MIPC GROUP
INTERNATIONAL FINANCIAL REPORTING STANDARDS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 2014 YEAR

pwc

Independent Auditor's Report

To the Shareholders and Board of Directors of open joint stock company «Moscow Integrated Power Company»

We have audited the accompanying consolidated financial statements of OJSC «MIPC» and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising 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.

Auditor's 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 auditor's 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

17 March 2015
Moscow, Russian Federation

ZAO PricewaterhouseCoopers Audit, 10 Butyrsky Val, Moscow, Russian Federation, 125047
T: +7 495 967 6000, F: +7 495 967 6001, www.pwc.ru

(in millions of Russian Roubles)

	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	7	135,045	138,710
Advances for capital construction		143	90
Intangible assets	9	3,576	4,125
Loans issued		397	397
Available-for-sale investments	11	-	3,519
Trade and other receivables, non-current	12	2,669	4,084
Finance lease receivables, non-current	26	1,212	-
Deferred income tax assets	23	447	69
Other non-current assets		228	46
Total non-current assets		**143,717**	**151,040**
Current assets			
Inventories	10	2,053	1,071
Available-for-sale investments	11	2,863	2
Trade and other receivables	12	29,344	22,243
Finance lease receivables, current	26	55	-
Subsidies receivable	13	2,021	2,144
Current income tax prepayments		183	149
Cash and cash equivalents	14	7,073	2,476
Other current assets		110	6
Total current assets		**43,702**	**28,091**
Assets classified as held for sale	8	245	-
Total assets		**187,664**	**179,131**
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	15	24,414	24,414
Share premium		138,596	138,596
Treasury stock	15	(16,669)	(16,669)
Reserves for revaluation of financial assets	15	548	1,039
Accumulated deficit		(37,706)	(34,549)
Total equity attributable to the Company's owners		**109,183**	**112,831**
Total equity and reserves		**109,183**	**112,831**
Non-current liabilities			
Long-term borrowings	16	25,700	12,400
Finance lease payables, non-current	26	-	153
Employee benefits	17	192	384
Deferred income		177	194
Deferred tax liabilities	23	616	1,754
Advances received	18	563	-
Trade and other payables, non-current	18	3,457	62
Total non-current liabilities		**30,705**	**14,947**
Current liabilities			
Short-term borrowings	16	1,000	17,214
Finance lease payables, current	26	41	73
Trade payables	18	38,075	29,631
Advances received	18	4,267	2,613
Income tax payable		92	34
Other payables and accruals	18	4,301	1,788
Total current liabilities		**47,776**	**51,353**
Total liabilities		**78,481**	**66,300**
Total equity and liabilities		**187,664**	**179,131**

General Director V.G. Yakovlev

Chief Accountant E.Y. Novenkova

March 2015

Открытое акционерное общество "Московская объединенная энергетическая компания" Москва 1047796974092

(in millions of Russian Roubles)

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Revenue	19	101.007	97.903
Government subsidies	19	9.881	14.921
Operating expenses	20, 21	(116.052)	(118.680)
Results from operating activities		**(5,164)**	**(5,856)**
Finance income	22	1.603	1.235
Finance costs	22	(1.173)	(1.859)
Net finance income/(costs)		**430**	**(624)**
Loss before income tax		**(4,734)**	**(6,480)**
Income tax expense	23	1.577	2.777
Loss for the year		**(3,157)**	**(3,703)**
Other comprehensive loss			
Items that will be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets, net of taxes	11	(491)	(196)
Total items that will be reclassified subsequently to profit or loss		(491)	(196)
Other comprehensive loss for the year, net of income tax		**(491)**	**(196)**
Total comprehensive loss for the year		**(3,648)**	**(3,899)**
Loss attributable to:			
Owners of the Company		**(3,157)**	**(3,703)**
Loss for the year		**(3,157)**	**(3,703)**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(3,648)**	**(3,899)**
Total comprehensive income/(loss) for the year		**(3,648)**	**(3,899)**
Basic and diluted profit/(loss) per share- basic and diluted (in Russian Roubles)	24	**(14)**	**(17)**

General Director V.G. Yakovlev

Chief Accountant E.Y. Novenkova

17 March 2015

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО "Московская объединенная энергетическая компания" * МОСКВА * ОГРН 1047796974092

(in millions of Russian Roubles)

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Cash flows from operating activities			
Loss before income tax		**(4,734)**	**(6,480)**
Adjustments for:			
Depreciation and amortization	20	14,176	11,308
Change in accounts receivable impairment provision	20	(4,722)	795
Impairment loss on property, plant and equipment		4,863	6,280
Losses less gains on disposal of property, plant and equipment		(1,746)	4,825
Net financial (income)/expense	22	(527)	624
Other non-cash items		(471)	(235)
Operating cash flows before changes in working capital and provisions		**6,839**	**17,117**
Change in inventories		(987)	1,024
Change in trade and other receivables		464	(7,731)
Change in employee benefit payables		(192)	48
Change in trade and other payables		8,282	10,397
Change in subsidies receivable		123	(1,120)
Change in financial assets at fair value through profit or loss		-	231
Change in deferred income		(17)	-
Operating cash flows before income tax and interest paid		**14,512**	**19,966**
Interest paid		(2,287)	(2,784)
Income tax paid		(182)	-
Income tax returned		392	2,089
Net cash flows from operating activities		**12,435**	**19,271**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(9,647)	(20,668)
Proceeds from disposal of property, plant and equipment		4,631	188
Acquisition of intangible assets		(230)	(2,390)
(Acquisition)/disposal of available-for-sale investments		209	(298)
Loan repayments received		-	18,033
Loans issued		(100)	(18,407)
Interest and dividends received		203	900
Deposits in banks		97	7,000
Net cash flows used in investing activities		**(4,837)**	**(15,642)**
Cash flows from financing activities			
Proceeds from borrowings		14,300	27,788
Repayment of borrowings		(17,194)	(29,540)
Finance lease payments		(107)	(358)
Net cash flows from financing activities		**(3,001)**	**(2,110)**
Net increase in cash and cash equivalents		**4,597**	**1,519**
Cash and cash equivalents at the beginning of the year	14	2,476	957
Cash and cash equivalents at the end of the year	14	**7,073**	**2,476**

General Director V.G. Yakovlev

Chief Accountant E.Y. Novenkova

Открытое акционерное общество «Московская объединенная энергетическая компания» * Москва * ОГРН 1047796974092

March 2015

(in millions of Russian Roubles)

	Note	Attributable to owners of the Company						
		Share capital	Share premium	Treasury stock	Reserve for revaluation of financial assets	Retained earnings (accumulated deficit)	Total	Total equity
Balance at 1 January 2013		**24,414**	**138,596**	**(16,669)**	**1,235**	**(30,846)**	**116,730**	**116,730**
Loss for the year		-	-	-	-	(3.703)	(3.703)	(3.703)
Other comprehensive income:								
Change in fair value of available-for-sale investments	11	-	-	-	(245)	-	(245)	(245)
Income tax on other comprehensive income	23	-	-	-	49	-	49	49
Total other comprehensive loss for the year		-	-	-	(196)	-	(196)	(196)
Gross comprehensive loss for the year		-	-	-	**(196)**	**(3,703)**	**(3,899)**	**(3,899)**
31 December 2013		**24,414**	**138,596**	**(16,669)**	**1,039**	**(34,549)**	**112,831**	**112,831**
Balance at 1 January 2014		**24,414**	**138,596**	**(16,669)**	**1,039**	**(34,549)**	**112,831**	**112,831**
Loss for the year		-	-	-	-	(3.157)	(3.157)	(3.157)
Other comprehensive income:								
Change in fair value of available-for-sale financial assets	11	-	-	-	(614)	-	(614)	(614)
Income tax on other comprehensive income	23	-	-	-	123	-	123	123
Total other comprehensive loss for the year		-	-	-	(491)	-	(491)	(491)
Gross comprehensive loss for the year		-	-	-	**(491)**	**(3,157)**	**(3,648)**	**(3,648)**
Balance at 31 December 2014		**24,414**	**138,596**	**(16,669)**	**548**	**(37,706)**	**109,183**	**109,183**

General Director V.G. Yakovlev

Chief Accountant E.Y. Novenkova

17 March 2015

Notes to the Consolidated Financial Statements:

1 The Group and its operations

1.1 Organization structure and operations

Open Joint Stock Company Moscow Integrated Power Company (the "Company" or OJSC "MIPC") and its subsidiaries (hereinafter referred to as the "Group" or the "MIPC Group") are primarily involved in generation, purchase and distribution of heat energy in the form of heating and hot water to commercial organisations and residential customers for domestic needs in Moscow and Moscow region.

OJSC "MIPC" was established on 1 November 2004 under the agreement "On cooperation in restructuring the electric power complex of Moscow", which was concluded between OJSC RAO "UES of Russia", Moscow Government, OJSC "Mosenergo" and the Regional Energy Commission of Moscow.

The Group's generation base includes 188 generating assets (26 district heating plants (RTS), 37 boiler heating plants (KTS), 125 small boiler and autonomous heating units) with total heat capacity of approximately 10,632.5 Gkal/h and four electricity generation facilities (three gas turbine power plants (GTU) and one energy complex (PGU-TES) with total capacity of 165.9 MW for electricity and 67 Gkal/h for heat.

The Company continuously supplies heat to 12 million of Moscow residents. The Company is operating more than 16 thousand kilometers of heat supply networks.

The Group's production assets are located in Moscow. The Company's registered address is: 119048, Moscow, Russian Federation, Efremova street, 10.

1.2 Group formation

On 1 January 2013 the major shareholder of OJSC "MIPC" was Moscow Government through the Moscow City Property Department which owned 89.98% of shares.

On 19 September 2013 LLC "Gazprom energoholding" acquired 89.98% shares of OJSC "MIPC" from the Moscow City Property Department. Due to consolidation of assets of LLC "MIPC-Finance" that owned 8.91% of OJSC "MIPC", the actual percentage of ownership of LLC "Gazprom energoholding" amounted to 98.77% as a result of this transaction.

In January 2014 LLC "Gazprom energoholding" acuired 0.07% of the Company's shares from minority shareholders (under offer), increasing its ownership interest up to 90.05%. Due to consolidation of assets of LLC "MIPC-Finance" the actual ownership interest of LLC "Gazprom energoholding" amounted to 98.86% as a result of this transaction.

