

# **PJSC Inter RAO**

## **Consolidated financial statements**

*For the year ended 31 December 2015  
with independent auditors' report*

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## Independent auditors' report

To the shareholders and the Board of Directors of  
PJSC Inter RAO

We have audited the accompanying consolidated financial statements of PJSC Inter RAO and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's responsibility for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Совершенство бизнеса,  
улучшаем мир

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Ernst & Young LLC*

29 February 2016

Moscow, Russia

**Consolidated statement of financial position***(in millions of RUR)*

	<i>Note</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	277,565	298,625
Intangible assets	7	12,868	12,514
Investments in associates and joint ventures	8	31,125	34,407
Deferred tax assets	9	4,412	2,236
Available-for-sale financial assets	10	5,865	7,260
Other non-current assets	11	8,721	10,094
<b>Total non-current assets</b>		<b>340,556</b>	<b>365,136</b>
<b>Current assets</b>			
Inventories	12	15,898	14,903
Accounts receivable and prepayments	13	81,841	81,703
Income tax prepaid		1,925	946
Cash and cash equivalents	14	65,840	75,599
Other current assets	16	19,131	9,154
		<b>184,635</b>	<b>182,305</b>
Assets classified as held-for-sale	15	38,048	38,057
<b>Total current assets</b>		<b>222,683</b>	<b>220,362</b>
<b>Total assets</b>		<b>563,239</b>	<b>585,498</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	293,340	293,340
Treasury shares	17	(56,184)	(56,229)
Share premium	17	69,312	69,312
Hedge reserve	17	(12)	38
Actuarial reserve	17	(91)	(34)
Fair value reserve	17	865	626
Foreign currency translation reserve		7,041	8,422
Retained earnings		48,392	27,426
<b>Total equity attributable to shareholders of the Company</b>		<b>362,663</b>	<b>342,901</b>
Non-controlling interest		2,705	5,348
<b>Total equity</b>		<b>365,368</b>	<b>348,249</b>
<b>Non-current liabilities</b>			
Loans and borrowings	19	42,617	64,185
Deferred tax liabilities	9	12,911	15,034
Other non-current liabilities	21	6,032	11,448
<b>Total non-current liabilities</b>		<b>61,560</b>	<b>90,667</b>
<b>Current liabilities</b>			
Loans and borrowings	19	33,712	42,947
Accounts payable and accrued liabilities	20	95,143	96,836
Other taxes payable	22	6,586	5,872
Income tax payable		870	927
<b>Total current liabilities</b>		<b>136,311</b>	<b>146,582</b>
<b>Total liabilities</b>		<b>197,871</b>	<b>237,249</b>
<b>Total equity and liabilities</b>		<b>563,239</b>	<b>585,498</b>

Chairman of the Management Board

Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer

Palunin D.N.

29 February 2016

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

**Consolidated statement of comprehensive income***(in millions of RUR)*

	Note	For the year	
		2015	2014
Revenue	23	805,344	741,101
Other operating income	24	8,655	7,243
Operating expenses, net	25	(788,539)	(728,398)
<b>Operating income</b>		<b>25,460</b>	<b>19,946</b>
Finance income	26	12,090	5,068
Finance expenses	26	(10,560)	(12,308)
Share of (loss)/profit of associates and joint ventures, net	8	(125)	4,292
<b>Income before income tax</b>		<b>26,865</b>	<b>16,998</b>
Income tax expense	27	(2,929)	(7,224)
<b>Income for the period</b>		<b>23,936</b>	<b>9,774</b>
<b>Other comprehensive (loss)/income</b>			
<i>Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss when specific conditions are met</i>			
Actuarial (loss)/gain, net of tax	17	(66)	261
Gain/(loss) on available-for-sale financial assets, net of tax	10, 17	239	(16)
Net (loss)/gain on hedge instruments, net of tax	17	(48)	92
Exchange (loss)/gain on translation to presentation currency		(1,249)	8,520
<b>Other comprehensive (loss)/income, net of tax</b>		<b>(1,124)</b>	<b>8,857</b>
<b>Total comprehensive income for the period</b>		<b>22,812</b>	<b>18,631</b>
<b>Income attributable to:</b>			
Shareholders of the Company		22,715	7,837
Non-controlling interest	33	1,221	1,937
		<b>23,936</b>	<b>9,774</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		21,466	16,178
Non-controlling interest		1,346	2,453
		<b>22,812</b>	<b>18,631</b>
<b>Basic and diluted income per ordinary share for income attributable to the shareholders of the Company</b>			
	18	<b>RUR 0.269</b>	<b>RUR 0.088</b>

