# Consolidated financial statements and independent auditor's report

## **CCS-Group**

31 December 2015

# Contents

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# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders**
**of PJSC "CCS-Group"**
**106, Boldina str.,**
**Tula, Russian Federation**

We have audited the accompanying consolidated financial statements of PJSC "CCS-Group" and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as of 31 December 2015 and the consolidated statement of comprehensive income, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

*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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

BAKER TILLY
RUSSIA

*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 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 Group'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 of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Baker Tilly Rus HO

Moscow, Russian Federation
April 28, 2016

# Consolidated Statement of Financial Position

| | Notes | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current** | | | |
| Property, plant and equipment | 6 | 594 573 | 571 091 |
| Intangible assets and goodwill | 7 | 13 008 | 21 187 |
| Long-term investments | 8 | 13 689 | 13 528 |
| Deferred tax assets | 16 | 21 053 | 6 439 |
| | | **642 323** | **612 245** |
| **Current** | | | |
| Inventories | 9 | 52 719 | 40 278 |
| Trade and other receivables | 10 | 476 289 | 415 127 |
| Subsidies receivable | 11 | 48 777 | 25 619 |
| Other assets | 12 | 49 799 | 42 510 |
| Cash and cash equivalents | 13 | 396 151 | 584 732 |
| | | **1 023 735** | **1 108 266** |
| **Total Assets** | | **1 666 058** | **1 720 511** |
| **Equity** | | | |
| Share capital | 14 | 23 714 | 25 109 |
| Treasury shares | 14 | (2 592) | (46 145) |
| Share premium | 14 | 333 846 | 333 846 |
| Revaluation reserve | | 299 866 | 299 398 |
| Retained earnings | | 143 211 | 170 442 |
| **Total Equity** | | **798 045** | **782 650** |
| **LIABILITIES** | | | |
| **Non-current** | | | |
| Loans and borrowings | 15 | 243 348 | 308 191 |
| Deferred tax liabilities | 16 | 102 269 | 84 409 |
| | | **345 617** | **392 600** |
| **Current** | | | |
| Loans and borrowings | 15 | 76 852 | 85 436 |
| Trade and other payables | 17 | 380 643 | 403 812 |
| Other liabilities | 18 | 64 901 | 56 013 |
| | | **522 396** | **545 261** |
| **Total Liabilities** | | **868 013** | **937 861** |
| **Total Equity and Liabilities** | | **1 666 058** | **1 720 511** |

The consolidated financial statements were approved by the Management and signed on 28 April 2016.

General Director
CCS-Group

Российская Федерация Публичное Акционерное Общество «ККС - Групп» ОГРН 1097154022547 ИНН 7730183529 город Тула

Finance Director
CCS-Group

# Consolidated Statement of Comprehensive Income

| | Notes | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|---|
| Sales revenue | 19 | 2 209 416 | 1 808 356 |
| Government subsidies | 19 | 123 308 | 131 524 |
| Cost of sales | 20 | (2 034 960) | (1 764 336) |
| **Gross profit** | | **297 764** | **175 544** |
| Selling and marketing expenses | 21 | (7 416) | (8 365) |
| Administrative expenses | 22 | (170 835) | (138 646) |
| Wages and salaries under option scheme | 14 | (3 945) | - |
| Other operating expenses, net | 23 | (25 525) | (13 006) |
| **Operating profit** | | **90 043** | **15 527** |
| Net finance income / (costs) | 24 | 44 538 | 72 636 |
| Other expenses, net | 25 | (62 286) | (1 405) |
| Impairment loss | 7 | (6 045) | - |
| **Profit before income tax** | | **66 250** | **86 758** |
| Income tax expense | 16,26 | (54 683) | (46 469) |
| **Profit for the period** | | **11 567** | **40 289** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Deferred tax write-off due to disposal of revalued assets | | (117) | 1 282 |
| **Other comprehensive income for the period, net of tax** | | **(117)** | **1 282** |
| **Total comprehensive income for the period** | | **11 450** | **41 571** |

# Consolidated Statement of Cash Flows

| | Notes | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period before taxation | | **66 250** | **86 758** |
| Adjustments for: | | | |
| Depreciation and amortization | 20,22 | 96 261 | 85 941 |
| Net foreign exchange gain | 24 | (54 422) | (80 040) |
| Impairment of doubtful trade and other receivables and prepayments | 25 | 47 576 | 1 170 |
| Impairment losses | | 6 045 | - |
| Share-based payment reserve | 14 | 3 945 | - |
| Interest income | 24 | (36 747) | (11 740) |
| Interest expense | 24 | 45 740 | 16 407 |
| Loss from disposal of property, plant and equipment | | (532) | 2 789 |
| VAT non-deductable | 23 | 15 416 | 1 146 |
| Provision for unused vacation | | 498 | 3 279 |
| | | **190 030** | **105 710** |
| Adjustments for: | | | |
| Change in inventories in course of operational activities | | (12 442) | (13 158) |
| Change in trade and other receivables in course of operational activities | | (126 232) | (35 316) |
| Change in subsidies receivable | | (23 158) | (25 619) |
| Change in trade and other payables in course of operational activities | | (6 502) | 58 763 |
| Interest paid | | (42 347) | (12 896) |
| Interest received | | 36 747 | 11 740 |
| Income taxes paid | | (65 818) | (21 361) |
| **Net cash used in operating activities** | | **(49 722)** | **67 863** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment and intangible assets | | (117 076) | (120 861) |
| Proceeds from disposal of property, plant and equipment | | - | 17 295 |
| Purchase of investments | | (161) | (161) |
| Acquisition of subsidiary, net of cash acquired | | - | (44 090) |
| **Net cash used in investing activities** | | **(117 237)** | **(147 817)** |
| **Cash flows from financing activities** | | | |
| Proceeds from loans and borrowings | | 152 400 | 710 660 |
| Repayment of loans and borrowings | | (228 444) | (383 060) |
| Payment of commission related to EBRD and IFC loans | | - | (7 746) |
| Purchase of treasury shares | | - | (42 803) |
| **Net cash used in financing activities** | | **(76 044)** | **277 051** |
| **Effect of exchange rate changes on cash and cash equivalents** | | **54 422** | **79 720** |
| **Net change in cash and cash equivalents** | | **(188 581)** | **276 817** |
| Cash and cash equivalents at beginning of the period | 13 | 584 732 | 307 915 |
| **Cash and cash equivalents at end of the period** | **13** | **396 151** | **584 732** |

# Consolidated Statement of Changes in Equity

| | Share capital RUB'000 | Treasury shares RUB'000 | Share premium RUB'000 | Asset revaluation reserve RUB'000 | Retained earnings RUB'000 | **Total RUB'000** |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | **25 109** | **(3 342)** | **333 846** | **304 529** | **123 740** | **783 882** |
| Treasury shares purchase | - | (42 803) | - | - | - | (42 803) |
| **Total transactions with shareholders** | - | (42 803) | - | - | - | (42 803) |
| Profit for the period | - | - | - | - | 40 289 | 40 289 |
| Other comprehensive income / (loss) | | | | | | |
| Asset revaluation reserve | - | - | - | (5 131) | 5 131 | - |
| Deferred tax write-off due to revalued assets disposal | - | - | - | - | 1 282 | 1 282 |
| Total comprehensive income / (loss) for the period | - | - | - | (5 131) | 46 702 | 41 571 |
| **Balance at 31 December 2014** | **25 109** | **(46 145)** | **333 846** | **299 398** | **170 442** | **782 650** |
| **Balance at 1 January 2015** | **25 109** | **(46 145)** | **333 846** | **299 398** | **170 442** | **782 650** |
| Cancellation of treasure shares | (1 395) | 43 553 | - | - | (42 158) | - |
| Share-based compensation (refer to Note 14 "Share capital") | - | - | - | - | 3 945 | 3 945 |
| **Total transactions with shareholders** | (1 395) | 43 553 | - | - | (38 213) | 3 945 |
| Profit/loss for the period | - | - | - | - | 11 567 | 11 567 |
| Other comprehensive income / (loss) | | | | | | |
| Asset revaluation reserve | - | - | - | 468 | (468) | - |
| Deferred tax write-off due to revalued assets disposal | - | - | - | - | (117) | (117) |
| Total comprehensive income / (loss) for the period | - | - | - | 468 | 10 982 | 11 450 |
| **Balance at 31 December 2015** | **23 714** | **(2 592)** | **333 846** | **299 866** | **143 211** | **798 045** |

# 1. Background

## 1.1 Principal activities

The primary activities of PJSC "CCS-Group" ("the Company") and its subsidiaries (together referred to as "the Group") are production and distribution of heat energy to population and commercial customers as well as providing other communal services. In 2014 the Group started production and distribution of electricity as a result of acquisition of Klintsovskaya TEC in $4^{th}$ quarter 2014. The production and distribution facilities of the Group for production and distribution are located mostly in Tula, Bryansk and Kemerovo regions of Russia.

The Group's total headcount as at 31 December 2015 was 1,421 (31 December 2014: 1,426).

PJSC "CCS-Group" permanently domiciled in Russian Federation since 1 October 2009. The Company's registered office is located at 106, Boldina street, Tula, 300028, Russian Federation.

The Company is owned 19.43% by the fund Magna Carta Capital Limited, 19.09% by IFC, 19.09% by EBRD and 19.74% by the fund Specialized Power Master Fund Limited. From its formation, the Group has expanded substantially through acquisition of assets and incorporation of subsidiaries. A list of subsidiaries is presented in Note 34 "Subsidiaries".

## 1.2 Operating environment of the Group

Business of the Group is concentrated in the Russian Federation. While the world economy recovers after crisis, Russia is exposed to difficulties related to fall of oil prices and sanctions imposed by the United States, the European Union and some other countries in connection with crisis in Ukraine.

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

# 2. Basis of preparation

## 2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted and published by the International Accounting Standards Board ("the IASB).

## 2.2 Basis of measurement

The consolidated financial statements are prepared on the historical or amortized cost basis except that property, plant and equipment are revalued periodically.

## 2.3 Functional and presentation currency

The presentation currency used in the preparation of these consolidated financial statements is Russian Rubles (“RUB”). Management has used the RUB to manage most financial risks and exposures and to manage performance of the Group.

The functional currencies of the Group subsidiaries are chosen to reflect the economic substance of the underlying events and circumstances relevant for the given entity. The functional currency of the Group is Russian Rouble (“RUB”).

Financial information has been rounded to the nearest thousand RUB.

## 2.4 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from these estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in the following notes:

- Trade and other receivables as described in Note 10 “Trade and other receivables”;
- Impairment of other assets as described in Note 3.7 “Impairment”;
- Revaluation of property, plant and equipment as described in Note 6 “Property, plant and equipment”;
- Tax contingencies as described in Note 30.3 “Contingencies”.

## 2.5 Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and the settlement of liabilities in the normal course of business.

# 3. Summary of significant accounting policies

The following significant accounting policies have been consistently applied in the preparation of the consolidated financial statements.

## 3.1 Subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2015. Subsidiaries are those enterprises and businesses controlled by the Group. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31December. All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized gains and losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the consolidated financial statements have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Acquired subsidiaries are consolidated using the purchase method of accounting. This involves the revaluation at fair value of all identifiable assets and liabilities including contingent liabilities of the subsidiary as at the acquisition date regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their revalued amounts which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. The cost of acquisition is measured at fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange including costs directly attributable to the acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired the difference is recognized directly in the consolidated statement of comprehensive income.

## 3.2 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealized gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

## 3.3 Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every five years, valuations by external independent appraisers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

# 3. Summary of significant accounting policies (continued)

## 3.3 Property, plant and equipment (continued)

A revaluation increase on an item of property, plant and equipment is recognized directly in equity except to the extent that it reverses a previous revaluation decrease recognized in the consolidated statement of comprehensive income. A revaluation decrease on an item of property, plant and equipment is recognized in the consolidated statement of comprehensive income except to the extent that it reverses a previous revaluation increase recognized directly in equity.

Items of property, plant and equipment acquired after periodic revaluation are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes cost of materials, direct labor and an appropriate portion of production overheads. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is recognized in the consolidated statement of comprehensive income as an expense as incurred.

Property, plant and equipment, other than land and buildings are accounted for using historical cost model.

Depreciation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the individual assets. Land is not depreciated. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

| | |
|---|---|
| Buildings | 15 – 55 years |
| Modular boiler-houses | 7 – 10 years |
| Machinery and equipment | 3 – 15 years |
| Vehicles | 5 – 7 years |
| Furniture, fixture and fittings | 2 – 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

## 3.4 Intangible assets

Lease rights are shown at historical cost. Lease rights have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of lease rights over their estimated useful lives, which is 10 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 to 5 years). Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding 3 years). Costs associated with maintaining computer software are expensed as incurred.

# 3. Summary of significant accounting policies (continued)

## 3.4 Intangible assets (continued)

Amortization is charged on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Such intangible assets are systematically tested for impairment at each reporting date. Other intangible assets are amortized from the date they are available for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains or losses arising from derecognition of an intangible asset are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

*Goodwill*
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.
On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## 3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

## 3.6 Financial instruments

***Recognition, initial measurement and derecognition***
Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

***Classification and subsequent measurement of financial assets***
For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss (FVTPL);
- held-to-maturity (HTM) investments;
- available-for-sale (AFS) financial assets.