As at 31 December 2014 LLC "Gazprom energoholding" became an immediate parent company of the Group (the "Parent company"). The Group's immediate parent company does not issue financial statements for public use.

1.3 Business environment

The Group operates in the Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices changes. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 29). During 2014 the Russian economy was negatively impacted by a decline in oil prices, political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2014:

- the CBRF exchange rate fluctuated between RR 32.7292 and RR 56.2584 per USD;
- the CBRF key refinancing interest rate increased from 5.5% p.a. to 17.0% p.a. including an increase from 12.0% p.a. to 17.0% p.a. on 16 December 2014;
- access to international financial markets to raise funding was limited for certain entities;
- capital outflows increased compared to prior years.

The financial markets continue to demonstrate volatility, frequent significant price movements and increasing trading spreads. Subsequent to 31 December 2014:

- the CBRF exchange rate fluctuated between RR 56.24 per USD and RR 69.66 per USD;
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade. Moody's Investors Service and Fitch Ratings still give Russia an investment rating grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible.
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their creditability due to increase in interest rates and fluctuations in exchange rates;
- the CBRF key refinancing interest rate decreased from 17.0% p.a. to 14% p.a.

(in millions of Russian Roubles)

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

These consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

1.4 Relations with the state and current regulation

At the end of the reporting period the Russian Federation owned (both directly and indirectly) over 50% in OJSC "Gazprom" which is a 100% parent company of LLC "Gazprom energoholding" (the Group's immediate parent company). Thus, the OJSC "Gazprom" is the Group's ultimate parent company and the Russian Federation ("State") is the Group's ultimate controlling party.

The Government of the Russian Federation directly affects the Group's operations through regulations of wholesale and retail sales of electricity and heat, effected by the Federal Service on Tariffs (the "FST") and the Regional Energy Commissions of Moscow and Moscow region (the "RECs"). As described in Note 6, the Government's economic, social and other policies could substantially affect the Group's operations.

The Group's customer base includes a large number of entities controlled by or related to the state.

Moreover heat is sold to housing companies at preferential rates established by the Moscow Regional Energy Commission. These rates are considerably lower than the tariffs for commercial consumers and do not cover the operating expenses of OJSC "MIPC". This difference in tariffs for different consumer groups is compensated by the Moscow Government by providing government subsidies, which are recorded in the Group's operating income (see Note 19). Detailed information on transactions with related parties is presented in Note 6.

1.5 Scope of consolidation

MIPC Group includes OJSC "MIPC" and its subsidiaries as presented below:

Subsidiary	Nature of business	Interest held	
		31 December 2014	31 December 2013
OJSC "Mosgorenergo"	Energy distribution services	100%	100%
LLC "MIPC-Finance"	Operations on securities market	100%	100%
OJSC "MIPC-Project"	Project services	100%	100%
OJSC "MIPC-Generation"	Purchase/sale of heat and electricity	100%	100%
LLC " Razvitiye teplosetevogo kompleksa"	Heating network and associated equipment development	100%	100%
LLC "IZ MIPC"	Research&Development services	99%	99%

At 31 December 2014, there are no significant restrictions in getting access to the subsidiary's assets or using them for settling the subsidiary's obligations.

The Group holds no preference shares.

2 Basis of preparation

2.1 Statement of compliance with IFRS

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

2.2 Basis of measurement

The consolidated financial statements have been prepared based on historical cost except for financial investments classified as available-for-sale financial assets and property, plant and equipment received as payment for the issued shares, which were measured at fair value at initial recognition.

2.3 Functional and presentation currency

The national currency of the Russian Federation is the Russian Ruble (RR), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RR has been rounded to the nearest million.

3 Significant accounting policies

The accounting policies described below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group's entities.

3.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group.

Subsidiaries are those investees, that the Group controls because the Group:

- has the powers to control significant operations which has a considerable impact on the investee's revenues;
- is exposed, or has rights, to variable returns from its involvement with the investee; or
- has the ability to affect those returns through its power over the investee.

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.

Subsidiaries are consolidated from the date on which control is obtained by the Group (acquisition date) and are deconsolidated from the date on which control ceases. The accounting policies of subsidiaries have been changed when it was necessary to align them with the accounting policies adopted by the Group.

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 at 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.

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.

The losses attributable to the non-controlling interest in a subsidiary are fully charged to the non-controlling interest account, even if this results in a debit balance (deficit) on this account.

(ii) Loss of control

Upon the loss of control over a subsidiary, the Group derecognizes the assets and liabilities, and the related non-controlling interests and other components of equity. Any positive or negative difference resulting from the loss of control is recognized in profit or loss for the period. In addition, the amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date of loss of control. Subsequently, the interest is accounted for as an investment in an associate (using the equity method) or as available-for-sale financial assets, depending on the extent to which the Group continues to affect that entity.

(iii) Transactions eliminated on consolidation

Intercompany transactions and balances as well as any unrealized gains or losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment of the underlying asset.

3.2 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated statement of financial position are translated into the functional currency at the exchange rate at that date. The foreign exchange gains or losses on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date when the fair value was determined. Foreign exchange differences arising from translation are recognized in profit or loss, except for exchange differences arising from translation of available-for-sale equity instruments.

3.3 Financial instruments

Group does not use derivative instruments in its operating activities.

Non-derivative financial instruments comprise investments in equity and debt securities, trade receivables, cash and cash equivalents, borrowings, trade and other payables.

Non-derivative financial instruments (financial assets and liabilities) are recognized initially at fair value plus any directly attributable transaction costs, except for financial instruments not at fair value through profit or loss. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

The classification of financial instruments to a particular category depends on the nature and purpose of their acquisition and is determined at their initial recognition.

Financial assets at fair value through profit or loss. A financial asset is classified as measured at fair value through profit or loss in the statement of comprehensive income, if it is intended for trading, i.e. acquired principally for sale in the near future. These financial assets are carried at fair value, with gains or losses arising from revaluation recorded in profit or loss for the period. Net gains or losses recognized in profit or loss include any dividend or interest earned on the financial asset.

Held-to-maturity investments. If the Group intends and is able to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured using the effective interest method, less any impairment losses.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Available-for-sale financial assets. Available-for-sale financial assets comprise mainly shares listed on an active market, and stocks/shares that are not listed in an active market and are stated at fair value. An active market is a market in which transactions with an asset or liability are conducted with sufficient frequency and in sufficient quantities that allow obtaining information about the estimates on an ongoing basis.

Loans and receivables include financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term (which shall be classified as held for trading), and those that the Group upon initial recognition designates at fair value through profit or loss. After initial recognition loans and receivables are measured at amortized cost, calculated using the effective interest method, less any impairment losses.

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management policy are included in cash and cash equivalents for the purpose of the statement of cash flows.

The Group recognizes the disposal of a financial asset only in the event of termination of the rights for cash flows under the relevant contract or if the financial asset and the related risks and rewards are transferred to other entity. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, it continues to recognize the financial asset. The Group derecognizes financial liabilities only when they are discharged, cancelled or expired.

Financial liabilities mainly include loans payable and recognized by using the effective interest method.

3.4 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Treasury shares

When equity is repurchased, the amount of the consideration paid which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

3.5 Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are recognised at cost of actual acquisition or construction less accumulated depreciation and impairment losses. In the case of impairment, the carrying amount is reduced to its recoverable amount, the difference is recognized as an expense (impairment loss) in the income statement and included in accumulated depreciation and impairment. Loss on impairment of property, plant and equipment recognized in prior periods is reversed if there has been a positive change in the estimates used to determine the asset's recoverable amount.

The cost of acquired assets includes costs that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use, as well as the costs of dismantling and removing the assets and restoring the site on which they were located. Purchased software being integral to the functionality of the related equipment is capitalized as part of that equipment.

Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of that asset.

The commencement date for capitalization is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs, and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalization of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalizes borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Capitalized borrowing costs are calculated at the Group's average funding cost (the weighted average interest cost applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalized.

If an item of property, plant and equipment includes separate components with different useful lives, each component is accounted for as a separate item (significant component) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognized in profit or loss for the period.

The Group's property, plant and equipment may be liquidated by the construction company at its own expense if they prevent the construction works in Moscow. As compensation the construction company should either build new assets at its own expense and transfer them to the Group in substitution of the liquidated ones, or pay the losses to the Group by cash depending on the contractual terms. Assets received as a compensation are accounted for at fair value, cash received and cost of the liquidated property are accounted for on an accrual basis in the statement of income.

(ii) Subsequent costs

The cost of replacing a significant component of an item of property, plant and equipment increases the carrying amount of the item if it is probable that the future economic benefits will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day maintenance of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of lease term. Depreciation of an asset commences when the asset is ready for use.

The estimated useful lives of certain classes of property, plant and equipment in the current and comparative periods are as follows:

- Buildings and constructions 5-80 years
- Heating networks 5-80 years
- Machinery and equipment 1-32 years
- Transport and other 2-30 years

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date.

3.6 Leased assets

Leases where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases.The assets leased under finance lease are capitalised within property, plant and equipment at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the commencement of the lease , with the related lease obligation recognised at the same value. Assets under finance leases are depreciated over their estimated useful lives or over the lease period, if this period is shorter.

If there is reasonable certainty that the lessee will obtain ownership at the end of the lease. the useful life of the asset is considered to be the period of the expected use.

Finance lease payments are allocated using the effective interest rate method between the lease finance cost, which is included in finance costs, and the capital repayment, which reduces the related lease obligation to the lessor. Thus, to produce a constant periodic rate of interest on the remaining balance of finance lease liabilities.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. The leased assets are not recognized in the Group's statement of financial position. Payments under operating leases are recognized as expenses in profit or loss for the period during the lease term.

3.7 Intangible assets

The Group's intangible assets include mainly software, which was acquired as separate assets.

Intangible assets are carried at cost less accumulated amortization and impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits from in the specific asset to which it relates. All other costs, including costs of internally generated goodwill, are recognized in profit or loss as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, except for goodwill, from the date when they are ready for use.

The estimated useful lives of the intangible assets for the current and comparative periods vary from one to ten years.

Amortization methods, estimated useful lives and residual values are reviewed at each reporting date.