Chairman of the Management Board

Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer

Palunin D.N.

29 February 2016

**Consolidated statement of cash flows***(in millions of RUR)*

	Note	For the year	
		2015	2014
<b>Operating activities</b>			
<b>Income before income tax</b>		<b>26,865</b>	<b>16,998</b>
<i>Adjustments to reconcile income before tax to net cash flows from operating activities:</i>			
Depreciation and amortisation	25	22,978	21,224
Provision for impairment of accounts receivable	25	6,193	5,467
Other provisions charge/(release)	12, 20, 25	2,134	(1,251)
Impairment of available-for-sale financial assets and assets classified as held-for-sale	25	19	1,356
Impairment of property, plant and equipment, intangible assets and goodwill	6, 7, 25	14,766	5,194
Share of loss/(profit) of associates and joint ventures	8	125	(4,292)
Loss from electricity derivatives, net	24, 25	305	104
Foreign exchange (gain)/loss, net	26	(2,061)	3,280
Interest income	26	(7,455)	(3,754)
Other finance income	26	(1,425)	(353)
Interest expense	26	10,242	5,310
Other finance expenses	26	318	1,141
Dividend income	26	(1,149)	(961)
Income from sale of available-for-sale financial assets and assets classified as held-for-sale	24	(1,365)	(423)
Put and call option agreement	26	–	2,577
Loss/(gain) from disposal of Group entities, net	5, 8, 24, 25	951	(30)
Other non-cash operations/items		147	479
<b>Operating cash flows before working capital adjustments and income tax paid</b>		<b>71,588</b>	<b>52,066</b>
Increase in inventories		(870)	(840)
Decrease/(increase) in accounts receivable and prepayments		1,958	(13,031)
Decrease in value added tax recoverable		2,939	1,988
Decrease/(increase) in other current assets		408	(383)
(Decrease)/increase in accounts payable and accrued liabilities		(2,843)	21,174
Increase in taxes other than income tax prepaid/payable, net		648	3,740
Other working capital adjustments		251	70
		<b>74,079</b>	<b>64,784</b>
Income tax paid		(7,770)	(4,678)
<b>Net cash flows from operating activities</b>		<b>66,309</b>	<b>60,106</b>