# 3. Summary of significant accounting policies (continued)

## 3.6 Financial instruments (continued)

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

*Financial assets at FVTPL*
Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

*HTM investments*
HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

*AFS financial assets*
AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

AFS financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss.

# 3. Summary of significant accounting policies (continued)

## 3.6 Financial instruments (continued)

Interest calculated using the effective interest method and dividends are recognized in profit or loss within finance income.

Reversals of impairment losses for AFS debt securities are recognized in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognized. For AFS equity investments impairment reversals are not recognized in profit loss and any subsequent increase in fair value is recognized in other comprehensive income.

***Classification and subsequent measurement of financial liabilities***
The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

## 3.7 Impairment

The carrying amounts of Group's financial assets carried at amortized cost/cost and non-financial assets, not including deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

*Financial assets carried at amortized cost*
The Group reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has an impact on the estimated future cash flows of the loan that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of loss is measured as difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivables original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

# 3. Summary of significant accounting policies (continued)

## 3.7 Impairment(continued)

In some cases the observable data required to estimate the amount of impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

*Financial assets carried at cost*
Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of loans and receivables are recognized in the consolidated statement of comprehensive income and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

*Non-financial assets*
Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. 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 assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in the consolidated statement of comprehensive income and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## 3.8 Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost of inventory is determined on the weighted-average basis. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

## 3.9 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

# 3. Summary of significant accounting policies (continued)

## 3.10 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## 3.11 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

## 3.12 Equity

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as a share premium.

When share capital recognized as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a decrease in equity.

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

## 3.13 Employee benefits

The Group provides remuneration package consisting of basic salary and bonuses. They are charged to cost of sales and operating expenses. In the normal course of business the Group contributes to the local state pension funds on behalf of its employees. The mandatory contributions to the governmental pension funds are expensed as incurred.

# 3. Summary of significant accounting policies (continued)

## 3.14 Taxation

Income tax on profit for the year comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the period using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the change in the amount of income taxes payable (recoverable) in future periods in respect of the temporary taxable (deductible) differences and carry-forward of unused tax losses. Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability settled based on the tax rates that have been enacted or substantively enacted at the reporting date.

## 3.15 Revenue

Revenue from production and distribution of heat energy to population and commercial customers are recognized when heat are supplied to customers.

Revenue from other communal services is recognized in the consolidated statement of comprehensive income when services are rendered.

No revenue is recognized if there are significant uncertainties regarding recoverability of the consideration due and associated costs.

## 3.16 Government subsidies

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

## 3.17 Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of funds. Interest expense is recognized in the consolidated statement of comprehensive income in the amount of change of the carrying amount of liability other than from cash payments or cash receipts. All interest costs incurred in connection with borrowings, which are not directly attributable to the acquisition, construction or production of qualifying assets, are expensed as incurred.

## 3.18 Finance income / costs

Finance income / costs comprise interest expense on borrowings, interest income on funds invested, dividend income, bank fees and foreign exchange gains and losses recognized in the consolidated statement of comprehensive income.

# 3. Summary of significant accounting policies (continued)

## 3.18 Share-based payment transactions

*Share-based payment transactions of the Company*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 14.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

*Share-based payment transactions of the acquiree in a business combination*

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with IFRS 2 ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognized as remuneration cost for post-combination service.

However, when the acquiree awards expire as a consequence of a business combination and the Group replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with IFRS 2. All of the market-based measure of the replacement awards is recognized as remuneration cost for post-combination service.

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is recognized as remuneration cost for post-combination service.

# 4. Application of new and revised International Financial Reporting Standards

## 4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2015

Following relevant revisions and amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after January 1, 2015 and have been adopted by the Group:

| Standard number | Title | Effective date |
|---|---|---|
| | **Annual Improvements 2010–2012** | |
| IFRS 3 | Business Combinations — Amendments | July 1, 2014 |
| IFRS 8 | Operating Segments — Amendments | July 1, 2014 |
| IFRS 13 | Fair Value Measurement — Amendments | July 1, 2014 |
| IAS 16 | Property, Plant and Equipment — Amendments | July 1, 2014 |
| IAS 24 | Related Party Disclosures — Amendments | July 1, 2014 |
| IAS 38 | Intangible Assets — Amendments | July 1, 2014 |
| | **Annual Improvements 2011–2013** | |
| IFRS 3 | Business Combinations — Amendments | July 1, 2014 |
| IFRS 13 | Fair Value Measurement — Amendments | July 1, 2014 |

The revisions and amendments have been applied in accordance with the transitional provisions and do not have a material impact on the Group's consolidated financial statements.

## 4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided on the next page. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

***IFRS 9 "Financial Instruments" (2014)***

The IASB released IFRS 9 "Financial Instruments" (2014), representing the completion of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

# 4. Application of new and revised International Financial Reporting Standards (continued)

## 4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

***IFRS 15 "Revenue from Contracts with Customers"***

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction contracts", and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The Group's management has not yet assessed the impact of IFRS 15 on these consolidated financial statements.

***IFRS 16 "Leases"***

IFRS 16 "Leases" brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has also been applied.

***Amendments to IFRS 11 "Joint Arrangements"***

The Amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 "Business Combinations" and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The Amendments are effective for annual periods beginning on or after 1 January 2016. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

# 5. Acquisition of subsidiaries

## 5.1 Acquisition of the 100% stake in LLC "Klintsovskaya TEC"

In October, 2014 the Group purchased 100% ownership in LLC "Klintsovskaya TEC" located in Bryansk region from the third party, OJSC "Quadra", whose principal activities are electricity production, heat production and distribution. The Group fully paid RUB 45,822 thousand as a total consideration.

The acquisition was recorded under the acquisition method. The fair value of net assets acquired comprised RUB 39,777 thousand. The excess of acquisition cost of LLC "Klintsovskaya TEC" over the fair value of identifiable net assets amounted to RUB 6,045 thousand, was recorded as a goodwill.

The results of operations of LLC "Klintsovkaya TEC" were included in the accompanying consolidated statement of income from the date of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

| | **Fair value of assets and liabilities LLC "Klintsovskaya TEC" as of October,02 2014 RUB'000** |
|---|---|
| **ASSETS** | |
| Property, plant & equipment | 32 187 |
| Intangible assets | 35 |
| Deferred tax assets | 5 205 |
| Inventories | 543 |
| Receivables and other current assets | 21 278 |
| Cash | 1 732 |
| | **60 980** |
| **LIABILITIES** | |
| Deferred tax liability | 6 459 |
| Trade and other payables | 14 678 |
| Other current liabilities | 66 |
| | **21 203** |
| Share of the Group in the net identifiable assets | 100% |
| **Fair value of acquired net identifiable assets** | **39 777** |
| Consideration paid | 45 822 |
| **Excess of cost over Group's interest in the net fair value of the acquired subsidiary's identifiable assets and liabilities** | **6 045** |

# 6. Property, plant and equipment

| In thousands of RUB | Land and buildings | Machinery and equipment | Vehicles | Fixtures and fittings | Assets under construction | Prepayments for fixed assets | Total |
|---|---|---|---|---|---|---|---|
| **Cost / revalued amount** | | | | | | | |
| At 31 December 2014 | 678 958 | 45 903 | 31 380 | 1 450 | 34 932 | - | 792 623 |
| Additions | 119 972 | 21 153 | 8 438 | 217 | 16 901 | 47 288 | 213 969 |
| Disposals | (46 866) | (12 799) | (1 202) | - | (34 764) | - | (95 631) |
| At 31 December 2015 | **752 064** | **54 257** | **38 616** | **1 667** | **17 069** | **47 288** | **910 961** |
| **Depreciation and impairment** | | | | | | | |
| At 31 December 2014 | 195 802 | 11 830 | 12 770 | 1 130 | - | - | 221 532 |
| Depreciation charge | 84 464 | 6 458 | 6 063 | 252 | - | - | 97 237 |
| Disposals | (1 550) | (25) | (806) | - | - | - | (2 381) |
| At 31 December 2015 | **278 716** | **18 263** | **18 027** | **1 382** | **-** | **-** | **316 388** |
| **Revalued amounts at** | | | | | | | |
| **At 31 December 2015** | **473 348** | **35 994** | **20 589** | **285** | **17 069** | **47 288** | **594 573** |
| At 31 December 2014 | 483 156 | 34 073 | 18 610 | 320 | 34 932 | - | 571 091 |

| In thousands of RUB | Land and buildings | Machinery and equipment | Vehicles | Fixtures and fittings | Assets under construction | Total |
|---|---|---|---|---|---|---|
| **Cost / revalued amount** | | | | | | |
| At 31 December 2013 | 623 367 | 24 116 | 21 507 | 1 270 | 1 634 | 671 894 |
| Acquisition of subsidiaries | 26 391 | 4 433 | 1 354 | 9 | - | 32 187 |
| Additions | 46 311 | 18 464 | 10 812 | 171 | 33 298 | 109 056 |
| Disposals | (17 111) | (1 110) | (2 293) | - | - | (20 514) |
| At 31 December 2014 | **678 958** | **45 903** | **31 380** | **1 450** | **34 932** | **792 623** |
| **Depreciation and impairment** | | | | | | |
| At 31 December 2013 | 125 956 | 7 149 | 8 845 | 790 | - | 142 740 |
| Depreciation charge | 74 920 | 5 461 | 3 963 | 340 | - | 84 684 |
| Disposals | (5 074) | (780) | (38) | - | - | (5 892) |
| | | | | | | - |
| At 31 December 2014 | **195 802** | **11 830** | **12 770** | **1 130** | **-** | **221 532** |
| **Revalued amounts at** | | | | | | |
| **At 31 December 2014** | **483 156** | **34 073** | **18 610** | **320** | **34 932** | **571 091** |
| At 31 December 2013 | 497 410 | 16 967 | 12 662 | 481 | 1 634 | 529 154 |

# 6. Property, plant and equipment (continued)

**Assets pledged as security**
Land and buildings with a collateral amount of RUB 406,177 thousand (31 December 2014: RUB 193,772 thousand) are pledged to secure bank loans (refer to Note 15 "Loans and borrowings").

**Revaluation**
Management based their estimate of the fair value of the property, plant and equipment mostly on the results of the independent appraisals. The independent appraisals were performed by ZAO NP Consult, a member of the Moore Stephens International Limited. As at 31 December 2011 land and buildings owned by the Group were evaluated in course of periodic valuation in accordance with the adopted accounting policy.
Two methods were used during the valuation of assets: Income capitalization approach and Cost approach.

The test for adequate profitability of the assets and possible impairment was performed using discounted cash flow (DCF) method. DCF model included projections over 7 year period and was based on the following main assumptions:

- Revenue growth assumption — 7-10% for earlier periods gradually decreasing to 3%;
- Macroeconomic assumptions per official government forecasts;
- Discount rate — WACC estimated at 21,2% applied to RUB cash flows;
- EBITDA margin: 1,7-7,1%.

**Historical cost**
The net book value of property, plant and equipment that would have been recognized under the historic cost method is RUB 381,050 thousand as at 31 December 2015 (31 December 2014: RUB 312,159 thousand).

# 7. Intangible assetsand goodwill

| In thousands of RUB | Goodwill | Acquired software licenses | Acquired lease rights | Technical documenta-tion | Prepayment for intangible assets | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Cost at 31 December 2014 | 6 045 | 1 241 | 4 311 | 6 271 | 6 355 | 24 223 |
| Additions | - | 240 | - | - | - | 240 |
| Transfers | - | - | - | 5 386 | (5 386) | - |
| Disposals | - | - | - | - | (969) | (969) |
| At 31 December 2015 | **6 045** | **1 481** | **4 311** | **11 657** | **-** | **23 494** |
| **Amortization and impairment** | | | | | | |
| At 31 December 2014 | - | 675 | 1 786 | 575 | - | 3 036 |
| Amortization charge | - | 396 | 122 | 887 | - | 1 405 |
| Impairment loss | 6 045 | - | - | - | - | 6 045 |
| At 31 December 2015 | **6 045** | **1 071** | **1 908** | **1 462** | **-** | **10 486** |
| **Carrying value** | | | | | | |
| **At 31 December 2015** | **-** | **410** | **2 403** | **10 195** | **-** | **13 008** |
| At 31 December 2014 | 6 045 | 566 | 2 525 | 5 696 | 6 355 | 21 187 |

# 7. Intangible assets (continued)

| In thousands of RUB | Goodwill | Acquired software licenses | Acquired lease rights | Technical documenta -tion | Prepayment for intangible assets | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Cost at 31 December 2013 | - | 689 | 4 311 | - | 8 590 | 13 590 |
| Additions | - | 517 | - | - | 4 036 | 4 553 |
| Acquisition of subsidiaries | 6 045 | 35 | - | - | - | 6 080 |
| Transfers | - | - | - | 6 271 | (6 271) | - |
| At 31 December 2014 | **6 045** | **1 241** | **4 311** | **6 271** | **6 355** | **24 223** |
| **Amortization and impairment** | | | | | | |
| At 31 December 2013 | - | 375 | 1 404 | - | - | 1 779 |
| Amortization charge | - | 300 | 382 | 575 | - | 1 257 |
| At 31 December 2014 | **-** | **675** | **1 786** | **575** | **-** | **3 036** |
| **Carrying value** | | | | | | |
| **At 31 December 2014** | **6 045** | **566** | **2 525** | **5 696** | **6 355** | **21 187** |
| At 31 December 2013 | - | 314 | 2 907 | - | 8 590 | 11 811 |

In October, 2014 the Group purchased 100% ownership in LLC "Klintsovskaya TEC" located in Bryansk region from the third party, OJSC "Quadra", whose principal activities are electricity production, heat production and distribution. The Group fully paid RUB 45,822 thousand as a total consideration.