3.8 Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss for the period. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

Impairment losses for available-for-sale financial assets are recognized in profit or loss for the reporting period. When incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognized in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the current period. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed by adjusting the allowance account through profit or loss for current year.

(ii) Non-financial assets

The carrying amounts of the Group's property, plant and equipment are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

To determine the amount of impairment, assets are grouped in the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units for).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets which cannot be tested individually, are grouped into the smallest group of assets that generates cash inflows from continuing use of respective assets that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in other comprehensive income if there is a revaluation reserve, otherwise they are recognized in profit or loss.

3.9 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes purchase costs, cost of production or conversion and other costs incurred in bringing them to their existing location and condition. Regarding the inventories of own production and work in progress, the cost includes an appropriate share of production costs based on the entity's normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.10 Employee benefits

Wages payable to employees for the services rendered during the current period are recognised as expenses of the current period.

Social benefits

In accordance with the social policy OJSC "MIPC" is obliged to make one-time financial assistance payment to retired employees based on their length of service in the Company. Employee benefit obligations are measured at present value.

3.11 Provisions

Provisions are recognized if the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.12 Revenue

Revenue includes the sale of heat energy in the form of heating and hot water, its transmission and other related services, and represents the fair value of the consideration received or receivable, net of value added tax.

Revenues from sales of heat energy are calculated monthly based on:

- Volume of heat consumed is based on the data from metering units, installed at the consumers' buildings or at heat distribution units, based on the contractual heat load of the consumers; and
- Tariffs, approved by the Regional Energy Commission.

Revenue from the sale of goods other than electricity and heat is measured at the fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, receipt of the consideration is highly probable, the associated costs and possible return of goods can be estimated reliably. Transfers of risks and rewards vary depending on the specific terms of the contract of sale.

Certain groups of customers receive the state subsidies under specific conditions (for example, disability, veteran status, etc.) that are provided in the form of the reduced payment for heat. The Group receives compensation payments from the relevant municipal authorities. Revenue is recognized based on the total amount that will be received from the buyer, and from government agencies.

3.13 Government subsidies

Subsidies provided by the Moscow Government to compensate the Group for the losses incurred as a result of selling heat to public at regulated reduced tariffs, are recognised in profit or loss in the period in which they were incurred.

Subsidies received in advance are recognised as payables on subsidies.

3.14 Finance income and finance costs

Finance income comprises interest income on investments (including available-for-sale investments), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognized in profit or loss as accrued, using the effective interest method. Dividend income is recognized in profit or loss on the date when the Group's right to receive payment is established; for quoted securities it is the ex-dividend date.

Finance costs include interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognized on certain financial assets. All borrowing costs are recognized in profit or loss using the effective interest method except for those which are attributable to the acquisition or construction of the qualified asset.

Foreign exchange gains and losses are reported on a net basis.

3.15 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss for the period except to the extent that it relates to items recognized in other comprehensive income, in this case it is recognized in the consolidated statement of changes in equity.

Current tax is the amount expected to be paid to, or recovered from tax authorities, in respect of taxable profits or losses for the year, using tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable in respect of previous years.

Deferred tax is recognized as liability using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction other than a business combination and that affects neither accounting nor taxable profit or loss, and
- differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future.

Moreover deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.16 Segment reporting

Starting from 2013, the Group is not obliged and does not prepare segment reporting in accordance with the provisions of IFRS 8 "Operating segments". Until 2012, the Group prepared the segment reporting due to the fact that the Company's bonds were traded on the organized market. Obligations to the bonds' owners were fully repaid in July 2013.

3.17 Earnings per share

The Group presents basic and diluted earnings (loss) per share (EPS) data for its ordinary shares. Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period. Diluted earnings/(loss) per share are determined by adjusting profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. There are no dilutive instruments as at 31 December 2014 and 31 December 2013.

3.18 New standards and interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2014 or later:

- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). Group applied amendments in the consolidated interim financial statements for the current period (Note 25).
- IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss. Improvements to IFRS 3 are effective for business combinations for annual periods beginning on or after 1 July 2014. As at the reporting date there were no business combinations.
- The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. The management believes that amendments will not have significant impact on the Group's financial statements.
- IFRS 15, Revenue (issued in May 2014 and, effective from or after 1 January 2017). Early adoption is permitted; Group does not plan early adoption of the standard.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

4 Critical judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

In particular, information about the most significant areas requiring estimates of uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

(i) *Provision for property, plant and equipment impairment.* The management reviews property, plant and equipment for impairment. If any impairment indication exists, the management estimates the recoverable amount, which is determined as the higher of the two values: net selling price of an asset or its value in use. The carrying amount is reduced to recoverable amount and the difference is recognized as an expense (impairment loss) in the profit or loss and included un accumulated depreciation and impairment. An impairment loss recognised for property, plant and equipment in prior years is reversed if there has been a change in the estimates used to determine the assets recoverable amount if there has been a positive change in the estimates used to determine the recoverable amount of the asset. The effect of the estimate and judgment is included in Note 7.

(ii) *Useful lives of property, plant and equipment.* Estimation of useful lives of property, plant and equipment is subject to management judgment based upon experience with similar assets. When determining the useful life of an asset, management considers the following factors: the expected usage, estimated technical obsolescence, physical deterioration, and the operating environment of the asset. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

(iii) *Impairment of receivables.* A provision for impairment of receivables is based on the management's best estimate of deterioration in the collectability of accounts receivable of individual consumers, compared with previous forecasts. If there is a decrease in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results may differ from the estimates. The effect of the estimate and judgment is included in Note 25.

(iv) *Recognition of deferred tax asset.* The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred tax asset is recognized only if the related tax benefit is highly probable. The effect of the estimate and judgment is included in Note 23.

(in millions of Russian Roubles)

The management has prepared these consolidated financial statements on the going concern basis. This management's judgement is based on a review of the Group's financial position, its current plans, financial results, as well as on an analysis of the impact of the situation on the financial markets on the Group's operations. Starting from the end of 2013, the Group implements a program on effectiveness improvement, which includes an asset exchange with OJSC Mosenergo, leading to the lossmaking assets being transferred to OJSC Mosenergo and assets relevant to the activity of the Group being received from OJSC Mosenergo (see Note 7). Also in 2014 the Group has cut its personnel due to function optimization of of the Group's affiliates and subsidiaries. The average number of employees has reduced from 23,345 persons in 2013 to 19,675 persons in 2014.

In 2014, the Group has recalculated the revenue for the year 2011 in the amount of RR 6,422 million, incl. VAT downward. This calculation of revenue is not correction of an error in 2011, it is a refinement of revenue for the year 2011 on the basis of newly discovered facts. In 2011, there was no statutory rate for the hot water supply for the organizations, the rate was calculated by the Group independently and used throughout the year. In 2014, revenue recalculation was made on the basis of decisions of the Office of the Antimonopoly Service in Moscow.

The Group owns 55.78% of shares Mutual Investment Fund "Perlovsky" and is entitled to receive from the mutual investment fund cash corresponding to this share, without control over the assets of the fund. Independent management company manages Mutual Investment Fund "Perlovsky" . Mutual Investment Fund "Perlovsky" is not included in the Group consolidation.

5 Capital and financial risk management

Overview of basic approaches

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk, and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Capital management

The Group manages capital for all Group entities to continue as a going concern in the foreseeable future and, at the same time, to maximise profit for shareholders through optimising its gearing ratio.

Group's capital structure depends on ratio between debt liabilities which include short-term and long-term borrowings, cash and cash equivalents and equity attributable to the Company's owners that includes share capital, reserves and retained earnings or accumulated deficit.

There were no changes in the Group's approach to capital management during the reporting period.

Management regularly reviews the capital structure using gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings stated in the consolidated statement of financial position, net of cash. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

The gearing ratios at 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Borrowings (Note 16)	(26,700)	(29,614)
Cash and cash equivalents (Note 14)	7,073	2,476
Net debt	(19,627)	(27,138)
Equity attributable to owners of the Company	(109,183)	(112,831)
Total	**(128,810)**	**(139,969)**
Gearing ratio	**15.24%**	**19.39%**

(i) Loans' covenants

The Group maintains an optimal capital structure by monitoring some credit covenants. As at 31 December 2014 and 31 December 2013 the Group was in compliance with certain covenants foreseen in credit agreements:

- the minimum level of EBITDA/Interest expenses;

- the maximum level of Net financial Debt/EBITDA.

(ii) Legislation requirements

The Group is subject to the following capital requirements that have been established for joint stock companies by the legislation of the Russian Federation:

- share capital cannot be lower than 1,000 minimum wages at the date of the company registration;
- if the share capital of the entity exceeds the statutory net assets of the entity, such entity must decrease its share capital to the value not exceeding its net assets, and
- if the minimum allowed share capital exceeds the statutory net assets of the entity, such entity is subject to liquidation.

At 31 December 2014, the Group complied with the above share capital requirements.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations in time. The Group's exposure to credit risk is associated with cash and cash equivalents in bank accounts and unsecured accounts receivable and loans issued.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Geographically credit risk is concentrated in the city of Moscow and Moscow Region. Creditworthiness of existing customers is periodically evaluated based on internal and external information regarding history of settlements with these customers. The Group constantly analyses accounts receivable turnover ratios, maturity dates and takes appropriate measures on collection of debts due. Approximately 90-95% of the customers are the Group's clients for a period longer than 2-3 years.

In monitoring customer credit risk, customers are grouped according to the accounts receivable type and maturity dates. Accounts receivable are divided into five major groups, which are current, overdue, long-term, doubtful and bad debts . When the accounts receivable are classified as overdue measures are taken to collect these receivables, including oral and written notifications to a debtor, filing a claim, assessing late payment interest, etc. The Group establishes an allowance for impairment of trade and other receivables as well as advances issued that represents its estimate of incurred credit losses. The main components of this allowance include a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment for similar financial assets.

(ii) Guarantees

The Group's policy does not include provision for any financial guarantees for suppliers.

(iii) Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least A3 and Aaa from Moody's, except for related parties. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(iv) Bank deposits

Bank deposits of the Group are located mainly in banks with credit rating Ba1 estimated by Moody's.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The liquidity risk management is performed based on the detailed planning and forecasting of cash flows for timely repayment of its obligations.