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

**Consolidated statement of cash flows (continued)***(in millions of RUR)*

	Note	For the year	
		2015	2014
<b>Investing activities</b>			
Proceeds from disposal of property, plant and equipment		185	221
Purchase of property, plant and equipment and intangible assets		(28,773)	(35,980)
Purchase of controlling interest, net of cash acquired	5	94	-
Proceeds from disposal of controlling interest, net of cash disposed	5	8	31
Proceeds from disposal of associate	8	70	-
Proceeds from disposal of available-for-sale financial assets and assets classified as held-for-sale	10, 15, 24	3,285	5,192
Proceeds from repayment of loans issued		385	963
Loans issued		(481)	(870)
Bank deposits placed		(34,300)	(20,166)
Bank deposits returned and proceeds from promissory notes repayment		22,614	15,616
Interest proceeds for bank deposits placed		5,925	2,658
Purchase of bonds		-	(74)
Dividends received		2,117	3,274
Purchase of shares in the associate	8	-	(50)
Cash flows from other investing activities		708	443
<b>Net cash flows used for investing activities</b>		<b>(28,163)</b>	<b>(28,742)</b>
<b>Financing activities</b>			
Proceeds from loans and borrowings		40,137	82,372
Repayment of loans and borrowings		(73,103)	(43,995)
Repayment of finance leases		(857)	(725)
Interest paid		(9,296)	(3,853)
Dividends paid		(318)	(226)
Purchase of non-controlling interest in subsidiaries	5	(5,411)	-
Disposal of non-controlling interest in subsidiary	5	-	100
Execution of the call and put option agreement	17	-	(31,374)
Proceeds from treasury shares sold		-	7
<b>Net cash flows (used for)/from financing activities</b>		<b>(48,848)</b>	<b>2,306</b>
Effect of exchange rate fluctuations on cash and cash equivalents		943	2,047
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(9,759)</b>	<b>35,717</b>
Cash and cash equivalents at the beginning of the period		75,599	39,882
<b>Cash and cash equivalents at the end of the period</b>	14	<b>65,840</b>	<b>75,599</b>

Chairman of the Management Board

Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer

Palunin D.N.

29 February 2016

## Consolidated statement of changes in equity

(in millions of RUR)

	Attributable to shareholders of the Company										Total equity
	Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Fair value reserve	Hedge reserve	Actuarial reserve	Retained earnings	Total	Non-controlling interest	
<b>Balance at 1 January 2014</b>	293,340	(41,363)	69,312	413	642	(64)	(280)	9,522	331,522	3,067	334,589
<b>Total comprehensive income/(loss) for the year ended 31 December 2014</b>	-	-	-	8,009	(16)	102	246	7,837	16,178	2,453	18,631
Dividends to shareholders	17	-	-	-	-	-	-	12	12	(274)	(274)
Undrawn dividends returned	17	-	-	-	-	-	-	-	-	27	39
Disposal of non-controlling interest in subsidiaries	5	-	-	-	-	-	-	25	25	75	100
Sale of treasury shares	-	6	-	-	-	-	-	-	6	-	6
Put and call option agreement	17	(14,872)	-	-	-	-	-	10,030	(4,842)	-	(4,842)
<b>Balance at 31 December 2014</b>	<b>293,340</b>	<b>(56,229)</b>	<b>69,312</b>	<b>8,422</b>	<b>626</b>	<b>38</b>	<b>(34)</b>	<b>27,426</b>	<b>342,901</b>	<b>5,348</b>	<b>348,249</b>
<b>Balance at 1 January 2015</b>	293,340	(56,229)	69,312	8,422	626	38	(34)	27,426	342,901	5,348	348,249
<b>Total comprehensive (loss)/income for the year ended 31 December 2015</b>	-	-	-	(1,381)	239	(50)	(57)	22,715	21,466	1,346	22,812
Dividends to shareholders	17	-	-	-	-	-	-	(91)	(91)	(429)	(520)
Undrawn dividends returned	17	-	-	-	-	-	-	109	109	5	114
Acquisition of controlling interest in subsidiary	5	-	-	-	-	-	-	-	-	50	50
Acquisition of non-controlling interest in subsidiaries	5	-	-	-	-	-	-	(1,796)	(1,796)	(3,615)	(5,411)
Sale of treasury shares	17	45	-	-	-	-	-	29	74	-	74
<b>Balance at 31 December 2015</b>	<b>293,340</b>	<b>(56,184)</b>	<b>69,312</b>	<b>7,041</b>	<b>865</b>	<b>(12)</b>	<b>(91)</b>	<b>48,392</b>	<b>362,663</b>	<b>2,705</b>	<b>365,368</b>

Chairman of the Management Board

Kovalchuk B. Yu.

Member of the Management Board, Chief Financial Officer

Palunin D.N.

29 February 2016

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.