The business combination was recorded under the acquisition method. The fair value of net assets acquired comprised RUB 39,777 thousand. The excess of acquisition cost of LLC "Klintsovskaya TEC" over the fair value of identifiable net assets amounted to RUB 6,045 thousand, was recorded as a goodwill. Goodwill refers to the staff, the effect of reducing operating costs in the business combination and the business relationship with clients. As at the date of acquisition, these assets did not meet the criteria necessary for recognition as separate intangible assets.

For the purposes of analysis for impairment the Group allocated goodwill to the cash-generating unit LLC "Klintsovkaya TEC". As at 31 December 2015 recoverable amount was determined on the basis of value in use and was determined on the basis of the results of external evaluations. The value in use was determined by discounting the estimated future cash flows that will be received as a result of the continued use of the company on the basis of the financial plans covering a twenty seven- year period. The cash flow beyond that twenty-seven year period has been extrapolated using a steady 5.75% (2014: 6.52%) per annum growth rate.

The key assumptions for the calculation of value in use included the discount rate and growth rate for terminal value calculation. The discount rate applied to forecasted cash flows is 20.10% (2014: 18.05%).

The analysis showed that carrying value exceeds recoverable amount of the unit generating cash flows, therefore as at 31 December 2015 the impairment loss was recognized. The reason for decrease of recoverable amount in 2015 is worsening of economic conditions which resulted in decrease of collection.

The impairment loss was included in consolidated statements of comprehensive income in the "Impairment loss" line item.

## 8. Long-term investments

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| Promissory notes | 13 689 | 13 528 |
| **Total long-term investments** | **13 689** | **13 528** |

Promissory notes were issued by LLC "FinTrade" at maturity date on May 2018.

## 9. Inventories

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| Raw materials other than coal | 19 870 | 18 860 |
| Heating oil | 21 062 | 14 859 |
| Coal | 10 670 | 6 461 |
| Consumables | 1 117 | 98 |
| **Total inventories** | **52 719** | **40 278** |

## 10. Trade and other receivables

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| Trade receivables | 552 551 | 440 617 |
| Allowance for doubtful trade receivables | (89 521) | (42 073) |
| Trade receivables, net | **463 030** | **398 544** |
| Other receivables | 14 217 | 17 483 |
| Allowance for doubtful other receivables | (958) | (900) |
| Other receivables, net | **13 259** | **16 583** |
| **Total trade and other receivables** | **476 289** | **415 127** |

There is no significant concentration of credit risk, as the amounts recognized mostly relate to a large quantity of receivables from medium and small customers based in Russia.

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above. The Group does not hold any collateral as security over these balances.

Trade receivables that are past due but less than 6 months are not considered impaired unless there is indication that such impairment exists.

# 10. Trade and other receivables (continued)

The aging analysis of overdue trade and other receivables are as follows:

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| Receivables not overdue | 85 938 | 133 441 |
| Receivables overdue | 480 830 | 324 659 |
| Not more than 1 month | 96 936 | 75 756 |
| More than 1 month but not more than 6 months | 114 109 | 104 445 |
| More than 6 months but not more than 9 months | 106 158 | 51 545 |
| More than 9 months but not more than 1 year | 40 400 | 5 879 |
| More than 1 year | 123 227 | 87 034 |
| **Total** | **566 768** | **458 100** |

Trade and other receivables that are past due more than 6 months have been reviewed for indications of impairment. Certain trade and other receivables were found to be impaired and provision for impairment in the amount of RUB 90,479 thousand (31 December 2014: RUB 42,973 thousand) was created. The impaired receivables are mostly due from companies that are experiencing financial difficulties or went bankrupt and due from individuals based on percentage of collectability of this type of trade and other receivables. The aging of these receivables is as follows:

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| More than 6 months but not more than 9 months | 19 280 | 15 380 |
| More than 9 months but not more than 1 year | 27 343 | 4 637 |
| More than 1 year | 43 856 | 22 956 |
| **Balance at end of period** | **90 479** | **42 973** |

Movements in the allowance for doubtful trade and other receivables are as follows:

| | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|
| Balance at the beginning of the period | 42 973 | 45 990 |
| Charge for the period, net | 55 191 | 1 170 |
| Recovered during the period | (7 685) | - |
| Write-offs during the period | - | (4187) |
| **Balance at end of period** | **90 479** | **42 973** |

## 11. Subsidies receivable

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| Subsidies from Kiselevsk Government, Kemerovo Oblast | 48 777 | 25 619 |
| **Total subsidies receivable** | **48 777** | **25 619** |

## 12. Other assets

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| Income tax prepayment | 20 824 | 19 338 |
| VAT to be reclaimed | 16 121 | 13 515 |
| Prepayments for materials and supplies | 12 389 | 9 488 |
| Other tax prepayments | 465 | 169 |
| **Total other assets** | **49 799** | **42 510** |

## 13. Cash and cash equivalents

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| Short-term deposits | 378 143 | 530 037 |
| Cash at bank | 17 603 | 54 398 |
| Cash in hand | 405 | 297 |
| **Total cash and cash equivalents** | **396 151** | **584 732** |

As of 31 December 2015 total cash and cash equivalents includes bank deposits in Rubles and foreign currency placed in Sberbank and Gazprombank on the following terms:

| Deposit | Currency | Amount in currency | Annual interest rate, | Maturity date |
|---|---|---|---|---|
| Deposit 1 | USD | 2 056 228 | 0.61% | 18.01.2016 |
| Deposit 2 | EURO | 1 804 322 | 0.19% | 18.01.2016 |
| Deposit 3 | RUB | 42 900 000 | 9.25% | 28.01.2016 |
| Deposit 4 | RUB | 6 000 000 | 8.28% | 05.02.2016 |
| Deposit 5 | RUB | 7 000 000 | 8.07% | 11.01.2016 |
| Deposit 6 | RUB | 8 800 000 | 3.76% | 14.01.2016 |
| Deposit 7 | RUB | 2 000 000 | 8.11% | 14.01.2016 |
| Deposit 8 | RUB | 11 500 000 | 8.32% | 14.01.2016 |
| Deposit 9 | RUB | 3 300 000 | 6.85% | 25.01.2016 |
| Deposit 10 | RUB | 1 000 000 | 8.07% | 11.01.2016 |
| Deposit 11 | RUB | 1 150 000 | 10.10% | 18.04.2016 |
| Deposit 12 | RUB | 30 000 | 6.00% | 26.02.2016 |
| Deposit 13 | RUB | 800 000 | 8.50% | 18.01.2016 |

## 14. Share Capital

As at 31 December 2015authorized and issued share capital of the Company consisted of 4,742,783,406 ordinary shares with the nominal value of 0.005 RUB each (5,021,816,787 ordinary shares as at 31 December 2014).

| | 2015 | 2014 |
|---|---|---|
| **As at 31December** | | |
| Shares issued and fully paid | 4 742 783 406 | 5 021 816 787 |
| **Total authorized and issued shares at 31 December** | **4 742 783 406** | **5 021 816 787** |

On October 15, 2015 there was a decrease in the Charter capital of PJSC "CCS-Group", registered respective changes to the Charter of PJSC "CCS-Group". The reduction of share capital related to redemption of 258,470,654 shares of PJSC "CCS-Group", previously hold by the Company and acquired by the Company as a result of two buy-backs from shareholders in accordance with article 75 of the Federal law "On joint stock companies".

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Group. The Company did not declare dividends for 2012 - 2015.

List of shareholders of the Company is presented below.

| **Shareholder's name** | **The part of Share Capital as of 31 December 2015 %** | **31 December 2014 %** |
|---|---|---|
| Specialized Power Master Fund Limited | 19.74 | 11.86 |
| Magna Carta Capital Limited | 19.43 | 18.52 |
| EBRD | 19.09 | 18.20 |
| IFC | 19.09 | 18.20 |
| Reserved shares issued by the Company and held by subsidiaries of the Group | 9.46 | 9.02 |
| Treasury shares | 0.39 | 5.06 |
| Halcyon Power Investment Company Limited | 2.60 | - |
| HH GENERATION INC. | - | 9.44 |
| Other | 10.20 | 9.70 |
| **Total** | **100** | **100** |

On 19.09.2013 Put and Call Option Agreement between Magna Carta Capital Limited, LLC “Kiselevskaya ob’edinennaya teplovaya kompaniya” (KOTK LLC), LLC “Novomoskovskaya teplovaya kompaniya” (NTK LLC), LLC “Regionalnye teplovye seti” (RTS LLC) , LLC “ResursPlavsk” (Resource Plavsk LLC) (the “Grantors”) and European Bank for Reconstruction and Development (“EBRD”) (the "Put and Call Option Agreement") and Amended and Restated Put and Call Option Agreement between Magna Carta Capital Limited, KOTK LLC, NTK LLC, RTS LLC, Resource Plavsk LLC and International Finance Corporation (“IFC”) originally dated 20.12.2012 and amended and restated on 19.09.2013 (the "Amended and Restated Put and Call Option Agreement") were signed.

# 14. Share Capital (continued)

According to provisions of the Put and Call Option Agreement EBRD shall have a right, exercisable in its sole discretion, at any time during the Exit Put Period, to sell to the Grantors all but not less than all of the EBRD Shares held by EBRD on the relevant Option Settlement Date at the Exit Put Price determined as of such Option Settlement Date in accordance with Section 3.02 (Exit Put Price) of the Put and Call Option Agreement and the Grantors agreed, on a joint and several basis, to purchase and pay for such EBRD Shares. According to provisions of the Amended and Restated Put and Call Option Agreement IFC shall have the right (the "Exit Put Option"), exercisable in its sole discretion, at any time during the Exit Put Period, to sell to the Grantors all but not less than all of the IFC Shares held by IFC on the relevant Option Settlement Date at the Exit Put Price determined as of such Option Settlement Date in accordance with Section 3.02 (Exit Put Price) of the Amended and Restated Put and Call Option Agreement and the Grantors agreed, on a joint and several basis, to purchase and pay for such IFC Shares.

Based on confirmations received by the Company in case during the Exit Put Period EBRD will exercise the right to sell all but not less than all of the EBRD Shares held by EBRD on the relevant Option Settlement Date at the Exit Put Price determined as of such Option Settlement Date in accordance with Section 3.02 (Exit Put Price) of the Put and Call Option Agreement or in case during the Exit Put Period IFC will exercise the right to sell all but not less than all of the IFC Shares held by IFC on the relevant Option Settlement Date at the Exit Put Price determined as of such Option Settlement Date in accordance with Section 3.02 (Exit Put Price) of the Amended and Restated Put and Call Option Agreement, Magna Carta Capital Limited will pay for the shares in full. Due to mentioned above, exit put options owned by EBRD and IFC do not give rise to any liabilities for CCS-Group and management elected not to disclose these options in the financial statements of CCS-Group for the period ended 31 December 2015.

**Share-Based compensation**

In accordance with provisions of Section 3.05 of Amended and restated shareholders agreement between Magna Carta Capital Limited, Specialized Power Master Fund Limited, HH Generation Inc., LLC CCS Capital, International Finance Corporation and European Bank for Reconstruction and Development originally dated 20 December 2012 and amended and restated on 19 September 2013, in order to attract and retain executive and senior employees for the Company, the Company shall be entitled to grant Shares and Share Equivalents to the Company's executive and senior employees in accordance with Approved ESP.

The purpose of the share-based compensation plan is to align the interest of management with those of the shareholders of the Company by providing additional incentives to improve the Company's performance on a long-term basis, thereby increasing shareholder value.

As at 20 March 2015 General meeting of shareholders approved sale of shares to qualifying executive and senior employees of the Company. Contracts stipulate that executive and senior employees of the Company will be granted the option for the acquisition of the fixed number of reserved shares in the Company at a price (the "Execution Price") equal to RUB 0.174243 per share. In order to be able to purchase the shares qualifying executives have to continue their employment in the Group.

Qualifying executives will be granted the right to execute options during 3 periods in the following manner:
(a) not more that 30% of the Options granted between 1 July 2016 and 30 September 2016;
(b) not more that 30% of the Options granted between I July 2019 and 30 September 2019; and
(c) the rest of the Options granted between 1 July 2022 and 30 September 2022.

## 14. Share capital (continued)

The fair value of the share options granted during the financial year is RUB 39 307 thousand (2014: nill). Options were priced using binomial option pricing model. Expenses recognized in 2015 amounted to RUB 3,945 thousand (2014: nil), which was credited to retained earnings.

Inputs into the model:

| | **2015** |
|---|---|
| Grant date share price | 0,169034 |
| Exercise price | 0,174243 |
| Expected volatility | 15,3% |
| Option life | 6,5 years |
| Dividend yield | 0% |
| Risk-free interest rate | 11,33% |

## 15. Loans and borrowings

| | **31 December 2015 RUB'000** | **31 December 2014 RUB'000** |
|---|---|---|
| **Non-current** | | |
| Loans and borrowings | 243 348 | 308 191 |
| **Current** | | |
| Secured bank loans | 62 611 | 74 899 |
| Interest payable | 14 241 | 10 537 |
| **Total loans and borrowings** | **320 200** | **393 627** |

Terms and repayment schedule are as follows:

Loans outstanding as at 31 December 2015:

| **Lender** | **Currency** | **Outstanding principal RUB'000** | **Nominal annual interest rate** | **Effective interest rate** | **Year of maturity** |
|---|---|---|---|---|---|
| Sberbank | RUB | 0 | 15.50% | | 2018 |
| IFC | RUB | 75 000 | 10.60% | 11.72% | 2022 |
| IFC | RUB | 175 000 | 10.42% | 11.72% | 2022 |
| EBRD | RUB | 72 656 | 16.59% | 25.61% | 2023 |

Loans outstanding as at 31 December 2014:

| **Lender** | **Currency** | **Outstanding principal RUB'000** | **Nominal annual interest rate** | **Effective interest rate** | **Year of maturity** |
|---|---|---|---|---|---|
| Gazprombank | RUB | 73 700 | 15.00% | 15.0% | 2015 |
| IFC | RUB | 75 000 | 10.60% | 11.51% | 2022 |
| IFC | RUB | 175 000 | 10.42% | 11.51% | 2022 |
| EBRD | RUB | 75 000 | 15.60% | 24.60% | 2023 |

## 15. Loans and borrowings (continued)

The table below represents collateral amounts of loans securities as of 31 December 2015 and 31 December 2014:

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| Property, plant and equipment (Ref. Note 6) | 406 177 | 193 772 |

In November 2015 the Group signed the loan agreement with Sberbank for loan facility by several tranches. In the current period the Group did not receive in principal. The full repayment of the loan received is scheduled for 26.07.2018.The objective of receiving of this loan was financing of working capital of the Group.

In December 2012 the Group entered into a loan agreement with the International Finance Corporation (IFC) in the amount of RUB 250,000 thousand with a maturity date up to 2022 year. At the reporting date the Group received RUB 250 000 000.

In September 2013 the Group entered into a loan agreement with the European Bank for Reconstruction and Development (EBRD) in the amount of RUB 350,000 thousand with a maturity date up to 2023 year. At the reporting date the Group received RUB75 000 thousand and repaid principal of RUB 2 344 thousand.

The objective of receiving of these loans was financing of investment programs of the Group.

In these consolidated financial statements the loans received are carried at amortized cost which accounts for costs incurred by the Group directly attributable to receiving of the loans. The offering memorandum of guaranteed notes and loan agreements impose financial covenants tested on every reporting date.

Due to the breach of the covenant "Collection ratio" as at 31 December 2015 the above mentioned EBRD loan with the amortized amount of RUB 68,225 thousand were classified by the Group as short-term in accordance with requirements of IAS 1 "Presentation of Financial Statements" and IFRS 7 "Financial Instruments: Disclosures".

In April 2016 EBRD had waived the right to demand early repayment of the loans with the amortized amount of RUB 68,225 thousand, caused by breach of "Collection ratio" as at 31 December 2015. EBRD had waived the non-compliance with the "Collection Ratio" only in relation to the Financial Year 2015.

## 16. Deferred tax assets and liabilities

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
| Property, plant and equipment | 2 932 | 1 213 | (88 600) | (81 661) | **(85 668)** | (80 448) |
| Intangible assets | - | - | (36) | (608) | **(36)** | (608) |
| Investments | 202 | - | - | - | **202** | - |
| Inventories | 356 | 18 | (33) | (5) | **323** | 13 |
| Receivables and prepayments | 21 148 | 10 766 | (36 763) | (21 381) | **(15 615)** | (10 615) |
| Payables and accruals | 1 248 | 1 679 | (479) | (21) | **769** | 1 658 |
| Tax losses carried forward | 18 809 | 12 030 | - | - | **18 809** | 12 030 |
| | **44 695** | 25 706 | **(125 911)** | (103 676) | **(81 216)** | (77 970) |

# 16. Deferred tax assets and liabilities (continued)

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 31 Dec 2014 RUB'000 | 31 Dec 2013 RUB'000 | 31 Dec 2014 RUB'000 | 31 Dec 2013 RUB'000 | 31 Dec 2014 RUB'000 | 31 Dec 2013 RUB'000 |
| Property, plant and equipment | 1 213 | 18 958 | (81 661) | (83 098) | **(80 448)** | (64 140) |
| Intangible assets | - | - | (608) | (623) | **(608)** | (623) |
| Inventories | 18 | 9 | (5) | (5) | **13** | 4 |
| Receivables and prepayments | 10 766 | - | (21 381) | (1 061) | **(10 615)** | (1 061) |
| Payables and accruals | 1 679 | 2 688 | (21) | (25) | **1 658** | 2 663 |
| Tax losses carried forward | 12 030 | - | - | - | **12 030** | - |
| | **25 706** | 21 655 | (**103 676**) | (84 812) | **(77 970)** | (63 157) |

The applicable income tax rate for the Russian Group companies is 20% (2014: 20%). This rate has been used in the calculation of deferred tax assets and liabilities.

Deferred tax assets and liabilities shown above are offset within each legal entity. Total amount of positive net balances resulted in RUB 21,053 thousand of deferred tax assets and total amount of negative net balances resulted in RUB 102,269 thousand of deferred tax liability, as shown in the consolidated statement of financial position as at 31 December 2015(31 December 2014: total amount of positive net balances resulted in RUB 6,439 thousand of deferred tax assets and total amount of negative net balances resulted in RUB 84,409).

Deferred tax assets in 2015 were reduced by impairment loss of RUB 23,805 thousand which was recognized during impairment test of the cash generating unit LLC "Klintsovkaya TEC". The impairment loss was included in consolidated statements of comprehensive income in the "Impairment loss" line item.

Group companies recognized tax losses of RUB 183,498 thousand which was generated in the following periods:

| | Amount, RUB000 |
|---|---|
| 2012 | 4 |
| 2013 | 7,683 |
| 2014 | 52,113 |
| 2015 | 123,697 |
| **Total** | **183,498** |

The period of the tax assets use is 10 years from the year of generation. In 2015 the Group used tax assets in the amount of RUB 1,014 thousand and recognized impairment of RUB 23,805 thousand, formed in connection with the recognition of tax losses from previous year.

# 16. Deferred tax assets and liabilities(continued)

Movements in deferred taxes during the period were as follows:

| In thousands of RUB | Property, plant and equipment | Intangib-les assets | Invest-ments | Inven-tories | Receivab-les and prepay-ments | Payables and accruals | Tax losses carried forward | Total |
|---|---|---|---|---|---|---|---|---|
| Balance as at 1 January 2015 | (80 448) | (608) | - | 13 | (10 615) | 1 658 | 12 030 | (77 970) |
| Recognized in income — origination and reversal of timing differences | (4 941) | 572 | 202 | 314 | (5 000) | (889) | 30 419 | 20 677 |
| Release of deferred tax from disposal of revalued assets | (117) | - | - | - | - | - | - | (117) |
| Impairment test | (162) | - | - | (4) | - | - | (23 640) | (23 806) |
| **Balance as at 31 December 2015** | **(85 668)** | **(36)** | **202** | **323** | **(15 615)** | **769** | **18 809** | **(81 216)** |

Movements in deferred taxes during the previous year were as follows:

| In thousands of RUB | Property, plant and equipment | Intangibles assets | Inven-tories | Receivables and prepayments | Payables and accruals | Tax losses carried forward | Total |
|---|---|---|---|---|---|---|---|
| Balance as at 1 January 2014 | (64 140) | (623) | 4 | (1 061) | 2 663 | - | (63 157) |
| Recognized in income — origination and reversal of timing differences | (12 845) | 15 | 9 | (9 554) | (3 500) | 12 030 | (13 845) |
| Arising on acquisition | (4745) | - | - | - | 2 495 | - | (2 250) |
| Release of deferred tax from disposal of revalued assets | 1 282 | - | - | - | - | - | 1 282 |
| **Balance as at 31 December 2014** | **(80 448)** | **(608)** | **13** | **(10 615)** | **1 658** | **12 030** | **(77 970)** |

# 17. Trade and other payables

| | **31 December 2015 RUB'000** | **31 December 2014 RUB'000** |
|---|---|---|
| Trade payables | 355 483 | 373 038 |
| Wages, salaries and other related accruals | 20 982 | 21 474 |
| Other payables | 4 178 | 9 300 |
| **Total trade and other payables** | **380 643** | **403 812** |

## 18. Other liabilities

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| VAT payable | 21 648 | 9 194 |
| Advances from customers | 4 453 | 3 920 |
| Other taxes payable | 22 507 | 18 827 |
| Corporate income tax payable | 1 001 | 9 278 |
| Provision for unused vacation | 15 292 | 14 794 |
| **Total other liabilities** | **64 901** | **56 013** |

## 19. Sales revenue

| | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|
| Heating | 1 857 156 | 1 531 843 |
| Water supply and waste water | 202 086 | 156 487 |
| Housing management | 85 977 | 54 343 |
| Operation and maintenance in the heating networks and boilers | - | 40 201 |
| Electricity | 62 452 | 15 804 |
| Other revenue | 1 745 | 9 678 |
| **Total sales revenue** | **2209 416** | **1 808 356** |

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 Kiselevsk Government, Kemerovo Oblast. For 2015, the subsidy amounted to RUB 123,308 thousand (2014: RUB 131,524 thousand).

Revenue from heating includes revenue in the amount of RUB 58,471 thousand from application of increased rate, approved by resolutions of the Government of the Russian Federation of 16 April 2013 № 344 and December 17, 2014, № 1380, amending the Rules of the establishment and definition of rate of consumption of utilities, approved by the resolution of the Government of the Russian Federation of May 23, 2006 № 306 and order № 66 of 01.07.2015 of the Ministry of construction and housing and communal services of the Tula region and put into effect from 12.07.2015. This revenue is calculated as the difference between the increased rate of consumption of utilities and the base rate in houses not equipped with metering devices.

Management recognizes that in the future the Group may have obligations related to the use of funds received in connection with a multiplying factor to the base rate of consumption of utilities in buildings that are not equipped with metering devices on the basis of subparagraph(1) of paragraph 31 of the rules of granting of utilities to proprietors and users of premises in apartment buildings and residential houses, approved by the Decree of the government of the Russian Federation of May 06, 2011 № 354. At the reporting date management estimates the occurrence of such liabilities as possible; therefore, the information on the application of the increased rate is disclosed in these financial statements.

## 20. Cost of sales

| | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|
| Raw materials | 1 297 766 | 1 136 451 |
| Wages, salaries and other personnel expenses | 223 927 | 193 509 |
| Rent, repair and maintenance | 156 199 | 133 608 |
| Electricity | 118 400 | 100 057 |
| Depreciation and amortization | 93 756 | 83 903 |
| Social security costs | 76 300 | 63 894 |
| Fees and services | 43 499 | 35 757 |
| Utilities | 16 885 | 11 196 |
| Communication and other deliveries | 5 002 | 3 751 |
| Right and insurances | 3 139 | 2 181 |
| Other expenses | 87 | 29 |
| **Total cost of sales** | **2 034 960** | **1 764 336** |

## 21. Selling and marketing expenses

| | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|
| Commission | 7 406 | 8 365 |
| Advertising | 10 | - |
| **Total selling and marketing expenses** | **7 416** | **8 365** |

## 22. Administrative expenses

| | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|
| Wages, salaries and other personnel expenses | 112 517 | 88 860 |
| Social security costs | 25 345 | 19 424 |
| Rent, repair and maintenance | 14 182 | 11 627 |
| Stationery | 4 508 | 4 786 |
| Consulting and audit services | 2 714 | 3 240 |
| Depreciation and amortization | 2 505 | 2 038 |
| Legal expenses | 914 | 1 625 |
| Transport expenses | 356 | 1 040 |
| Electricity | 850 | 844 |
| Other expenses | 6 944 | 5 162 |
| **Total administrative expenses** | **170 835** | **138 646** |

## 23. Other operating expenses, net

| | 2015<br>RUB'000 | 2014<br>RUB'000 |
|---|---|---|
| Taxes | 10 641 | 9 071 |
| VAT non deductible | 15 416 | 1 146 |
| Other operating expenses | (532) | 2 789 |
| **Total other operating expenses, net** | **25 525** | **13 006** |

## 24. Net finance income / (costs)

| | 2015<br>RUB'000 | 2014<br>RUB'000 |
|---|---|---|
| Exchangegains/(losses) | 54 422 | 80 040 |
| Interest income | 36 747 | 11 740 |
| Income from sale of equity investments | 161 | 125 |
| Other finance costs | (10 52) | (2 862) |
| Interest expense | (45 740) | (16 407) |
| **Total finance income / (costs), net** | **44 538** | **72 636** |

## 25. Other income/ (expenses), net

| | 2015<br>RUB'000 | 2014<br>RUB'000 |
|---|---|---|
| Impairment of receivables | (47 506) | (1 170) |
| Loss on trade receivables | (70) | - |
| Other income | 11 072 | 4 787 |
| Membership in professional organizations | (3 990) | - |
| Charity | (3 616) | - |
| Fines to suppliers | (4 122) | - |
| Correction of previous year revenues due to court decision | (2 878) | - |
| Other expenses | (11 176) | (5 022) |
| **Total other expenses, net** | **(62 286)** | **(1 405)** |

## 26. Income tax expense

| | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|
| **Current** | | |
| Current income tax expense | 51 554 | 32 624 |
| **Deferred** | | |
| Effect of utilization and origination of tax losses carried forward | (30 419) | (12 030) |
| Origination and reversal of temporary differences | 9 742 | 25 875 |
| Impairment test | 23 806 | - |
| **Total income tax expense** | **54 683** | **46 469** |

Reconciliation of theoretical income tax expense with actual income tax expenses

| | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|
| Profit before tax | 66 250 | 86 758 |
| Income tax using the tax rate (20 %) | 13 250 | 17 352 |
| Adjustment for tax exempt income and non-deductible expenses | 41 433 | 29 117 |
| **Total income tax expense in the consolidated statement of comprehensive income** | **54 683** | **46 469** |

The applicable income tax rate for the Russian Group companies is 20%. This rate has been used in the calculation of deferred tax assets and liabilities.

## 27. Consolidated EBITDA reconciliation

| | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|
| Consolidated profit for the period | 11 567 | 40 289 |
| Adjustments for: | | |
| Income tax expense | 54 683 | 46 469 |
| *including impairment loss on deferred tax assets* | *23 805* | - |
| Interest expense, net | 8 993 | 4 667 |
| **Consolidated EBIT** | **75 243** | **91 425** |
| Adjustment for depreciation and amortization | 96 261 | 85 941 |
| **Consolidated EBITDA** | **171 504** | **177 366** |

Consolidated EBITDA for 2015 includes exchange gains of RUB 54,422 thousand (2014: exchange gains of RUB 80,040 thousand).

## 27. Consolidated EBITDA reconciliation (continued)

As a requirement of investors, the Group calculate the "Consolidated recurring EBITDA" the consolidated profit or loss before taking into account:
(a) any interest, commissions, discounts and other fees and costs related to Financial Debt;
(b) any interest, commissions, discounts, dividends, and other fees earned on Financial Debt;
(c) share of profits or losses of associates and equity method joint-ventures;
(d) any provision for or payment on account of taxation;
(e) any depreciation on fixed assets, amortization of goodwill and other intangible assets;
(f) any amount attributable to discontinued operations; and
(g) any amount attributable to extraordinary, unusual or non-recurring items, including restructuring charges;
(h) net finance costs other than interest.

| | **2015 RUB'000** | **2014 RUB'000** |
|---|---|---|
| Consolidated profit for the period | 11 567 | 40 289 |
| Adjustments for: | | |
| Financial income expenses (excluding interest) | 891 | 2 737 |
| Income tax expense | 54 683 | 46 469 |
| *including impairment loss on deferred tax assets* | *23 805* | - |
| Interest expense, net | 8 993 | 4 667 |
| **Consolidated recurring EBIT** | **76 134** | **94 162** |
| Adjustment for depreciation and amortization | 96 261 | 85 941 |
| Adjustment for non-recurring operations, including: | | |
| Exchange gains | (54 422) | (80 040) |
| Impairment loss | 6 045 | - |
| Share-based compensation | 3 945 | - |
| Legal costs to be reimbursed to IFC | - | 1 477 |
| **Consolidated recurring EBITDA** | **127 963** | **101 540** |

## 28. Capital risk management

The Group's objectives when managing capital are to ensure that the Group will be able to operate as a going concern in order to maximize return to shareholders and benefits to other stakeholders through the optimization of debt and equity balance. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of loans and borrowings (refer to Note 15 "Loans and borrowings"), cash and cash equivalents and equity.

Capital structure is reviewed by the Group's management on regular basis.

# 28. Capital risk management (continued)

There were no changes in the Group's approach to capital management during the period. The return on assets ratios for the reporting and comparative periods were as follows:

| | 2015<br>RUB'000 | 2014<br>RUB'000 |
|---|---|---|
| Operating profit | 90 043 | 15 527 |
| Total averaged assets | 1 693 139 | 1 522 061 |
| **Return on assets ratio for the year** | **5,32%** | **1,02%** |

The increase in ROA ratio mostly resulted from increase of revenues due to application of multiplying factor to heat ratio.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital.

The gearing ratios were as follows:

| | 31 December 2015<br>RUB'000 | 31 December 2014<br>RUB'000 |
|---|---|---|
| Loans and borrowings | 320 200 | 393 627 |
| Less: Cash and cash equivalents | (396 151) | (584 732) |
| Net debt | **(75 951)** | **(191 105)** |
| Total equity | **798 045** | **782 650** |
| **Gearing ratio** | **N/a** | **N/a** |

# 28. Capital risk management(continued)

As a requirement of investors, the company also monitors the following ratios as at 31.12.2015.

| | RUB'000 | Benchmark |
|---|---|---|
| Current assets | 1 023 735 | |
| - Prepaid expenses | (49 799) | |
| Current assets less prepaid expenses | 973 936 | |
| Current liabilities | 522 396 | |
| **Current ratio** | **1,86** | **1,2 and more** |
| Total Liabilities | 868 013 | |
| Equity | 798 045 | |
| Deferred tax assets | 21 053 | |
| Intangible assets | 13 008 | |
| Tangible Net Worth | 763 984 | |
| **Tangible Net Worth ratio** | **1,14** | **Not exceeding 2** |
| Profit for the period | 11 567 | |
| Non-cash items, including | | |
| depreciation and amortization | 96 261 | |
| Income taxes | 54 683 | |
| Payments due on account of interest and other charges on all Financial debt | 45 740 | |
| CAPEX | (73 817) | |
| Sub total 1 | 134 434 | |
| Scheduled payments | 39 939 | |
| **Historic Debt Service Coverage Ratio** | **3,37** | **1,3 and more** |
| Loans and borrowings | 314 158 | |
| Less: Cash and cash equivalents | (396 151) | |
| Net debt | **(81 993)** | |
| Consolidated recurring EBITDA | 127 963 | |
| **Net Debt to EBITDA ratio** | **-0,64** | **Not exceeding 4** |

# 29. Financial risk management

Exposure to credit, liquidity and market risk (including currency, fair value interest rate risk and price risk) arises in the normal course of the Group's business. Risk management is carried out by a central treasury department.

The Group does not use derivative financial instruments to reduce exposure to fluctuations in foreign exchange rates and interest rates. The most significant financial risks to which the Group is exposed are described below.

These risks are attributable to the following categories of financial instruments:

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| **Financial assets** | | |
| Trade and other receivables | 476 289 | 415 127 |
| Subsidies receivable | 48 777 | 25 619 |
| Cash and cash equivalents | 396 151 | 584 732 |
| **Financial liabilities** | | |
| Trade and other payables | 380 643 | 403 812 |
| Loans and borrowings | 320 200 | 393 627 |

## 29.1 Credit risk analysis

Credit risk is the risk that counterparty may default or not meet its obligations to the Group when contractually due leading to financial losses of the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not require collateral in respect of the majority of its financial assets.
The table below represents five largest balances of accounts receivable from the major counterparties as at the reporting date:

| | 31 December 2015 RUB'000 |
|---|---|
| Individuals | 293 821 |
| Department of housing and public utilities of Kiselevsky region | 48 777 |
| MUP "Management company of Venevsky region municipality | 14 003 |
| ZHK “”Comfort stil' plus” | 5 436 |
| LLC «Domashniyuyut+» | 4 616 |

| | 31 December 2014 RUB'000 |
|---|---|
| Individuals | 230 061 |
| Department of housing and public utilities of Kiselevsky region | 25 619 |
| LLC «Domashniyuyut» | 9 324 |
| Management Company "Comfort-style" | 8 762 |
| LLC «Housing company -1» | 6 839 |

# 29. Financial risk management (continued)

## 29.2 Interest rate risk

Interest rate risk is the risk that movements in market interest rates will adversely impact the financial results of the Group.

Interest rates on the Group's debt finance are either fixed or variable. Changes in market interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans and borrowings, management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

The Group bear variable interest rate risk as the borrowings are fixed rate instruments only for one (EBRD) or two year period (IFC).

| Loan provider | Amount, RUB'000 | Fixed rate, % | Maturity date |
|---|---|---|---|
| IFC | 75 570 | 10.60 | 15.09.2016 |
| IFC | 176 331 | 10.42 | 15.09.2016 |
| EBRD | 68 225 | 16.59 | 07.11.2016 |

## 29.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its liabilities when they are contractually due.

The Group manages liquidity risk with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due by preparing annual budgets, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities. Contractual cash flows represent undiscounted cash flows of financial liabilities based on earliest date on which the Group can be required to pay and include both the principal and interest cash flows.

| 31 December 2015 | Carrying amount | 6 months or less | 6 -12 months | 1 – 2 years | 2 – 5 years | More than 5 years | Contractual cash flows |
|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | |
| Loans received from EBRD | 68 225 | 9 288 | 12 702 | 20 433 | 51 970 | 35 134 | 129 527 |
| Loans received from IFC | 251 901 | 5 455 | 21 166 | 26 549 | 205 076 | 110 139 | 368 385 |
| Loan received from Sberbank | 74 | - | - | - | - | - | - |
| Trade and other payables and other monetary liabilities | 380 643 | 380 643 | - | - | - | - | 380 643 |
| **Total financial liabilities** | **700 843** | **395 386** | **33 868** | **46 982** | **257 045** | **145 274** | **878 555** |

# 29. Financial risk management (continued)

## 29.3 Liquidity risk (continued)

| 31 December 2014 | Carrying amount | 6 months or less | 6 -12 months | 1 – 2 years | 2 – 5 years | More than 5 years | Contractual cash flows |
|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | |
| Loans received from EBRD | 68 264 | 5 660 | 8 935 | 21 540 | 55 824 | 51 273 | 143 232 |
| Loans received from IFC | 250 843 | 5 382 | 13 383 | 26 621 | 171 660 | 177 888 | 394 934 |
| Loan received from Gazprombank | 74 520 | 5 528 | 79 227 | - | - | - | 84 755 |
| Trade and other payables and other monetary liabilities | 403 812 | 403 812 | - | - | - | - | 403 812 |
| **Total financial liabilities** | **797 439** | **420 382** | **101 545** | **48 161** | **227 484** | **229 161** | **1 026 733** |

## 29.4 Fair value of financial instruments

Management of the Group considers that the carrying amounts of the financial instruments approximate their fair values.

The estimated fair values of financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date. The estimates of fair value are intended to approximate the amount to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of assets or settlement of liabilities.

# 30. Contingencies

## 30.1 Insurance

In 2013and2014 the Group signed insurance contracts with OJSC Insurance company Allianz in order to obtain insurance cover for its property, plant and equipment, business interruption and third party liability in respect of property or environmental damage arising from accidents on Group's property or relating to Group's operations.In 2015 the Group signed insurance contracts with OJSC Insurance company Allianz for the same risks for the period from 08.10.2015 till 07.10.2016.

## 30.2 Litigation

From time to time and in the normal course of business, claims against the Group are received. On the basis of own estimates and internal and external professional advice the Management is of the opinion that no material losses will be incurred. Besides, disputes with tax authorities are sometime solved through the appellations to courts.

## 30.3 Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterized by numerous official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretations by different authorities. Taxes are subject to audit and investigation by a number of authorities of different levels, which are empowered by law to impose severe fines, penalties and interest charges for late payments.

# 30. Contingencies (continued)

## 30.3 Taxation contingencies(continued)

These facts may create tax risks in the Russian Federation substantially more significant than in other countries. Management believes that it has adequately provided for the tax liabilities based on its interpretation of the tax legislation. However, the relevant tax authorities may have different interpretations and the effects could be significant.

## 30.4 Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

## 30.5 Uncertainties of operating environment

The Group's all operations are in the Russian Federation. During the year, there have been a number of political developments that affect the overall business and investment climate of the Russian Federation leading to risks that are not typically associated with developed markets; such as capital markets instability, deterioration of liquidity in the business sector and tighter credit conditions. The Russian Government has introduced a range of stabilization measures aimed at ensuring solvency and providing liquidity and financing for Russian companies.

The future stability of the Russian economy is largely dependent upon the reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

During the year certain sanctions were applied on Russian Federation by the USA and European Union. Management believes that currently those sanctions had no significant impact on Group's business.

### Inflation

According to the State Committee on Statistics of the Russian Federation, the rate of inflation, as measured by changes in the Consumer Price Index, was 12.91% for 2015 (2014: 11.4%). The financial results of the Russian economy and consequently of the Group will be affected if inflation is not controlled effectively.

### Recoverability of financial assets

As a result of recent economic turmoil in capital and credit markets in the Russian Federation, and the consequential economic uncertainties existing as at reporting date, there exists the potential that assets may not be recovered at their carrying amount in the regular course of business.

Management of the Group believes that in current economical situation there is no significant impact on the Group and it could arise only in situation where the USD/RUR exchange rates will further increase significantly.

# 30. Contingencies (continued)

## 30.6 Contingent liabilities related to option schemes

Contracts for sale of shares between CCS-Group, PJSC and the directors of the Company contain provisions on Special bonus. The right on Special bonus arises in case of “sale event” which is a sale of more than threshold number of shares (511,141,199 shares) to third party. The directors have the right on Special bonus in any period till 30.09.2022 on shares not acquired under option contracts.

If selling price of one share is less than 0.174243 no right on Special bonus arise.

# 31. Related-party transactions

The Group has related-party relationship with its shareholders, directors, senior officers and some other parties.

## 31.1 Transactions with shareholders

| | 2015 RUB’000 | 2014 RUB’000 |
|---|---|---|
| **Sales and purchases of goods and services (net of VAT)** | | |
| Legal costs reimbursement | - | 1 829 |
| **Financial charges** | | |
| Interest charge | 38 542 | 13 566 |
| Commitment charge | 1 375 | 2 443 |
| **Period-end balances** | | |
| Loan received (nominal value) | 322 656 | 325 000 |
| Trade and other payables | 10 789 | 11 547 |
| Treasury shares purchase | - | (42 803) |

## 31.2 Transactions with key management personnel

Remuneration paid to key management personnel during the year was as follows:

| | 2015 RUB’000 | 2014 RUB’000 |
|---|---|---|
| Short-term benefits | 27 931 | 19 463 |
| Share-based compensation | 3 945 | - |
| Total | **31 876** | **19 463** |

| | 31 December 2015 RUB’000 | 31 December 2014 RUB’000 |
|---|---|---|
| **Period-end balances** | | |
| Trade and other payables | 653 | 1 031 |

# 31. Related-party transactions (continued)

## 31.3 Transactions with other related parties

In the normal course of its business activities the Group purchases services and raw materials or fixed assets, and makes sales to related parties other than disclosed above. Transactions with those related parties were as follows:

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| **Period-end balances** | | |
| Trade and other payables | 8 | 3 |

| | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|
| **Transactions for sales and purchases of goods and services (net of VAT)** | | |
| Purchases of services (rent) | 1 370 | 1 376 |

# 32. Commitments

## 32.1 Operating leases

The Group has the following operating lease commitments at the reporting date:

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| Less than one year | 16 336 | 14 716 |
| Between one and five years | 62 245 | 57 543 |
| More than five years | 60 057 | 35 601 |
| **Total operating leases** | **138 638** | **107 860** |

The Group companies lease boiler-houses and heat pipelines from local administrations.

# 33. Fair value hierarchy

The tables below analyze assets carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# 33. Fair value hierarchy (continued)

| **Fair value hierarchy as at 31 December 2015, RUB'000** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Property, plant and equipment | - | - | 594 573 | **594 573** |
| Promissory notes | - | - | 13 689 | **13 689** |

| Fair value hierarchy as at 31 December 2014, RUB'000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Property, plant and equipment | - | - | 571 091 | **571 091** |
| Promissory notes | - | - | 13 528 | **13 528** |

There were no transfers between levels of fair value hierarchy during the reporting periods. Details of assumptions used in valuation have been disclosed in the relevant notes.

# 34. Subsidiaries

The following comprise the list of the Group subsidiaries as at 31 December 2015 and 31 December 2014:

| **Entity** | **Principal activities** | **Country of incorpor-ation** | **Control, %** | |
|---|---|---|---|---|
| | | | **31 December 2015** | **31 December 2014** |
| KOTK LLC | Heating, Water supply and removal | Russia | 100 | 100 |
| Nash dom LLC | Housing management | Russia | 100 | 100 |
| NTK LLC | Heating | Russia | 100 | 100 |
| Resource Plavsk LLC | Delivery, Distribution and production of thermal energy, Water supply | Russia | 100 | 100 |
| RTS LLC | Delivery, Distribution and production of thermal energy | Russia | 100 | 100 |
| TEK Centra LLC | Delivery, Distribution and production of thermal energy | Russia | 100 | 100 |
| DKK LLC | Heating | Russia | 100 | 100 |
| RKC Plavsk LLC | Housing management | Russia | 100 | 100 |
| CCS Capital LLC | Investing | Russia | 100 | 100 |
| VTK LLC | Heating | Russia | 100 | 100 |
| INVEK JSC | Consulting services | Russia | 100 | 100 |
| TEK Kiselevska LLC | Delivery, Distribution and production of thermal energy | Russia | 100 | 100 |
| Klintsovskaya TEC LLC | Delivery, distribution and production of electricity, thermal energy | Russia | 100 | 100 |
| KlintsovskayaTeplosetevaya Companiya LLC | Delivery, distribution and production of thermal energy | Russia | 100 | - |
| Klintsovskaya GPU LLC | Delivery, distribution and production of electricity | Russia | 100 | - |
| CCS Upravleniye, LLC | Management of financial and industrial groups and holding companies | Russia | 100 | - |

## 35. Events after the reporting period

Subsequent the reporting date there have been the following material events:

25 January 2016 the Board of Directors of PJSC "CCS Group" (minutes 8/116 from 28.01.2016) identified the main activity of the Company as optimizing the structure of the Holding PJSC "CCS Group" through the reorganization of LLC “NTK”, LLC “RTS”, LLC “ResursPlavsk”, LLC “DKK”, LLC “VTK” in the form of consolidation to LLC “CCS Upravleniye” with the possible renaming of the latter. This decision determines the intention of PJSC "CCS Group" to carry out reorganization. The decision on reorganization is planned to be adopted after obtaining approval of EBRD and IFC, in whose favor LLC “NTK”, LLC “RTS”, LLC “ResursPlavsk” are furnished Guarantee on loans to PJSC “CCS Group” in accordance with the requirements of the credit agreements. The approval is expected to be received after issue of consolidated financial statements of PJSC "CCS Group" in accordance with IFRS for 2015.

There have been no other material events requiring disclosure subsequent to the reporting date.

## Appendix A

# PJSC "CCS-Group"
# Statement of Financial Position

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current** | | |
| Property, plant and equipment | 69 483 | 72 209 |
| Intangible assets | 5 454 | 6 402 |
| Long-term investments | 486 723 | 472 447 |
| Deferred tax assets | 494 | 159 |
| Other assets | - | - |
| | **562 154** | **551 217** |
| **Current** | | |
| Inventories | 24 865 | 16 013 |
| Trade and other receivables | 76 609 | 33 867 |
| Other assets | 10 334 | 7 881 |
| Short-term investments | 256 200 | 121 980 |
| Cash and cash equivalents | 349 985 | 494 549 |
| | **717 993** | **674 290** |
| **Total Assets** | **1 280 147** | **1 225 507** |
| **Equity** | | |
| Share capital | 26 306 | 27 598 |
| Treasury shares | - | (43 397) |
| Share premium | 424 234 | 424 234 |
| Revaluation reserve | 19 509 | 19 509 |
| Retained earnings | 455 752 | 454 435 |
| | **925 801** | **882 379** |
| **LIABILITIES** | | |
| **Non-current** | | |
| Loans and borrowings | 233 303 | 308 191 |
| Deferred tax liabilities | 9 903 | 10 107 |
| | **243 206** | **318 298** |
| **Current** | | |
| Loans and borrowings | 86 823 | 10 916 |
| Trade and other payables | 21 831 | 2 287 |
| Other liabilities | 2 486 | 11 627 |
| | **111 140** | **24 830** |
| **Total Liabilities** | **354 346** | **343 128** |
| **Total Equity and Liabilities** | **1 280 147** | **1 225 507** |

# PJSC “CCS-Group”
# Income Statement

| | 2015<br>RUB’000 | 2014<br>RUB’000 |
|---|---|---|
| Sales revenue | 39 373 | 32 516 |
| Cost of sales | (26 223) | (21 605) |
| **Gross profit / (loss)** | **13 150** | **10 911** |
| Administrative expenses | (19 710) | (20 169) |
| Other operating income / (expenses), net | (1 083) | 2 006 |
| **Operating profit /(loss)** | **(7 643)** | **(7 252)** |
| Net finance income/ (costs) | 71 636 | 92 845 |
| Other expense, net | (6 693) | (2 873) |
| **Profit/ (loss) before income tax** | **57 300** | **82 720** |
| Income tax benefit/ (expense) | (13 879) | (16 421) |
| **Profit / (loss) for the period** | **43 421** | **66 299** |

# PJSC "CCS-Group"
# Statement of Cash Flows

| | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / (loss) for the period before taxation | 57 301 | 82 720 |
| Adjustments for: | | |
| Depreciation and amortization | 14 899 | 11 739 |
| Net foreign exchange (gain) /loss | (54 422) | (79 720) |
| Impairment and write-off of doubtful trade and other receivables | (599) | (349) |
| Interest income | (55 256) | (6 183) |
| Interest expense | 44 076 | 16 369 |
| Gain / (loss) from disposal of property, plant and equipment | (95) | (3 259) |
| VAT non-deductable | 121 | 93 |
| Provision for unused vacation | (397) | 232 |
| | **5 628** | **21 282** |
| (Increase)/ decrease in inventories in course of operational activities | (8 851) | (13 431) |
| (Increase)/ decrease in trade and other receivables in course of operational activities | (40 609) | (1 314) |
| Increase / (decrease) in trade and other payables in course of operational activities | 20 076 | (10 439) |
| Interest paid | (39 939) | (10 517) |
| Interest received | 55 256 | 6 183 |
| Income taxes paid | (28 576) | (101) |
| **Net cash (used in) / from operating activities** | **(37 015)** | **(8 337)** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and intangible assets | (11 131) | 2 500 |
| Investment purchase | (14 276) | 17 684 |
| Acquisition of subsidiaries, net of cash acquired | - | (44 090) |
| Proceeds from investment disposal | - | 690 |
| Loans granted | (134 220) | (120 844) |
| **Net cash used in investing activities** | **(159 627)** | **(144 060)** |
| **Cash flows from financing activities** | | |
| Proceeds from loans and borrowings | - | 325 000 |
| Repayment of loans and borrowings | (2 344) | - |
| Payment of commission related to EBRD and IFC loans | - | (6 904) |
| Purchase of own shares | - | (42 803) |
| **Net cash (used in) / from financing activities** | **(2 344)** | **275 293** |
| **Effect of exchange rate changes on cash and cash equivalents** | **54 422** | **79 720** |
| **Net increase in cash and cash equivalents** | **(144 564)** | **202 616** |
| Cash and cash equivalents at beginning of year | 494 549 | 291 933 |
| **Cash and cash equivalents at end of year** | **349 985** | **494 549** |

# PJSC "CCS-Group"
# Statement of Changes in Equity

| | Share capital RUB'000 | Treasury shares RUB'000 | Share premium RUB'000 | Revaluation reserves RUB'000 | Retained earnings RUB'000 | Total Net Assets RUB'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | **27 598** | **(594)** | **424 234** | **19 509** | **388 136** | **858 883** |
| Profit for the period | - | - | - | - | 66 299 | 66 299 |
| Transactions with owners recorded directly in equity: | | | | | | |
| Shares purchased | - | (42 803) | - | - | - | (42 803) |
| **Balance at 31 December 2014** | **27 598** | **(43 397)** | **424 234** | **19 509** | **454 435** | **882 379** |
| **Balance at 1 January 2015** | **27 598** | **(43 397)** | **424 234** | **19 509** | **454 435** | **882 379** |
| Decrease of share capital | (1 292) | 43 397 | | | (42 105) | - |
| Profit/ (loss) for the period | | | | | 43 421 | 43 421 |
| **Balance at 31 December 2015** | **26 306** | **-** | **424 234** | **19 509** | **455 751** | **925 800** |

# LLC “NTK”
# Statement of Financial Position

| | 31 December 2015 RUB’000 | 31 December 2014 RUB’000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current** | | |
| Property, plant and equipment | 260 926 | 247 021 |
| Intangible assets | 6 269 | 7 166 |
| Long-term investments | 28 700 | - |
| Deferred tax assets | 6 939 | 5 884 |
| | **302 834** | **260 071** |
| **Current** | | |
| Inventories | 9 183 | 7 155 |
| Trade and other receivables | 257 002 | 194 675 |
| Other assets | 20 224 | 15 878 |
| Short-term investments | - | 12 500 |
| Cash and cash equivalents | 25 881 | 67 281 |
| | **312 290** | **297 489** |
| **Total Assets** | **615 124** | **557 560** |
| **Net Assets** | | |
| Share capital | 303 099 | 303 099 |
| Retained earnings | 74 167 | (36 236) |
| | **377 266** | **266 863** |
| **LIABILITIES** | | |
| **Non-current** | | |
| Loans and borrowings | 80 000 | 40 000 |
| Deferred tax liabilities | 16 | 5 |
| | **80 016** | **40 005** |
| **Current** | | |
| Loans and borrowings | 75 | 74 893 |
| Trade and other payables | 132 092 | 161 605 |
| Other liabilities | 25 675 | 14 194 |
| | **157 842** | **250 692** |
| **Total Liabilities** | **237 858** | **290 697** |
| **Total Net Assets and Liabilities** | **615 124** | **557 560** |

# LLC “NTK”
# Income Statement

| | 2015<br>RUB’000 | 2014<br>RUB’000 |
|---|---|---|
| Sales revenue | 1 157 422 | 1 029 752 |
| Cost of sales | (953 782) | (918 751) |
| **Gross profit / (loss)** | **203 640** | **111 001** |
| Selling and marketing expenses | - | (3 155) |
| Administrative expenses | (43 679) | (39 222) |
| Other operating expenses, net | (4 963) | (5 077) |
| **Operating profit / (loss)** | **154 998** | **63 547** |
| Net finance costs | (2 264) | (4 939) |
| Other income / (expense), net | (9 666) | 1 874 |
| **Profit / (loss) before income tax** | **143 068** | **60 482** |
| Income tax expense, net | (32 664) | (35 048) |
| **Profit / (loss) for the period** | **110 404** | **25 434** |

# LLC "NTK"
# Statement of Cash Flows

| | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / (loss) for the period before taxation | 143 069 | 60 482 |
| Adjustments for: | | |
| Depreciation and amortization | 62 066 | 47 531 |
| Impairment and write-off of doubtful trade and other receivables | 6 334 | 1 568 |
| Interest income | (2 714) | (1 519) |
| Interest expense | 8 797 | 6 189 |
| VAT non deductible | 142 | 8 |
| Provision for unused vacation | (169) | 277 |
| Loss from disposal of equity investment | | |
| | **217 525** | **114 536** |
| (Increase) in inventories in course of operational activities | (2 028) | (2 508) |
| (Increase) in trade and other receivables in course of operational activities | (73 033) | (14 251) |
| Increase / (decrease) in trade and other payables in course of operational activities | (17 862) | (1 588) |
| Interest received | 2 714 | 1 519 |
| Interest paid | (9 916) | (5 489) |
| Income taxes paid | (33 826) | (1 903) |
| **Net cash from operating activities** | **83 574** | **90 316** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and intangible assets | (75 074) | (64 565) |
| Investment purchase | (28 700) | - |
| Loans received /(granted) | 12 500 | (1 500) |
| **Net cash used in investing activities** | **(91 274)** | **(66 065)** |
| **Cash flows from financing activities** | | |
| Proceeds from loans and borrowings | 272 400 | 425 660 |
| Repayment of loans and borrowings | (306 100) | (383 060) |
| **Net cash (used in) / from financing activities** | **(33 700)** | **42 600** |
| **Net increase in cash and cash equivalents** | **(41 400)** | **66 851** |
| Cash and cash equivalents at beginning of year | 67 281 | 430 |
| **Cash and cash equivalents at end of period** | **25 881** | **67 281** |

# LLC “NTK”
# Statement of Changes in Net Assets

| | Share capital RUB'000 | Retained earnings RUB'000 | Total Net Assets RUB'000 |
|---|---|---|---|
| **Balance at 1 January 2014** | **303 099** | **(61 670)** | **241 428** |
| Profit for the period | - | 25 434 | 25 434 |
| **Balance at 31 December 2014** | **303 099** | **(36 237)** | **266 862** |
| **Balance at 1 January 2015** | **303 099** | **(36 237)** | **266 862** |
| Profit /(loss) for the period | - | 110 404 | 110 404 |
| **Balance at 31 December 2015** | **303 099** | **74 167** | **377 266** |

# LLC “RTS”
# Statement of Financial Position

| | 31 December 2015 RUB’000 | 31 December 2014 RUB’000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current** | | |
| Property, plant and equipment | 9 780 | 2 005 |
| Intangible assets | 1 121 | 1 304 |
| Long-term investments | 1 294 | 1 294 |
| Deferred tax assets | 149 | 1 057 |
| | **12 344** | **5 660** |
| **Current** | | |
| Inventories | 1 243 | 1 439 |
| Trade and other receivables | 88 236 | 70 005 |
| Other assets | 456 | 304 |
| Cash and cash equivalents | 2 551 | 3 353 |
| | **92 486** | **75 101** |
| **Total Assets** | **104 830** | **80 761** |
| **Net Assets** | | |
| Share capital | 5 000 | 5 000 |
| Capital reserve | 589 | 589 |
| Retained earnings | 13 617 | 8 551 |
| | **19 206** | **14 140** |
| **LIABILITIES** | | |
| **Non-current** | | |
| Loans and borrowings | 10 000 | - |
| Deferred tax liabilities | - | 9 |
| | **10 000** | **9** |
| **Current** | | |
| Loans and borrowings | 6 494 | - |
| Trade and other payables | 63 720 | 60 854 |
| Other liabilities | 5 410 | 5 758 |
| | **75 624** | **66 612** |
| **Total Liabilities** | | |
| | **85 624** | **66 621** |
| **Total Net Assets and Liabilities** | **104 830** | **80 761** |

# LLC “RTS”
# Income Statement

| | 2015 RUB’000 | 2014 RUB’000 |
|---|---|---|
| Sales revenue | 273 721 | 263 536 |
| Cost of sales | (242 188) | (245 932) |
| **Gross profit / (loss)** | **31 533** | **17 604** |
| Selling and marketing expenses | (732) | (1 869) |
| Administrative expenses | (20 495) | (21 450) |
| Other operating expenses, net | (117) | (117) |
| **Operating profit / (loss)** | **10 189** | **(6 832)** |
| Net finance costs | (1 777) | (1 323) |
| Other income, net | (2 447) | (3 704) |
| **Profit / (loss) before income tax** | **5 965** | **(10 859)** |
| Income tax benefit / (expense), net | (899) | 975 |
| **Profit / (loss) for the period** | **5 066** | **(9 884)** |

# LLC “RTS”
# Statement of Cash Flows

| | 2015<br>RUB’000 | 2014<br>RUB’000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / (loss) for the period before taxation | 5 964 | (10 859) |
| Adjustments for: | | |
| Depreciation and amortization | 350 | 433 |
| Interest expense | (1 489) | - |
| Impairment and write-off of doubtful trade and other receivables | 799 | 278 |
| Gain / (loss) from disposal of property, plant and equipment | - | (325) |
| VAT non-deductable | 3 | 279 |
| Provision for unused vacation | (78) | 87 |
| | **5 549** | **(10 107)** |
| (Increase) in inventories in course of operational activities | 197 | 689 |
| (Increase) in trade and other receivables in course of operational activities | (16 897) | (5 158) |
| Increase / (decrease) in trade and other payables in course of operational activities | 2 596 | 15 032 |
| Interest paid | (605) | - |
| Income taxes paid | - | (1 953) |
| **Net cash from operating activities** | **(9 160)** | **(1 497)** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and intangible assets | (7 942) | 350 |
| **Net cash used in investing activities** | **(7 942)** | **350** |
| **Cash flows from financing activities** | | |
| Proceeds from loans and borrowings | 16 300 | - |
| **Net cash (used in) / from financing activities** | **16 300** | - |
| **Net increase in cash and cash equivalents** | **(802)** | **(1 147)** |
| Cash and cash equivalents at beginning of year | 3 353 | 4 500 |
| **Cash and cash equivalents at end of year** | **2 551** | **3 353** |

# LLC "RTS"
# Statement of Changes in Net Assets

| | Share capital RUB'000 | Revaluation reserves RUB'000 | Retained earnings RUB'000 | Total RUB'000 |
|---|---|---|---|---|
| **Balance at 1 January 2014** | **5 000** | **589** | **18 435** | **24 024** |
| Loss for the period | - | - | (9 884) | (9 884) |
| **Balance at 31 December 2014** | **5 000** | **589** | **8 551** | **14 140** |
| **Balance at 1 January 2015** | **5 000** | **589** | **8 551** | **14 140** |
| Profit/ (loss) for the period | - | - | 5 066 | 5 066 |
| **Balance at 31 December 2015** | **5 000** | **589** | **13 617** | **19 206** |

# LLC “Resource Plavsk”
# Statement of Financial Position

| | 31 December 2015 RUB’000 | 31 December 2014 RUB’000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current** | | |
| Property, plant and equipment | 27 364 | 28 805 |
| Intangible assets | 26 | 39 |
| Deferred tax asset | 399 | 4 459 |
| Long-term investments | 2 747 | 399 |
| | **30 536** | **33 702** |
| **Current** | | |
| Inventories | 1 013 | 757 |
| Trade and other receivables | 36 846 | 31 093 |
| Other assets | 1 553 | 2 993 |
| Cash and cash equivalents | 1 196 | 656 |
| | **40 608** | **35 499** |
| **Total Assets** | **71 144** | **69 201** |
| **Net Assets** | | |
| Share capital | 1 000 | 1 000 |
| Revaluation reserves | 124 | 124 |
| Retained earnings | (20 860) | (30 160) |
| | **(19 736)** | **(29 036)** |
| **LIABILITIES** | | |
| **Non-current** | | |
| Loans and borrowings | 26 854 | 32 380 |
| Government grants | - | - |
| Deferred tax liabilities | 45 | 116 |
| | **26 899** | **32 496** |
| **Current** | | |
| Loans and borrowings | 20 222 | 18 560 |
| Trade and other payables | 38 296 | 45 114 |
| Other liabilities | 5 463 | 2 067 |
| | **63 981** | **65 741** |
| **Total Net Assets and Liabilities** | **71 144** | **69 201** |

# LLC “Resource Plavsk”
# Income Statement

| | 2015<br>RUB’000 | 2014<br>RUB’000 |
|---|---|---|
| Sales revenue | 139 657 | 131 006 |
| Cost of sales | (115 811) | (119 511) |
| **Gross profit / (loss)** | **23 846** | **11 495** |
| Selling and marketing expenses | (304) | (562) |
| Administrative expenses | (12 703) | (14 541) |
| Other operating expenses, net | (638) | (190) |
| **Operating profit / (loss)** | **10 201** | **(3 798)** |
| Net finance costs | (5 403) | (2 017) |
| Other expense, net | 6 141 | 6 240 |
| **Profit / (loss) before income tax** | **10 939** | **425** |
| Income tax (expense) / benefit, net | (1 639) | 1 432 |
| **Profit/ (loss) for the period** | **9 300** | **1 857** |

# LLC “Resource Plavsk”
# Statement of Cash Flows

| | 2015<br>RUB’000 | 2014<br>RUB’000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / (loss) for the period before taxation | 10 940 | 425 |
| Adjustments for: | | |
| Depreciation and amortization | 3 394 | 242 |
| Impairment and write-off of doubtful trade and other receivables | (505) | (8 984) |
| Interest expense | 5 239 | 1 853 |
| Gain / (loss) from disposal of property, plant and equipment | 6 | (18) |
| VAT not deductible | 6 | 5 |
| Provision for unused vacation | (5) | 174 |
| | **19 075** | **(4 906)** |
| Decrease in inventories in course of operational activities | (255) | 16 |
| (Increase) in trade and other receivables in course of operational activities | (3 814) | (5 924) |
| Increase / (decrease) in trade and other payables in course of operational activities | (1 984) | 5 777 |
| Interest paid | - | - |
| Income taxes paid | - | - |
| **Net cash (used in) / from operating activities** | **13 022** | **(5 037)** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and intangible assets | (1 102) | (28 385) |
| **Net cash used in investing activities** | **(1 102)** | **(28 385)** |
| **Cash flows from financing activities** | | |
| Government grants received | 11 000 | 33 230 |
| Repayment of loans and borrowings | (22 380) | (850) |
| Government grants used | - | - |
| **Net cash (used in) / from financing activities** | **(11 380)** | **32 380** |
| **Net increase in cash and cash equivalents** | **540** | **(1 042)** |
| Cash and cash equivalents at beginning of year | 656 | 1 698 |
| **Cash and cash equivalents at end of year** | **1 196** | **656** |

# LLC "Resource Plavsk"
# Statement of Changes in Net Assets

| | Share capital RUB'000 | Revaluation reserves RUB'000 | Retained earnings RUB'000 | Total RUB'000 |
|---|---|---|---|---|
| **Balance at 1 January 2014** | **1 000** | **124** | **(32 016)** | **(30 892)** |
| Profit for the period | - | - | 1 857 | 1 857 |
| **Balance at 31 December 2014** | **1 000** | **124** | **(30 159)** | **(29 035)** |
| **Balance at 1 January 2015** | **1 000** | **124** | **(30 159)** | **(29 035)** |
| Profit/(loss) for the period | - | - | 9 300 | 9 300 |
| **Balance at 31 December 2015** | **1 000** | **124** | **(20 859)** | **(19 735)** |

# LLC “KOTK”
# Statement of Financial Position

| | 31 December 2015 RUB’000 | 31 December 2014 RUB’000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current** | | |
| Property, plant and equipment | 2 031 | 308 |
| Intangible assets | 20 | 111 |
| Investments | 13 689 | 13 528 |
| Deferred tax asset | 4 284 | 2 259 |
| | **20 024** | **16 206** |
| **Current** | | |
| Inventories | 13 151 | 13 408 |
| Trade and other receivables | 37 993 | 46 463 |
| Subsidies receivable | 48 777 | 25 619 |
| Other assets | 3 172 | 7 991 |
| Cash and cash equivalents | 1 297 | 324 |
| | **104 390** | **91 554** |
| **Total Assets** | **124 414** | **107 760** |
| **Net Assets** | | |
| Share capital | 6 000 | 6 000 |
| Revaluation reserve | - | - |
| Retained earnings | (9 159) | 20 495 |
| | **(3 159)** | **26 495** |
| **LIABILITIES** | | |
| **Non-current** | | |
| Deferred tax liabilities | - | - |
| | **-** | **-** |
| **Current** | | |
| Trade and other payables | 109 495 | 65 745 |
| Other liabilities | 18 078 | 15 520 |
| | **127 573** | **81 265** |
| **Total Net Assets and Liabilities** | **124 414** | **107 760** |

# LLC “KOTK”
# Income Statement

| | 2015<br>RUB’000 | 2014<br>RUB’000 |
|---|---|---|
| Sales revenue | 170 728 | 170 621 |
| Government subsidies | 123 308 | 131 523 |
| Cost of sales | (259 122) | (261 718) |
| **Gross profit** | **34 914** | **40 426** |
| Selling and marketing expenses | (10) | - |
| Administrative expenses | (43 343) | (32 667) |
| Other operating expenses, net | (677) | (662) |
| **Operating profit** | **(9 116)** | **7 096** |
| Net finance costs | 74 | 73 |
| Other income / (expense), net | (22 637) | (1 429) |
| **Profitbefore income tax** | **(31 679)** | **5 741** |
| Income tax expense, net | 2 025 | (1 729) |
| **Profit for the period** | **(29 654)** | **4 012** |

# LLC “KOTK”
# Statement of Cash Flows

| | 2015<br>RUB’000 | 2014<br>RUB’000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / (loss) for the period before taxation | (31 679) | 5 741 |
| Adjustments for: | | |
| Depreciation and amortization | 381 | 220 |
| Impairment and write-off of doubtful trade and other receivables | 22 458 | 2 444 |
| (Gain)/ loss from disposal of property, plant and equipment | (15) | |
| (Gain)/ loss from disposal of equity investment | (161) | |
| VAT non deductible | | 35 |
| Provision for unused vacation | 881 | 1 040 |
| | **(8 135)** | **9 480** |
| Decrease/ (increase) in inventories in course of operational activities | (3 004) | 6 400 |
| Decrease/ (increase) in trade and other receivables in course of operational activities | (8187) | 46 469 |
| Change in subsidies receivable | (23 158) | (25 619) |
| Increase / (decrease) in trade and other payables in course of operational activities | 45 428 | (30 121) |
| Income taxes paid | (57) | (10 337) |
| **Net cash from operating activities** | **2 887** | **(3 728)** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and intangible assets | (2 075) | (296) |
| Proceeds from investment disposal | 161 | - |
| **Net cash used in investing activities** | **(1 914)** | **(296)** |
| | **-** | |
| **Cash flows from financing activities** | | |
| **Net cash (used in) / from financing activities** | **-** | **-** |
| **Net increase in cash and cash equivalents** | **973** | **(4 024)** |
| Cash and cash equivalents at beginning of year | 324 | 4 348 |
| **Cash and cash equivalents at end of period** | **1 297** | **324** |

# LLC "KOTK"
# Statement of Changes in Net Assets

| | Share capital RUB'000 | Revaluation reserves RUB'000 | Retained earnings RUB'000 | Total Net Assets RUB'000 |
|---|---|---|---|---|
| **Balance at 1 January 2014** | **6 000** | **-** | **16 483** | **22 483** |
| Profit for the period | - | - | 4 012 | 4 012 |
| **Balance at 31 December 2014** | **6 000** | **-** | **20 494** | **26 494** |
| **Balance at 1 January 2015** | **6 000** | **-** | **20 494** | **26 494** |
| Profit/ (loss) for the period | - | - | (29 654) | (29 654) |
| **Balance at 31 December 2015** | **6 000** | **-** | **(9 160)** | **(3 160)** |

# LLC "TEK Centra"
# Statement of Financial Position

| | 31 December 2015 RUB'000 | 31 December 2014 RUB'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current** | | |
| Property, plant and equipment | 24 824 | 30 352 |
| Intangible assets | 2 | 1 |
| Investments | 13 262 | 13 262 |
| Deferred tax assets | 5 947 | 5 909 |
| | **44 035** | **49 524** |
| **Current** | | |
| Inventories | 989 | 63 |
| Trade and other receivables | 13 985 | 4 799 |
| Other assets | 511 | 575 |
| Cash and cash equivalents | 1 264 | 6 707 |
| | **16 749** | **12 144** |
| **Total Assets** | **60 784** | **61 668** |
| | | |
| **Net Assets** | | |
| Share capital | 56 651 | 56 651 |
| Revaluation reserves | 1 103 | 769 |
| Retained earnings | (1 179) | 2 657 |
| | **56 575** | **60 077** |
| **LIABILITIES** | | |
| **Non-current** | | |
| Deferred tax liabilities | 719 | 786 |
| | **719** | **786** |
| **Current** | | |
| Trade and other payables | 1 075 | 11 |
| Other liabilities | 2 415 | 794 |
| | **3 490** | **805** |
| **Total Liabilities** | **4 209** | **1 591** |
| **Total Equity and Liabilities** | **60 784** | **61 668** |

# LLC “TEK Centra”
# Income Statement

| | 2015 RUB’000 | 2014 RUB’000 |
|---|---|---|
| Sales revenue | 17 676 | 17 888 |
| Cost of sales | (3 198) | (2 925) |
| **Gross profit** | **14 478** | **14 963** |
| Administrative expenses | (9 666) | (4 462) |
| Other operating expenses, net | (1 075) | (1 185) |
| **Operating profit** | **3 737** | **9 136** |
| Net finance costs | 142 | (19) |
| Other income / (expense), net | 86 | (2) |
| **Profit before income tax** | **3 965** | **9 115** |
| Income tax expense, net | (1 111) | (1 734) |
| **Profit for the period** | **2 854** | **7 381** |

# LLC “TEK Centra”
# Statement of Cash Flows

| | 2015<br>RUB’000 | 2014<br>RUB’000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / (loss) for the period before taxation | 3 966 | 9 115 |
| Adjustments for: | | |
| Depreciation and amortization | 2 842 | 2 653 |
| Provision for unused vacation | 579 | 3 |
| Impairment and write-off of doubtful trade and other receivables | - | - |
| Gain/ loss on disposal of property, plant and equipment | (59) | - |
| | **7 328** | **11 768** |
| (Increase) in inventories in course of operational activities | (926) | 5 |
| (Increase) in trade and other receivables in course of operational activities | (9 280) | 8 995 |
| Increase / (decrease) in trade and other payables in course of operational activities | 1 541 | (2 973) |
| Income taxes paid | (494) | (2 438) |
| **Net cash from operating activities** | **(1 831)** | **15 357** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and intangible assets | 2 744 | (326) |
| **Net cash used in investing activities** | **2 744** | **(326)** |
| **Cash flows from financing activities** | | |
| Dividends paid | (6 356) | (9 000) |
| **Net cash (used in) / from financing activities** | **(6 356)** | **(9 000)** |
| **Net increase in cash and cash equivalents** | **(5 443)** | **6 031** |
| Cash and cash equivalents at beginning of year | 6 707 | 676 |
| **Cash and cash equivalents at end of year** | **1 264** | **6 707** |

# LLC "TEK Centra"
# Statement of Changes in Net Assets

| | Share capital RUB'000 | Revaluation reserves RUB'000 | Retained earnings RUB'000 | Total Net Assets RUB'000 |
|---|---|---|---|---|
| **Balance at 1 January 2014** | **56 651** | **412** | **4 633** | **61 696** |
| Profit for the period | - | - | 7 381 | 7 381 |
| Dividend | - | - | (9 000) | (9 000) |
| **Balance at 31 December 2014** | **56 651** | **412** | **3 014** | **60 077** |
| **Balance at 1 January 2015** | **56 651** | **412** | **3 014** | **60 077** |
| Profit for the period | - | - | 2 854 | 2 854 |
| Other comprehensive income | - | - | (6 356) | (6 356) |
| Dividend payments | | | (6 356) | (6 356) |
| **Balance at 31 December 2015** | **56 651** | **412** | **(488)** | **56 575** |

# LLC “TEK Kiselevska”
# Statement of Financial Position

| | 31 December 2015 RUB’000 | 31 December 2014 RUB’000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current** | | |
| Property, plant and equipment | 170 701 | 173 959 |
| Intangible assets | 8 | 8 |
| | **170 709** | **173 967** |
| **Current** | | |
| Inventories | - | - |
| Trade and other receivables | 10 568 | 8 005 |
| Other assets | 59 | 35 |
| Cash and cash equivalents | 412 | 524 |
| | **11 039** | **8 564** |
| **Total Assets** | **181 748** | **182 531** |
| **Net Assets** | | |
| Share capital | 74 100 | 74 100 |
| Revaluation reserves | 90 374 | 90 374 |
| Retained earnings | (6 289) | (5 982) |
| | **158 185** | **158 492** |
| **LIABILITIES** | | |
| **Non-current** | | |
| Deferred tax liabilities | 22 593 | 22 593 |
| | **22 593** | **22 593** |
| **Current** | | |
| Trade and other payables | 87 | 1 230 |
| Other liabilities | 883 | 216 |
| | **970** | **1 446** |
| **Total Liabilities** | **23 563** | **24 039** |
| **Total Equity and Liabilities** | **181 748** | **182 531** |

# LLC “TEK Kiselevska”
# Income statement

| | 2015<br>RUB’000 | 2014<br>RUB’000 |
|---|---|---|
| Sales revenue | 14 951 | 12 735 |
| Cost of sales | (11 124) | (11 542) |
| **Gross profit / (loss)** | **3 827** | **1 194** |
| Administrative expenses | (671) | (582) |
| Other operating expenses, net | (1 555) | (531) |
| **Operating profit / (loss)** | **1 601** | **80** |
| Net finance costs | (13) | (13) |
| Other income / (expense), net | (4) | (17) |
| **Profit / (loss) before income tax** | **1 584** | **51** |
| Income tax expense, net | (1 891) | (1 671) |
| **Profit /(loss) for the period** | **(307)** | **(1 620)** |

# LLC "TEK Kiselevska"
# Statement of Cash Flows

| | 2015<br>RUB'000 | 2014<br>RUB'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / (loss) for the period before taxation | 1 584 | 51 |
| Adjustments for: | | |
| Depreciation and amortization | 11 132 | 11 510 |
| Provision for unused vacation | 10 | - |
| | **12 726** | **11 561** |
| (Increase) / decrease in inventories in course of operational activities | - | - |
| (Increase) / decrease in trade and other receivables in course of operational activities | (2 591) | (5 232) |
| Increase / (decrease) in trade and other payables in course of operational activities | (724)<br>- | 798 |
| Income taxes paid | (1 650) | (2 017) |
| **Net cash from operating activities** | **7 761** | **5 110** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and intangible assets | (7 873) | (4 632) |
| **Net cash used in investing activities** | **(7 873)** | **(4 632)** |
| **Cash flows from financing activities** | | |
| **Net cash (used in) / from financing activities** | **-** | **-** |
| **Net increase in cash and cash equivalents** | **(112)** | **478** |
| Cash and cash equivalents at beginning of year | 524 | 46 |
| **Cash and cash equivalents at end of year** | **412** | **524** |

# LLC “TEK Kiselevska”
# Statement of Changes in Net Assets

| | Share capital RUB'000 | Revaluation reserves RUB'000 | Retained earnings RUB'000 | Total Net Assets RUB'000 |
|---|---|---|---|---|
| **Balance at 1 January 2014** | **74 100** | **90 374** | **(4 362)** | **160 112** |
| Loss for the period | - | - | (1 620) | (1 620) |
| **Balance at 31 December 2014** | **74 100** | **90 374** | **(5 982)** | **158 492** |
| **Balance at 1 January 2015** | **74 100** | **90 374** | **(5 982)** | **158 492** |
| Loss for the period | - | - | (307) | (307) |
| **Balance at 31 December 2015** | **74 100** | **90 374** | **(6 289)** | **158 185** |

# LLC “Klintsovskaya TEC”
# Statement of Financial Position

| | 31 December 2015 RUB’000 | 31 December 2014 RUB’000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current** | | |
| Property, plant and equipment | 429 | 1 159 |
| Intangible assets | 88 | 96 |
| Deferred tax assets | 23 932 | 9 190 |
| | **24 449** | **10 445** |
| **Current** | | |
| Inventories | 4 933 | 4 947 |
| