes capital advances in amount of RR 711,727 thousand (31 December 2014: RR 3,339,744 thousand). As of 30 June 2015 Group reclassified advances given with the carrying amount of RR 2,602,000 thousand from Property, plant and equipment to Other non-current assets. The balance reclassified relates to suspended project which is currently under review.

During the six months ended 30 June 2015 the Group disposed assets with the net book value of RR 535,980 thousand.

(b) Capital commitments

Future capital expenditures for which contracts have been signed amount to RR 4,404,734 thousand at 30 June 2015 (31 December 2014: RR 6,125,278 thousand).

6. CASH AND CASH EQUIVALENTS

	<u>30 June 2015</u>	<u>31 December 2014</u>
Current accounts	785,384	618,287
Call deposits	11,973,576	6,939,293
Total	<u>12,758,960</u>	<u>7,557,580</u>

The currency of cash and cash equivalents is the Russian Roubles and Euro.

7. INCOME TAX RECEIVABLE

Income tax receivable decreased from RR 1,698,040 thousand to RR 935,287 thousand mainly as a result of offset of accrued current Income tax for 2015 against tax overpayment which occurred in 2014.

8. EQUITY

(a) Share capital

The Group's share capital as at 30 June 2015 and 31 December 2014 was RR 35,371,898 thousand comprising 35,371,898,370 ordinary shares with a par value of RR 1.00. All shares authorised are issued and fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders of the Company.

(b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

(c) Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge instruments related to hedged transactions that have not yet occurred.

(d) Dividends proposed

On 17 June 2015, the Shareholders' meeting approved the allocation of the Company's IFRS net ordinary profit for the previous years, totalling approximately RR 2,856 million, to the payment of a 0.080731 RUR/share dividend. The corresponding dividend liability was recognized within Trade and other payables.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the fair value of the Group's financial assets and liabilities at 30 June 2015 approximates their carrying value.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Derivatives	6.5%-15.5%	6.83%-9.92%
Loans and borrowings	1.47%-12.10%	1.56%-6.70%

The table below provides details regarding the composition of derivative financial assets and liabilities, measured at fair value:

<u>Fair values</u>	<u>30 June 2015</u>	<u>31 December 2014</u>
Currency and interest rate swap	1,827,110	3,592,140
Forwards	906,810	5,469,963
Derivative assets	<u>2,733,920</u>	<u>9,062,103</u>
Currency and interest rate swap	–	–
Forwards	–	–
Derivative liabilities	<u>–</u>	<u>–</u>

Swaps are designated as hedging instruments in cash flow hedges of euro denominated borrowings and are measured at fair value through other comprehensive income.

These hedges were assessed to be effective and net unrealised loss of RR 548,510 thousand, net of deferred tax effect of RR 137,128 thousand are included within other comprehensive income during the period ended 30 June 2015 (6 months ended 30 June 2014: gains of RR 9,880 thousand net of deferred tax effect of RR 2,470 thousand). No significant element of ineffectiveness required recognition in the consolidated income statement.

While the Group also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk, these other contracts are not designated in hedge relationships and are measured at fair value through profit and loss.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
30 June 2015				
Financial assets measured at fair value				
Available-for-sale financial assets	28,530	–	–	28,530
Forward exchange contracts	–	906,810	–	906,810
Interest rate swaps used for hedging	–	1,827,110	–	1,827,110
	<u>28,530</u>	<u>2,733,920</u>	<u>–</u>	<u>2,762,450</u>
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	–	–	–
Forward exchange contracts	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
31 December 2014				
Financial assets measured at fair value				
Available-for-sale financial assets	18,280	–	–	18,280
Forward exchange contracts	–	5,469,963	–	5,469,963
Interest rate swaps used for hedging	–	3,592,140	–	3,592,140
	<u>18,280</u>	<u>9,062,103</u>	<u>–</u>	<u>9,080,383</u>
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	–	–	–
Forward exchange contracts	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

There have been no transfers between Level 1 and Level 2 during the period of six months 2015.

10. FINANCE INCOME AND EXPENSES

Financial income and expenses of the Group largely relate to foreign exchange gains and losses originating from revaluation of assets and liabilities denominated in foreign currencies, interest income and expenses, gains and losses from derivative financial instruments. Group's net finance expense increased by RR 1,581,365 thousand due to high Rouble volatility and increased cost associated with derivative instruments.

11. CONTINGENCIES

(a) Operating environment

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russia.

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. Since December 2014, the Russian economy has been negatively impacted by dropped prices of crude oil, by devaluated Russian Rouble and increased interest rates after the Central Bank of Russia raised its key rate, as well as sanctions imposed on Russia by several countries. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

(b) Insurance

The Group applies the integrated insurance approach. The Group insurance policies portfolio includes both obligatory and voluntary types, and covers Group assets risks, third party liability risks and other insurable risks. Management of the Group takes the appropriate measures to minimize the potential negative external influence on Group property interest, which is exposed to those risks which are out of existing insurance program.

(c) Legal proceedings

The Group was not a party to any significant legal proceedings which, upon final disposition, would have a material adverse effect on the financial position of the Group, except those for which provision has been accrued and recorded in this financial statement.

(d) Tax contingency

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by the tax authorities who may impose severe fines, penalties and interest charges. Tax authorities are entitled to conduct field tax audits within three calendar years preceding the year when the tax authorities issue a decision to conduct a field tax audit.

11. CONTINGENCIES (continued)

(d) Tax contingency (continued)

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities could differ from the position taken by the company and have effect on these consolidated financial statements. If the tax authorities are successful in enforcing their unfavourable interpretations of the tax legislation, the implications for the company could be significant.

The new Russian transfer pricing legislation, which came into force on 1 January 2012, allows the tax Russian authorities to apply transfer pricing adjustments of income and expenses and impose additional corporate income tax liabilities in respect of all “controlled” transactions if the transaction price differs from the market level of prices. The list of “controlled” transactions includes, inter alia, transactions performed with related parties and certain types of cross-border transactions.

In 2015 and 2014 the Group determined its tax liabilities arising from “controlled” transactions using actual transaction prices.

Due to the difference in transfer pricing regulations in European countries and Russia and absence of current practice of application of the current Russian transfer pricing legislation, there is a risk that the Russian tax authorities may challenge the level of prices applied by the Group under the “controlled” transactions and accrue additional tax liabilities unless the Group is able to demonstrate the use of market prices with respect to the “controlled” transactions calculated in accordance with Russian transfer pricing regulations, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation.

Overall, management believes that the Group has paid or accrued all taxes that are applicable. For taxes other than corporate income tax, where uncertainty exists, the Group has accrued tax liabilities based on management’s best estimate of the probable outflow of resources, which will be required to settle these liabilities.

(e) Environmental matters

The Group and its predecessor have operated in the electric power 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 periodically evaluates its 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. Under the existing legislation, management believes that there are no significant liabilities for environmental damage, except those for which provision has been accrued and recorded in these financial statements. A provision has been recognized for incremental decommissioning cost associated with future restoration of the underlying ash dump in the amount of RR 156,711 thousand as of 30 June 2015 (as of 31 December 2014: RR 150,406 thousand). Provision in respect of dismantling expenses of certain individual items of property, plant and equipment was accrued in the amount of RUR 574,209 thousand (as of 31 December 2014: RR 509,407 thousand). Another provision was created in respect of sanitary protection of water and fish sources in the area near Konakovskaya SDPP, which amounts to RR 89,700 thousand as of 30 June 2015 (as of 31 December 2014: RR 89,700 thousand).

The Company is a material subsidiary of the Enel Group, which pays special attention to environmental and safety matters, and this reduces the risks of the Company.

(f) Restructuring provision

As at 31 December 2014, a restructuring provision of RR 303,262 thousand had been recognized for the optimization of organizational structure and redundancy of employees. Expenditures of RR 11,407 thousand were charged against the provision during the first six months of 2015.

12. RELATED PARTIES DISCLOSURES

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, 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.

In the normal course of business the Group enters into transactions with related parties.

12. RELATED PARTIES DISCLOSURES (continued)

Related parties include shareholders, directors, subsidiaries and companies of Enel Group.

Transactions with Enel S.p.A and its subsidiaries (Enel Group)

For the period ended 30 June 2015 the Group had the following transactions with Enel Group entities:

	For the six months ended	
	30 June 2015	30 June 2014
Sale of electricity	705,955	295,805
Other revenue	8,102	35,411
Purchases	(975,907)	(433,821)

As at 30 June 2015 the Group had the following balances with Enel Group entities:

	30 June 2015	31 December 2014
Trade and other receivables	572,606	373,029
Advances issued for capital construction	65,989	165,289
Trade and other payables	(3,133,460)	(2,718,782)

Transactions with other related parties

Transactions with other related parties represent transactions with the pension fund of energy industry (NPF Electroenergetiki) for the first six months of 2014 and VTB pension fund for the first six months of 2015.

	For the six months ended	
	30 June 2015	30 June 2014
Other expenses	76,440	88,052

As at 30 June 2015 the Group had no balances with other related parties.

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Total remuneration includes all type of remuneration such as wages, salaries, bonuses, non-monetary benefits, other.

Total remuneration paid to the members of the Board of Directors and Management Board for the period ended 30 June 2015 and 2014 was as follows:

	For the six months ended	
	30 June 2015	30 June 2014
Remuneration	66,937	41,489
Social taxes	2,004	1,884

There were no loans provided to key management personnel during six months ended 30 June 2015.

At 30 June 2015 there were 11 members of the Board of Directors and 6 members of the Management Board.

13. EVENTS AFTER THE REPORTING PERIOD

In July 2015 Group paid dividends accrued as of 30 June 2015, in the full amount.

On 23 July 2015, Board of Directors meeting approved Prospectus of Interest bearing commercial non-convertible bonds for the total nominal value of all possible bonds issues within the Program in the amount of RR 50,000 million, or foreign currency equivalent.