To minimize the liquidity risk OJSC "MIPC" has adopted a Credit Policy Statement specifying the procedure for assessing the Group's financial stability and creditworthiness. The Group usually ensures that cash will be available on demand which is sufficient for covering the expected operating expenses within 30 days, including expenses on borrowings. The potential influence of the unforeseen exceptional circumstances, for example, natural disasters is not considered.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the return.

(in millions of Russian Roubles)

(i) Currency risk

Currency risk - the risk of the negative effect of changes in the exchange rates on the Group's financial results. Due to the fact that the Group sells services in the domestic market, its activities are not directly affected by fluctuations of foreign exchange rates and the risk can be defined as low. The Group has the insignificant obligations which are dependent of the foreign exchange rates. The Group does not establish an acceptable level of currency risk, but periodically reviews and assesses this risk.

(ii) Interest rate risk

Interest rate risk is in compliance with interest rate fluctuation which may affect the Group's financial results. Changes in interest rates impact primarily borrowings raised by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt).

Group is not exposed to interest rate risk as all borrowings have fixed interest rates.

(iii) The risk of changes in equity prices

As the Group has investments in shares, Group is exposed to the risk of changes in equity prices.

The Group's strategy related to investments in shares is diversification of the portfolio, acquisition of the liquid securities of stable issuers and continuous monitoring the dynamics of their market data.

The analysis of the Group's sensitivity to a 20% change in the market value of shares included in the Group's investment portfolio is as follows:

• there is no effect on profit before tax for the year ended 31 December 2014 and the year ended 31 December 2013, if the market value of the shares increases or decreases;

• if the market value of the shares increases or decreases the effect on the investment revaluation reserve in equity for year ended 31 December 2014 would have been RR 82 million (for twelve months ended 31 December 2013: RR 303 million).

6 Related party transactions

Parties are generally considered to be related if the parties 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.

Control change

Until 19 September 2013 a major shareholder of OJSC "MIPC" was Moscow Government through the Moscow City Property Department. Starting from 19 September 2013 a major shareholder of OJSC "MIPC" is LLC "Gazprom energoholding".

LLC "Gazprom energoholding" is a subsidiary of OJSC "Gazprom". Related parties for the Group are all entities under the control of OJSC "Gazprom". The Russian Federation is the ultimate controlling party of the Group during the current and prior reporting periods.

The change of the shareholder has not resulted in the change in the Group's related parties, but entailed the change in the classification only, i.e. the companies of Gazprom Group which were included in the list of the state controlled companies, are classified as companies of Gazprom Group starting from 19 September 2013. Thus, transactions with OJSC "Gazprom", its subsidiaries and associates were presented in a separate category with disclosures for the year ended 31 December 2014 and the year ended 31 December 2013.

Transactions with Gazprom Group and its associates

Revenue	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**
Revenue from transfer of heat energy	7.310	7.623
Proceeds from the sales of electricity	128	-
Revenue from the supply of heat energy	42	418
Revenue from the supply of hot water	1	8
Other revenue	213	2
Total	**7,694**	**8,051**

(in millions of Russian Roubles)

For the year ended 31 December 2014, the Group provided heat energy transmission services to OJSC "Mosenergo" amounting to RR 7,310 million (for the year ended 31 December 2013: RR 7,623 million).

Expenses	For the year ended 31 December 2014	For the year ended 31 December 2013
Heat energy expenses	42.213	37.654
Gas expenses	12.321	14.549
Material-related expenses	1.007	2.066
Rent payments	704	1.148
Electricity expenses	113	73
Other operating (income)/expenses	(212)	388
Total	**56,146**	**55,878**

OJSC "Mosenergo", a subsidiary of OJSC "Gazprom", is the main supplier of heat energy and electricity for the Group. For the year ended 31 December 2014, the Group's purchases from OJSC "Mosenergo" amounted to RR 42.094 million (for the year ended 31 December 2013: RR 37,467 million).

LLC "Gazprom mezhregiongaz Moscow", a subsidiary of OJSC "Gazprom", is the main gas supplier for the Group. For the year ended 31 December 2014, the Group's purchases from LLC "Gazprom mezhregiongaz Moscow" amounted to RR 12,321 million (for the year ended 31 December 2013: RR 14,549 million).

In addition to the above data, in 2014 PAO "Mezhregionteplosetenergoremont" provided the Group with services associated with capital construction of facilities amounting to RR 3,150 million (for the year ended 31 December 2013: RR 2,490 million).

Finance income and finance costs	For the year ended 31 December 2014	For the year ended 31 December 2013
Finance income	311	-
Finance (costs)	(219)	-
Net finance income	**92**	-

Finance income for the year ended 31 December 2014 includes interest income on deposits with OJSC "Gazprombank", an associate of OJSC "Gazprom", in the amount of RR 135 million (for the year ended 31 December 2013: RR 0 million) and interest income on finance lease provided by OJSC "Mosenergo" in the amount of RR 169 million (for the year ended 31 December 2013: RR 0 million).

Finance costs for the year ended 31 December 2014, include discounted long-term payables related to acquisition of the heating networks from OJSC "Mosenergo" in the amount of RR 207 million (for the year ended 31 December 2013: 0).

Outstanding balances	Outstanding balances at 31 December 2014	Outstanding balances at 31 December 2013
Trade and other receivables	4.853	1.594
Cash and cash equivalents	2.923	-
Finance lease receivables	1.267	-
Advances issued and prepaid expenses	34	30
Total	**9,077**	**1,624**
Trade and other payables	29.977	18.374
Advances received	75	-
Borrowings	1.000	-
Total	**31,052**	**18,374**

Trade and other receivables include an outstanding balance with OJSC "Mosenergo", a subsidiary of OJSC "Gazprom", in the amount of RR 4,261 million at balance at 31 December 2014 (at 31 December 2013: RR 1,588 million).

Trade and other payables include outstanding balances with OJSC "Mosenergo" in the amount of RR 23,593 million at 31 December 2014 (at 31 December 2013: RR 15,202 million) and LLC "Gazprom mezhregiongaz Moskva", a subsidiary of OJSC "Gazprom", in the amount of RR 1,717 million at 31 December 2014 (at 31 December 2013: RR 1,031 million).

On 15 May 2014 the Group transferred to OJSC "Mosenergo" property complexes RTS "Khimki Hovrino" and RTES

(in millions of Russian Roubles)

"Lublino", on 1 September 2014 - RTS "Krasnaya Presnya" under finance leases. Present value of lease payments receivable amounted to RR 1,267 million at 31 December 2014.

Cash balances at 31 December 2014 relate to transactions with OJSC "Gazprombank", an associated company of OJSC "Gazprom". On 24 November 2014 the Group received a short-term loan from LLC "Gazprom energoholding" in the amount of RR 1 000 million.

Transactions with key management

Key management personnel (the members of the Board of Directors and Management Committee of the Group) received the following remuneration, which is included in personnel expenses:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Salaries and bonuses	155	428
Social taxes and contributions	21	63
Remuneration for membership in the Board of Directors and Management Committee	5	-
Termination benefits	8	141
Total	**189**	**632**

	Outstanding balance at 31 December 2014	Outstanding balance at 31 December 2013
Salaries and bonuses	4	23
Total	**4**	**23**

Transactions with other state-controlled entities

Revenue

	For the year ended 31 December 2014	For the year ended 31 December 2013
Revenue from the supply of heat energy	44.070	39.517
Revenue from the supply of hot water	17.960	17.211
Revenue from services provided to Mosvodokanal	2.010	2.110
Revenue from transfer of electricity	382	461
Other revenue	54	222
Total	**64,476**	**59,521**

Subsidies

	For the year ended 31 December 2014	For the year ended 31 December 2013
Subsidies received	9.881	14.921
Total	**9,881**	**14,921**

Expenses

	For the year ended 31 December 2014	For the year ended 31 December 2013
Water consumption	5.905	6.185
Electricity	4.974	4.908
Taxes other than income tax	1.012	804
Rent payments	463	159
Heat	53	65
Material-related expenses	-	1
Other operating expenses	8.213	8.141
Total	**20,620**	**20,263**

(in millions of Russian Roubles)

Finance income and costs

	For the year ended 31 December 2014	For the year ended 31 December 2013
Finance income	1.111	368
Finance costs	(799)	(837)
Net finance income (expense)	**312**	**(469)**

Outstanding balances

	Outstanding balances at 31 December 2014	Outstanding balances at 31 December 2013
Trade and other receivables	18.439	15.639
Cash and cash equivalents	3.508	2.382
Investments	2.313	13
Taxes receivable	1.237	1.208
Advances issued and prepaid expenses	44	54
Advances for capital construction	40	47
Total	**25,581**	**19,343**
Borrowings	20.700	24.394
Trade and other payables	4.532	2.247
Advances received	2.050	1.221
Taxes payable	828	712
Total	**28,110**	**28,574**

Trade and other receivables with other companies controlled by government. as at 31 December 2014 includes provision for impairment of receivables in the amount of RR 1.069 million. (As at 31 December 2013 RR: 6.196 million.).

7 Property, plant and equipment

Book value

	Heating networks	Building and facilities	Machinery and equipment	Transport and other	Construction in progress	Total
Balance at 1 January 2013	**160,739**	**28,716**	**43,397**	**4,560**	**15,508**	**252,920**
Reclassification	235	188	(559)	136	-	-
Additions	-	1	5.067	360	20.653	**26,081**
Disposals	(1.304)	(53)	(9.418)	(117)	(489)	**(11,381)**
Transfers	15.213	839	683	49	(16.784)	-
Balance at 31 December 2013	**174,883**	**29,691**	**39,170**	**4,988**	**18,888**	**267,620**
Reclassification	-	(10)	10	-	-	-
Additions	3.657	9	20	92	15.172	**18,950**
Disposals	(728)	(4.304)	(3.092)	(368)	(1.204)	**(9,696)**
Transfers	9.525	177	2.157	83	(11.942)	-
Reclassification to assets held for sale	-	(358)	(4)	(23)	-	**(385)**
Balance at 31 December 2014	**187,337**	**25,205**	**38,261**	**4,772**	**20,914**	**276,489**

(in millions of Russian Roubles)

Accumulated depreciation (including impairment)

	Heating networks	Building and facilities	Machinery and equipment	Transport and other	Construction in progress	Total
Balance at 1 January 2013	**(79,329)**	**(10,487)**	**(20,896)**	**(2,804)**	**(1,973)**	**(115,489)**
Reclassification	163	35	(196)	(2)	-	-
Depreciation charge	(6.908)	(805)	(2.350)	(487)	-	(10.550)
Disposals	754	14	2.547	94	-	3.409
Impairment loss	(3.586)	(779)	(1.080)	(11)	(824)	(6.280)
Balance at 31 December 2013	**(88,906)**	**(12,022)**	**(21,975)**	**(3,210)**	**(2,797)**	**(128,910)**
Reclassification	96	(477)	367	14	-	-
Depreciation charge	(9.432)	(806)	(2.499)	(561)	-	(13.298)
Disposals	639	1.949	2.123	319	509	5.539
Reversal of property. plant and equipment impairment loss	(276)	(3)	(198)	(1)	478	-
Transfer to assets classified as held for sale	-	64	3	21	-	88
Impairment loss	(3.337)	(150)	(414)	(12)	(950)	(4.863)
Balance at 31 December 2014	**(101,216)**	**(11,445)**	**(22,593)**	**(3,430)**	**(2,760)**	**(141,444)**

Net book value

	Heating networks	Building and facilities	Machinery and equipment	Transport and other	Construction in progress	Total
At 1 January 2013	**81,410**	**18,229**	**22,501**	**1,756**	**13,535**	**137,431**
At 31 December 2013	**85,977**	**17,669**	**17,195**	**1,778**	**16,091**	**138,710**
At 31 December 2014	**86,121**	**13,760**	**15,668**	**1,342**	**18,154**	**135,045**

The Group leases machinery and equipment under a number of finance lease agreements. At the end of the lease period the Group has the right to buy them at the discounted price. As at 31 December 2014, the carrying amount of leased property, plant and equipment amounted to RR 379 million (as at 31 December 2013: RR 675 million).

Capitalised borrowing costs amounted to RR 1,345 million and RR 1,187 million for the year ended 31 December 2014 and the year ended 31 December 2013, respectively. The capitalisation rate was 8% (for the year ended 31 December 2013: 8%). The capitalisation rate represented the weighted average of the borrowings raised. During the reporting period, the Group was involved in sale and purchase of the assets from OJSC Mosenegro. The result of these transactions was included in profit or loss for the period. As part of these transactions:

- in July 2014 heating networks were purchased at the price of RR 3,598 million;
- according to sales agreements with Mosenergo following assets were disposed of: RTS "Babushkino-2", RTS "Krasniy stroitel", RTS "Kunzevo", RTES "Kuriyanovo", RTES "Lublino", RTS "Matveevskaya", RTS "Rublevo", RTS "Frezer", RTS "Otradnoye", KTS-8, KTS-11, KTS-11a, KTS-17, KTS-18, KTS-24, KTS-26, KTS-44, KTS-55, KTS "Melitopolskaya", MiniTES Izmaylovo, Energeticheskiy complex. The residual value of these assets amounted to RR 1,791 million;
- according to the lease agreements with subsequent sale RTS "Birulevo", KTS "Severnaya", KTS "Standartnaya", KTS-56, MK "Zapadniy port" were disposed of. The residual value of these assets amounted to RR 415 million;
- on 15 May 2014 the Company transferred property complex RTS "Khimki-Hovrino" under finance lease agreement to OJSC "Mosenergo", on 1 September 2014 – RTS "Krasnaya Presnya". The residual value of these assets amounted to RR 953 million.

Impairment

As at 31 December 2013 the impairment of the Group's assets amounted to RR 46,573 million.

As at 31 December 2014 the Group held an impairment test of fixed assets as a result of which revealed impairment in the amount of RR 4,863 million.

(in millions of Russian Roubles)

Given the disposal of fixed assets and fixed assets transferred to assets classified as held for sale, on 31 December 2014 the impairment amounted to RR 48.526 million.

The following assumptions were used in determining the recoverable amount of property, plant and equipment at 31 December 2014:

• cash flows are projected based on the actual experience and the results of the operations for the previous years, the Group's business plan for one year; management's expectations related to optimization of operating costs for 2015 - 2017 and significant decrease in the investments volume under the investment program from 2015 have been considered as well;

• for the purposes of the analysis 82 cash generating units (hereinafter - the "CGU") have been considered at 31 December 2014 (82 CGU at 31 December 2013): these CGU were allocated at the level of each subsidiary of the Company depending on the economic characteristics of individual technological chains, namely, the generation and redistribution of heat energy, conversion and distribution of heat energy, transmission via trunk networks, etc (each branch of the Company at 31 December 2013);

• discount rate of 12.68% was applied in determining the recoverable amount of property, plant and equipment as at 31 December 2014 (11.4% as at 31 December 2013).

With the increase/decrease in the discount rate of 0.5% the amount of impairment as at 31 December 2014 would increase/ decrease in the amount of RR 303 million.

8 Disposal group classified as held for sale

In 2014, the Group was in the process of disposing of non-core assets. At 31 December 2014 the Group recognised the non-core assets within assets held for sale in the amount of RR 245 million and the corresponding liabilities in the amount of RR 10 million. The Group plans to sell these assets in 2015.

Assets classified as held for sale

	Buildings and facilities	Machinery and equipment	Transport and others	Total
At 31 December 2013	-	-	-	-
Additions	294	1	2	297
Disposals	(49)	(1)	(2)	(52)
At 31 December 2014	**245**	-	-	**245**

Liabilities classified as held for sale

	31 December 2014	31 December 2013
Deferred tax liabilities	10	-
Total	**10**	-

9 Intangible assets

Book value	
Balance as at 1 January 2013	**3,622**
Acquisitions	2.378
Disposals	(38)
Balance at 31 December 2013	**5,962**
Balance at 1 January 2014	**5,962**
Acquisitions	813
Disposals	(469)
Balance at 31 December 2014	**6,306**
Accumulated amortisation	
Balance at 1 January 2013	**(1,102)**
Amortisation for the period	(785)

(in millions of Russian Roubles)

Disposals	50
Balance at 31 December 2013	**(1,837)**
Balance at 1 January 2014	**(1,837)**
Amortisation for the period	(908)
Disposals	15
Balance at 31 December 2014	**(2,730)**
Net book value	
At 1 January 2013	**2,520**
At 31 December 2013	**4,125**
At 1 January 2014	**4,125**
At 31 December 2014	**3,576**

Intangible assets include software with residual value of RR 2,068 million at 31 December 2014 (at 31 December 2013: RR 2,114 million).

10 Inventories

	31 December 2014	31 December 2013
Materials	1,045	732
Spare parts	260	134
Other inventories	748	205
Total	**2,053**	**1,071**

The Group did not have encumbered inventories.

11 Available-for-sale investments and financial assets at fair value through profit and loss

Available-for-sale investments

	% share		Carrying value	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
OJSC "MOESK"	2.95%	2.95%	1,909	2,086
Mutual Investment Fund "Perlovsky"	55.78%	55.78%	944	1,185
OJSC "Mosenergosbyt"	-	2.73%	-	231
OJSC "FGC UES"	0.01%	0.01%	7	13
Other	-	-	3	4
Total			**2,863**	**3,519**

In 2014, the Group sold available-for-sale investments with the carrying value of RR 193 million. Proceeds from the sale of these investments amounted to RR 210 million and the cumulative revaluation of these assets in the amount of RR 150 million recognized in equity was transferred to profit and loss.

In 2013, the Group acquired available-for-sale investments with the carrying value of RR 300 million and sold financial assets classified as available-for-sale, with the carrying value of RR 2 million.

Decrease in the fair values of available-for-sale investments which is recognized in equity amounted to RR 463 million for the year ended 31 December 2014 (for the year ended 31 December 2013 - RR 244 million) and is associated with decrease in market prices and RR 151 million due to the sale of shares of OJSC "Mosenergosbyt" (for the year ended 31 December 2013 - RR 0 million).

Shares of Mutual Investment Fund "Perlovsky" certify the Group's share (55.78%) in the assets of the Fund and the Group's right to receive from a mutual investment fund cash corresponding to this share, without control over the assets of Mutual Investment Fund "Perlovsky."

(in millions of Russian Roubles)

Financial assets at fair value through profit or loss

During the reporting period, the Group disposed the financial assets at fair value through profit or loss with the carrying amount of RR 2 million. Proceeds from the sale of these investments amounted to RR 2 million.

During the year ended 31 December 2013, the Group acquired the financial assets at fair value through profit or loss with the carrying value of RR 2,303 million and sold financial assets with the carrying amount of RR 2 534 million. Proceeds from the sale of these investments amounted to RR 2,534 million. Financial assets at fair value through profit or loss are included in other current assets in the consolidated financial statement.

The fair value of financial assets using a 3-level fair value hierarchy is presented in Note 25.

12 Trade and other receivables

	31 December 2014	31 December 2013
Trade receivables from heat energy and water sales	23.812	24.885
Trade receivables from heat energy transmission	1.365	1.242
Trade receivables from services/property, plant and equipment disposal	7.364	5.137
Other receivables	1.006	1.033
Financial assets	**33,547**	**32,297**
Advances to suppliers and prepaid expenses	383	675
Provision for accounts receivable impairment	(2.941)	(7.732)
Total	**30,989**	**25,240**
VAT recoverable	988	628
Prepaid taxes, other than income tax	29	448
Other receivables	7	11
Total	**32,013**	**26,327**
Non-current assets	2.669	4.084
Current assets	29.344	22.243
Total	**32,013**	**26,327**

Provision for impairment of trade receivables amounted to RR 2,847 million and RR 7,673 million at 31 December 2014 and at 31 December 2013, respectively.

Provision for impairment of other receivables amounted to RR 55 million and RR 26 million at 31 December 2014 and at 31 December 2013, respectively.

Provision for impairment of advances issued to suppliers amounted to RR 39 million and RR 33 million at 31 December 2014 and at 31 December 2013, respectively

As a part of long-term accounts receivable the Group recorded accounts receivable:

• for sold property in amount of RR 2,530 million with maturities by 2018 (at 31 December 2013: RR 4,084 million). These receivables are not overdue and stated net of discounts, including interest for the installment payment provided for in the contract of sale;

• prepayments to suppliers and prepaid expenses in amount of RR 111 million (at 31 December 2013: RR 0 million);

• other receivables in amount of RR 28 million (at 31 December 2013: RR 0 million).

The Group's exposure to credit risk and impairment losses related to trade receivables is disclosed in Note 25.

13 Subsidies receivable

	31 December 2014	31 December 2013
Subsidies from Moscow Government	1.818	1.645
Subsidies from the State center of household subsidies	203	499
Total	**2,021**	**2,144**

(in millions of Russian Roubles)

14 Cash and cash equivalents

	31 December 2014	31 December 2013
Deposits with maturity of less than three months	6,286	128
Bank balances	787	2,348
Total	**7,073**	**2,476**

At 31 December 2014 restricted cash includes the minimum balance in settlement accounts amounting to RR 427 million and assets under distraint –amounting to RR 64 million (at 31 December 2013: RR 1,440 million and 0, respectively).

Below table presents information about deposits with maturity of less than three months is as follows:

	31 December 2014			31 December 2013		
Bank	**Currency**	**%**	**Balances**	**Currency**	**%**	**Balances**
OJSC "Sberbank Rossii"	Russian Ruble	18.00%	2,949	Russian Rouble	5.27 – 6.46%	128
OJSC "Gazprombank"	Russian Ruble	19.00%	2,922	Russian Rouble	-	-
OJSC "Alfa-bank"	Russian Ruble	18.00%	369	Russian Rouble	-	-
OJSC "AB Rossiya"	Russian Ruble	9.00%	46	Russian Rouble	-	-
Total			**6,286**			**128**

15 Equity and reserves

Share capital

At 31 December 2014 the authorized share capital comprised 244,134,012 ordinary shares with par value of RR 100 each.

Treasury shares

At 31 December 2014 treasury shares comprised 21,748, 990 ordinary shares with total value of RR 16,669 million (at 31 December 2013: 21,748, 990 ordinary shares with total value of RR 16,669 million).

Reserves

At 31 December 2014 the revaluation reserve for available-for-sale financial assets at fair value amounted to RR 548 million (at 31 December 2013: RR 1,039 million).

Dividends

In accordance with the legislation of the Russian Federation, the distributable reserves of the Company are limited to the retained earnings recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Rules. In 2013, according to the statutory financial statements the Company had a loss, so the dividends for 2013 were not accrued.

16 Borrowings

The note provides information about the contractual terms of the Group's interest-bearing borrowings, which are measured under the effective interest rate method. More detailed information on the Group's exposure to the interest rate risk and liquidity risk is disclosed in Notes 5, 25.

	Nominal interest rate	Year of maturity	31 December 2014	31 December 2013
OJSC "Sberbank Rossii"	7.7%-11.98%	2016	20,700	24,414
OJSC "AB Rossia"	8.45%-10.00%	2016	5,000	5,200
LLC "Gazprom energoholding"	11.50%	2015	1,000	-
Total			**26,700**	**29,614**

All borrowings are denominated in Russian roubles and unsecured.

(in millions of Russian Roubles)

17 Employee benefits

On voluntary leaving the company due to the retirement MOEK employees are paid one-time retirement benefit according to length of continuous service. In December 2014 the collective agreement was amended and the sum of retirement benefit to MOEK employees was decree sed.

	31 December 2014	31 December 2013
Retirement benefit obligations	192	384

Change in retirement benefit payable for the year ended 31 December 2014, is mostly due to amendment of collective agreement and decrease in average staffing number. The change in actuarial assumptions haven't impacted significantly the obligations as of 31 December 2014.

18 Trade and other payables

	31 December 2014	31 December 2013
Financial liabilities		
Trade payables for heat and electricity energy	18.478	14.741
Other trade payables	7.875	4.198
Trade payables for rent	4.062	1.202
Trade payables for capital construction	2.090	1.083
Trade payables for PPE. CIP and intangible assets	1.717	1.032
Trade payables for water	1.627	1.133
Trade payables for gas	715	732
Trade payables for material assets	4.968	5.572
	41,532	**29,693**
Other payables and accrued expenses	**2,531**	**18**
Total	**44,063**	**29,711**
Non-financial liabilities		
Advances received for electricity and heat energy	3.082	1.259
Advances received for other goods and services	1.748	1.354
Wages payable	736	678
Unused vacation reserve	424	504
Taxes payable	382	212
Litigations and claims provision	228	305
Other accrued liabilities	-	71
Total	**6,600**	**4,383**
Current liabilities	46.643	34.032
Non-current liabilities	4.020	62
Total	**50,663**	**34,094**

The Group's exposure to the currency and liquidity risks related to trade and other payables is disclosed in Notes 5, 25.

At 31 December 2014 the provision for litigations and claims amounted to RR 382 million (as of 31 December 2013: RR 212 million). The provision accrued in 2014 mainly relates to the following claims: GUP "DEZ Mitino" – RR 66 million, GUP DEZ "Birulevo Vostochnoe" – RR 44 million, GBU "Zhilishnik Severnoe Medvedkovo" – RR 41 million, GUP "DEZ Solntzevo" – RR 29 million.

Taxes payable are represented as following items:

	31 December 2014	31 December 2013
Property tax	225	3
Contributions to non-budgetary funds	222	248
VAT payable	192	298
Other taxes payable	98	129
Total	**737**	**678**

(in millions of Russian Roubles)

19 Revenue

	For the year ended 31 December 2014	For the year ended 31 December 2013
Revenue from heat energy sales	62.098	57.778
Revenue from hot and cold water supply services	26.402	26.516
Revenue from heat energy transmission services	7.310	7.623
Revenue from power and electrical capacity sales	2.527	2.762
Revenue from services rendered to Mosvodokanal	2.010	2.110
Revenue from rent	274	15
Other revenue	386	1.099
Total	**101,007**	**97,903**

The heat energy is provided to individual residential customers at regulated social tariffs, significantly lower than the rates applicable to commercial customers. The difference in tariffs is compensated to the Group in the form of subsidies from the Moscow Government . For the year ended 31 December 2014, the subsidy amounted to RR 9,881 million (for the year ended 31 December 2013: RR 14,921 million) and was recognized within profit or loss.

Revenue from other services mainly consists of proceeds from sales of electricity purchased from third parties, and other insignificant types of revenue.

Revenue from heat energy transmission services for the year ended 31 December 2014 amounts to RR 7,310 million (for the year ended 31 December 2013 - RR 7,623 million) and was settled by a mutual offset under the contract on supply of heat energy with OJSC "Mosenergo".

20 Operating expenses

	For the year ended 31 December 2014	For the year ended 31 December 2013
Purchased heat energy	42.378	37.987
Personnel expenses	15.736	18.287
Depreciation and amortization	14.176	11.309
Fuel expenses	12.342	14.556
Water expenses	6.736	6.895
Losses due to recalculation of hot water supply revenue for 2011	6.422	-
Purchased electricity	5.809	5.448
Impairment loss	4.863	6.280
Accrual (release) of provision for impairment of accounts receivable	(4.722)	793
Repair and maintenance	2.609	3.459
Measurement units maintenance costs	1.945	1.364
(Gain)/loss on disposal of property. plant and equipment and other assets	(1.746)	4.143
Production services	1.725	1.700
Rent payments	1.697	1.983
Software and database services	1.449	999
Taxes other than profit tax	1.012	862
Materials	1.007	2.698
Security services	489	554
Change in the provision for litigations and claims	272	193
Bank services	269	262
Professional and consulting services	266	852
Communication services	221	183
Occupational safety and health expenses	178	139
Utilities expenses	137	109
Income received from the recalculation of tax liabilities for taxes	-	(2.453)
Other operating expenses	782	78
Total	**116,052**	**118,680**

(in millions of Russian Roubles)

In 2014 the provision for impairment of accounts receivable related to hot water supply was released by RR 5.785 million as a result of recalculating of the 2011 revenue resulted in decrease by RR 6.422 million. including VAT. The recalculation is not considered a correction of the 2011 errors. it is an update of the 2011 revenue due to newly discovered facts.

21 Personnel expenses

	For the year ended 31 December 2014	For the year ended 31 December 2013
Wages and bonuses	11.071	12.682
Social tax accrual on wages	2.974	3.284
Provision for unused vacation and bonuses	1.272	1.524
Other personnel expenses	419	797
Total	**15,736**	**18,287**

For the year ended 31 December 2014 total contributions to the Russian Pension Fund amounted to RR 2.301 (for the year ended 31 December 2013: RR 2.862 million).

22 Finance income and finance costs

	For the year ended 31 December 2014	For the year ended 31 December 2013
Finance income		
Interest income	1.131	1.069
Gain on disposal of financial assets held for sale. net	169	1
Interest on finance lease	169	-
Dividend income	86	128
Amortization of discount on long-term account receivable	50	36
Gain from sales of financial assets measured at fair value. net	(2)	-
Revaluation of securities measured at fair value	-	1
Total	**1,603**	**1,235**
Finance costs		
Interest expenses on loans	(2.267)	(2.550)
Finance lease interest expense	(32)	(43)
Amortization of discount on long-term account payable	(216)	(8)
Exchange loss. net	(2)	(46)
Other finance costs	(1)	
Bond interest measured at fair value	-	(220)
Discount on long-term accounts receivable	-	(179)
Total	**(2,518)**	**(3,046)**
Less capitalized interest expenses on borrowings related to qualifying assets	1.345	1.187
Net finance (costs)/income recognized in profit or loss	**430**	**(624)**

Interest income	1.350	1.105
Interest expense	(1.170)	(1.634)
Net interest gain (loss)	**180**	**(529)**

Net interest income and interest expense by categories of assets and liabilities:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Investments	76	93
Cash and cash equivalents	572	433
Assets carried at amortized cost	702	579
Liabilities carried at amortized cost	(1.170)	(1.634)
Total	**180**	**(529)**

(in millions of Russian Roubles)

23 Income tax

	For the year ended 31 December 2014	For the year ended 31 December 2013
Current income tax expense		
Current period	(121)	(358)
Under-accrued/(over-accrued) in prior periods	305	1.358
Total	**184**	**1,000**
Deferred income tax		
Occurence and reversal of temporary differences	1.393	1.777
Total	**1,577**	**2,777**

The Group's applicable tax rate in the Russian Federation is 20% and it represents the Russian corporate income tax.

Reconciliation of theoretical and actual income tax recognised in profit or loss for the period is represented below:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Income /(loss) before income tax	**(4,734)**	**(6,480)**
Income tax at applicable tax rate of 20%	947	1.296
Non-deductible expense	(2.940)	(1.882)
Non-taxable income	3.265	2.005
Under-accrued /over-arrued in prior periods	305	1.358
Total income tax expense	**1,577**	**2,777**
Income / (loss) for the reporting period	**(3,157)**	**(3,703)**

Tax effects of items in the statement of other comprehensive income

	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Before tax	**Tax charge**	**After tax**	**Before tax**	**Tax charge**	**After tax**
Revaluation of financial assets held for sale	(684)	136	(548)	(1.301)	262	(1.039)
Total	**(684)**	**136**	**(548)**	**(1,301)**	**262**	**(1,039)**

Deferred income tax

Recognized deferred tax assets and liabilities.
Tax effect of temporary differences resulted in deferred tax assets and liabilities is as follows:

	Assets		Liabilities		Net amount	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
Property. plant and equipment	-	-	(5.520)	(5.919)	(5.520)	(5.919)
Investments	-	-	(41)	(212)	(41)	(212)
Intangible assets	-	-	(1)	-	(1)	-
Inventory	-	-	-	(4)	-	(4)
Trade and other receivables	1.059	1.599	-	-	1.056	1.599
Accounts payable	92	189	-	-	92	189
Other	-	-	(870)	(1.064)	(870)	(1.064)
Tax loss carried forward	5.115	3.726	-	-	5.115	3.726
Total	**6,266**	**5,514**	**(6,432)**	**(7,199)**	**(169)**	**(1,685)**

(in millions of Russian Roubles)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. Below are represented the details of the deferred tax balances (after the offset) presented in the consolidated statement of financial position:

	31 December 2014	31 December 2013
Deferred tax liabilities	(616)	(1.754)
Deferred tax assets	447	69
Deferred tax liabilities, net	**(169)**	**(1,685)**

Movements in temporary differences for the year ended 31 December 2014 are as follows:

	1 January 2014	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2014
Property. plant and equipment	(5.919)	399	-	(5.520)
Intangible assets	-	(1)	-	(1)
Available-for-sale financial assets	(212)	48	123	(41)
Inventory	(4)	4	-	-
Trade and other receivables	1.599	(543)	-	1.056
Accounts payable	189	(97)	-	92
Other	(1.064)	194	-	(870)
Tax loss carried forward	3.726	1.389	-	5.115
Total	**(1,685)**	**1,393**	**123**	**(169)**

Movements in temporary differences for the year ended 31 December 2013 are as follows:

	1 January 2013	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2013
Property. plant and equipment	(6.110)	191	-	(5.919)
Intangible assets	5	(5)	-	-
Available for sale financial assets	(309)	48	49	(212)
Inventory	(5)	1	-	(4)
Trade and other receivables	1.201	398	-	1.599
Accounts payable	233	(44)	-	189
Other	(1.048)	(16)	-	(1.064)
Tax loss carried forward	2.522	1.204	-	3.726
Total	**(3,511)**	**1,777**	**49**	**(1,685)**

At 31 December 2014 the Group did not recognize a deferred tax asset associated with investments in subsidiaries, in the amount of RR 166 million (31 December 2013: a deferred tax liability of RR 236 million).

24 Earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, calculated as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Outstanding shares	244.134.012	244.134.012
Treasury shares	(21.748.990)	(21.748.990)
Weighted average number of outstanding shares	**222,385,022**	**222,385,022**

Below is calculation of profit attributable to ordinary shareholders:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Weighted average number of outstanding shares	222.385.022	222.385.022

(in millions of Russian Roubles)

	For the year ended 31 December 2014	For the year ended 31 December 2013
Profit/(loss) for the period	(3.157)	(3.703)
Profit/(loss) per share (basic and diluted) (in Russian Roubles)	**(14)**	**(17)**

There are no instruments with dilutive effect at 31 December 2014 and 31 December 2013.

25 Financial instruments

Major categories of financial instruments

Financial assets are classified by measurement categories at 31 December 2014 as follows:

	Note	Loans issued and accounts receivable	Available-for-sale financial assets	Total
Trade and other receivables	12	30.645	-	**30,645**
Cash and cash equivalents	14	7.073	-	**7,073**
Subsidies receivable	13	2.021	-	**2,021**
Finance lease receivables	26	1.267	-	**1,267**
Loans issued		497	-	**497**
Available for sale financial assets	11	-	2.863	**2,863**
Total		**41,503**	**2,863**	**44,366**

Financial assets are classified by measurement categories at 31 December 2013 as follows:

	Note	Loans issued and accounts receivable	Financial assets accounted at fair value through profit and loss	Available-for-sale financial assets	Total
Trade and other receivables	12	24.598	-	-	**24,598**
Available-for-sale financial assets	11	-	-	3.519	**3,519**
Cash and cash equivalents	14	2.476	-	-	**2,476**
Subsidies receivable	13	2.144	-	-	**2,144**
Loans issued		403	-	-	**403**
Financial assets accounted at fair value through profit or loss	11	-	2	-	**2**
Total		**29,621**	**2**	**3,519**	**33,142**

All Group financial liabilities are accounted at amortized cost.

Credit risk

(i) The Group's maximum exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk to which the Group is exposed to. The maximum exposure to credit risk at the reporting date is as follows:

	Note	Carrying amount	
		31 December 2014	**31 December 2013**
Trade and other receivables. current	12	28.088	20.514
Cash and cash equivalents	14	7.073	2.476
Available for sale financial assets	11	2.863	3.519
Trade and other receivables. non-current	12	2.557	4.084
Subsidies receivable	13	2.021	2.144
Finance lease receivables	27	1.267	-
Loans issued		497	403
Financial assets held for sale	11	-	2
Total		**44,366**	**33,142**

(in millions of Russian Roubles)

The maximum exposure to credit risk for receivables at the reporting date by sales revenue is as follows:

	Carrying amount for the year ended	
	31 December 2014	**31 December 2013**
Revenue from supply of heat energy and hot water	21.039	17.265
Revenue from transmission of heat energy	1.365	1.242
Other	7.291	5.084
Total	**29,695**	**23,591**

The accounts receivable mainly include receivables from large, well-established companies that purchase heat and hot water.
Each of the Group's customers contributes less 3% of the total trade receivables (excluding receivables from companies disclosed in Note 6), therefore there is no concentration of credit risk.
The most significant customers of the Group are OJSC "Mosenergo", OJSC "Tushinskiy mashinostroitelniy zavod" and OJSC "REU" and the accounts receivable attributable to that entities amounted to RR 1,365 million, RR 208 million and RR 145 million at 31 December 2014 respectively (at 31 December 2013: RR 1,444 million, RR 198 million and RR 131 million respectively).

(ii) The credit quality of receivables

At 31 December 2014 and 31 December 2013, the aging of trade and other receivables is as follows:

	31 December 2014		31 December 2013	
	Carrying amount	**Impairment**	**Carrying amount**	**Impairment**
Not overdue	19.885	-	11.555	-
0-180 days overdue	9.292	-	11.654	-
180-360 days overdue	1.872	(374)	1.883	(405)
360 to 2 years days overdue	628	(314)	6.903	(6.350)
Overdue for more than two years	2.253	(2.253)	977	(977)
	33,930	**(2,941)**	**32,972**	**(7,732)**

The movement in the provision for impairment of trade and other receivables in 2014 and 2013 is as follows:

	2014	2013
Balance at 1 January	**7,732**	**6,995**
Impairment loss recognized during the reporting period	1.721	836
Accounts receivable written-off	(69)	(60)
Provision released during the period	(6.443)	(39)
Balance at 31 December	**2,941**	**7,732**

In 2014 the provision for impairment of accounts receivable related to hot water supply was released by RR 5.785 million as a result of recalculating and decreasing the 2011 revenue by 6,422 million, including VAT .

Average delay in payments of the Group's buyers is from 1 to 30 months. No interest is accrued during that period. The Group's trade and other receivables are unsecured.

The Group does not have a formal procedure for analysing the creditworthiness of new customers due to the fact that the supply of heat energy is a monopoly service. If the client, that is a commercial enterprise, does not repay the debt on time, the Group's credit controllers send a notification requiring payment within the next 10 days and, in the event of further non-payment, the Group has the right to discontinue services to that customer. Regarding housing organizations and some state-controlled organizations, the right is limited to the termination of hot water supply, but not heating.

In determining the provision for impairment of accounts receivable, the Group's management analyses the possibility of its collection. Customers are grouped according to their credit characteristics, including whether they are individuals or legal entities, age/number of years, obligation payment dates and existence of previous financial difficulties. The provision is determined based on past experience and is regularly reviewed considering the facts and circumstances at each reporting date.

(in millions of Russian Roubles)

Management believes that the provision for impairment of trade and other receivables in the consolidated financial statements is sufficient to cover the Group's credit risk in respect of this type of financial assets.
The Group's policies and procedures for attracting new clients and assessing customers' solvency are disclosed in Note 5.

(iii) Credit risk related to cash and cash equivalents

The table below presents the credit quality analysis of banks, in which the Group holds its cash deposits. The analysis is based on the banks external credit ratings. Corresponding ratings are published by Moody's and other credit rating agencies. The ratings are presented in the classification applied by Moody's:

Rating	31 December 2014	31 December 2013
External credit rating Baa1	-	1.916
External credit rating Baa2	-	1
External credit rating Baa3	-	-
External credit rating Ba1	7.001	465
External credit rating Ba3	-	11
No external credit rating	72	83
Total	**7,073**	**2,476**

Liquidity risk

The table below presents information on the contractual maturity of financial liabilities, including estimates of interest payable but excluding offset effects. Regarding cash flows included in the maturity analysis, management does not expect them to occur significantly earlier, or in significantly different amounts.

At 31 December 2014:

	Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities									
Unsecured bank loans	26.700	30.209	1.217	2.228	26.764	-	-	-	-
Finance lease payable	41	44	25	19	-	-	-	-	-
Trade and other payables	44.063	44.073	40.608	-	20	7	3.438	-	-
Total	**70,804**	**74,326**	**41,850**	**2,247**	**26,784**	**7**	**3,438**	**-**	**-**

At 31 December 2013:

	Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities									
Unsecured bank loans	29.614	33.051	10.898	7.918	1.056	13.179	-	-	-
Finance lease payable	226	5.394	35	43	23	16	18	19	5 240
Trade and other payables	29.711	29.710	29.609	23	45	20	13	-	-
Total	**59,551**	**68,155**	**40,542**	**7,984**	**1,124**	**13,215**	**31**	**19**	**5,240**

All groups of financial liabilities are carried at amortised cost.

Fair values

Fair value is the amount for which a financial instrument can be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The best evidence of fair value is an active quoted market price of a financial instrument.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation technique. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Management uses all available market information in estimating the fair value of financial instruments.

(in millions of Russian Roubles)

Recurring fair value measurements

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

(i) Fair value hierarchy

The levels in the fair value hierarchy into which the recurring fair value measurements of financial assets are categorized at 31 December 2014 as follows:

	Level 1	Level 2	Level 3	Total
Available for sale financial assets	1.919	-	944	**2,863**
Total	**1,919**	**-**	**944**	**2,863**

The levels in the fair value hierarchy into which the recurring fair value measurements of financial assets are categorized at 31 December 2013 as follows:

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	2.334	-	1.185	**3,519**
Financial assets recognized at fair value through profit or loss	2	-	-	**2**
Total	**2,336**	**-**	**1,185**	**3,521**

(ii) Fair value measurement

The fair value of financial assets for Level 1 is based on their quoted price at the reporting date. The fair value of financial assets for Level 3 is based on published data on the estimated cost of the share in the unit investment fund, calculated on the basis of its net assets' value at the balance sheet date by a professional valuator. By calculation of the level 3 assets fair value no assumptions were used, that could significantly impact their fair value.

(iii) Changes in fair value of financial instruments categorized in Level 3

Balance at 1 January 2014	**1,185**
Changes in fair value for the period	(241)
Balance at 31 December 2014	**944**

Assets and liabilities not measured at fair value but for which fair value is disclosed

(i) Fair value hierarchy

The table below shows the levels of fair value hierarchy, which include the measurement at fair value of assets and liabilities at 31 December 2014:

	Level 1	Level 2	Level 3	Carrying amount
Assets				
Loans issued	-	497	-	**497**
Bank deposits	-	-	-	-
Trade and other receivables	-	-	30.645	**30,645**
Finance lease receivables	-	-	1.267	**1,267**
Subsidies receivable	-	-	2.021	**2,021**
Cash and cash equivalents	7.073	-	-	**7,073**
Liabilities				
Borrowings	-	-	26.700	**26,700**
Finance lease payables	-	-	41	**41**
Trade and other payables	-	-	44.063	**44,063**

(in millions of Russian Roubles)

The table below shows the levels of fair value hierarchy, which include the measurement at fair value of assets and liabilities as at 31 December 2013:

	Level 1	Level 2	Level 3	Carrying amount
Assets				
Loans issued	-	403	-	**403**
Trade and other receivables	-	-	24.598	**24,598**
Subsidies receivable	-	-	2.144	**2,144**
Cash and cash equivalents	2.476	-	-	**2,476**
Liabilities				
Borrowings	-	-	29.614	**29,614**
Finance lease payables	-	-	226	**226**
Trade and other payables	-	-	29.711	**29,711**

(ii) Methods of the fair value measurement

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments of levels 2 and 3 is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments of levels 2 and 3 with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Change of discount rates used to determine the fair value of financial assets and liabilities of levels 2 and 3 for one or two percent, as the downward and upward, has no significant effect on the fair value.

The fair value compared to the carrying amount. The fair value and carrying value of financial assets and liabilities in the statement of financial position are shown in the following table:

	31 December 2014		31 December 2013	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Trade and other receivables	30.645	30.118	24.598	24.635
Cash and cash equivalents	7.073	7.073	2.476	2.476
Available-for-sale financial assets	2.863	2.863	3.519	3.519
Finance lease receivables	1.267	1.593	-	-
Loans issued	497	475	403	441
Bank deposits	-	-	2	2
Trade and other payables	44.063	41.790	29.711	29.274
Borrowings	26.700	19.225	29.614	29.595
Finance lease payables	41	41	226	226

The interest rates used to discount the estimated cash flows, where applicable, based on the weighted average rate on loans granted by credit institutions to non-financial institutions at the balance sheet date, and in the reporting period were as follows:

31 December 2014	31 December 2013
16.25%-18.75%	7.2%-11.00%

General offset agreement or similar agreements

The Company may enter into agreements for the sale of services, works and goods and the acquisition of services, goods and other assets with the same contractors in the ordinary course of business. The respective accounts receivable and accounts payable do not always meet the criteria for offsetting in the statement of financial position.

(in millions of Russian Roubles)

This is due to the fact that the Company may not have a legal right to offset the recognized amounts in the current period, as the right of offset may be valid only when certain events take place in future. In particular, in accordance with the Russian civil law the obligation may be settled by offsetting against the similar obligations which are due or for which the payment date is not defined or is the date of demand.

The following table presents the carrying values of recognized financial instruments that are the subject of the above-mentioned agreements:

	31 December 2014		31 December 2013	
	Trade and other receivables	Trade and other payables	Trade and other receivables	Trade and other payables
Amount presented in the statement of financial position	30.645	44.063	24.598	29.711
Amounts relating to recognized financial instruments for which some or all offsetting criteria are not met	(7.712)	(7.712)	(2.577)	(2.577)
Net amount	**22,933**	**36,351**	**22,021**	**27,134**

The amounts disclosed above are presented in the statement of financial position at 31 December 2014 and are included in trade and other receivables (less impairment provision) as well as trade and other payables, respectively.

26 Leases

Operating leases

The Group rents some objects of property, plant and equipment without the right to purchase the leased assets after the lease period expires.

Operating lease rentals are payable as follows:

	31 December 2014	31 December 2013
Less than one year	2.292	2.198
Between one and five years	11.073	10.625
More than five years	2.838	2.844
Total	**16,203**	**15,667**

Finance leases

Group rents transport and production equipment under a number of finance lease agreements. At the end of the lease term Group has a right to purchase the leased assets at preferential price. In 2014 the Group recognized disposal of assets leased from the Moscow government for 49 years due to early termination of the concession agreement. Therefore the future minimum lease payments as of 31 December 2014 significantly decreased comparing 31 December 2013. Finance lease rentals are payable as follows:

	Future minimum lease payments		Present value of minimum lease payments	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Less than one year	44	78	41	59
From two through five years	-	76	-	7
More than five years	-	5.240	-	116
Total	**44**	**5,394**	**41**	**182**
Less future finance costs	(3)	(5.168)	-	-
Less accounts payable on finance costs. recognized within current liabilities	-	(14)	-	-
Less accounts payable on finance costs. recognized within non-current liabilities	-	(30)	-	-

(in millions of Russian Roubles)

Present value of minimum lease liabilities	**41**	**182**	**41**	**182**
Accounts payable on finance costs			-	44
Finance lease liabilities			**41**	**226**
Less current portion payable within one year and recognized within current liabilities			(41)	(73)
Non-current liabilities			**0**	**153**

Group exposure to interest rate and liquidity risks related to financial leases are disclosed at Notes 5 and 25.

In May 2014 Group under finance lease agreements transferred to OJSC "Mosenergo" property complex RTS "Khimki-Hovrino" and on 1 September 2014 – RTS "Krasnaya Presnya". Lease payments receivable and interest income are presented below :

	Future minimum lease payments	Present value of minimum lease payments
Less than one year	354	55
From two through five years	1.214	34
More than five years	4.281	1.178
Total	**5,849**	**1,267**
Less future interest income	(4.582)	-
Present value of minimum lease payments receivable	**1,267**	**1,267**
Less current portion receivable within one year and recognized within current assets		(55)
Long-term finance lease receivables		**1,212**

27 Capital commitments

At 31 December 2014 the Group was involved in a number of contingent contracts for construction and purchase of property, plant and equipment amounting to RR 18,109 million (as of 31 December 2013: RR 10.301 million), including:

• RR 17,493 million for upgrading the technological equipment (as of 31 December 2013: RR 9,120 million);

• RR 616 million for new construction and purchase of equipment (as of 31 December 2013: RR 1 ,181 million).

28 Commitments and contingencies

Taxation environment

The tax system of the Russian Federation is characterised by frequent changes in regulations, official interpretations and court decisions which are sometimes not clearly stated and contradict each other, which, in turn, gives way to possibility of multiple interpretations by various tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose fines and penalties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

Based on the recent practice in the Russian Federation, tax authorities take a more rigid position when it comes to interpretation of and compliance with tax legislation aiming at discovery of unjustified tax benefits. These circumstances result in much higher tax risks in the Russian Federation compared to other countries. Based on its understanding of the effective tax legislation, official interpretations and court decisions, the Group's management believe that its tax liabilities are disclosed adequately.

However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Environmental liabilities

The Group's management believes that its production technologies are in compliance with all current existing environmental legislation of the Russian Federation. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those environmental laws and regulations may change.

Such change, if it occurs, may require that the Group modernise its technologies to meet more strict standards.

Litigations and claims

As of 31 December 2014 the Group was involved in a number of litigations and claims. Management believes that currently, there are no claims or suits against the Company (and those, which already have a final decision) which could have an adverse impact on the Group's financial position.

27 Events after reporting period

In 2015 the Group plans to dispose of non-core assets (administrative buildings) at public auction with market value of RR 1,339 million.

In 2015 the Group plans to dispose of 446,249 shares of Mutual Investment Fund "Perlovsky" at public auction with book value of RR 944 million. The share of OJSC "MIPC" in this Mutual Investment Fund is 55.78%.

In October 2014 the Board of Directors of OJSC "MIPC" decided to dispose shares of OJSC "MOESK", OJSC "FGC UES" and other companies with total book value of RR 1,916 million. The shares are planned to be sold through the auction or engaging a an independent auction company or professional participant of the securities market.

Proceeds from sales of non-core assets the Group plans to use for working capital financing.

In February 2015 a subsidiary company "Innovation Center MIPC" has been declared bankrupt, a bankruptcy supervisor has been appointed . The above information do not have a significant impact on the Group's financial position.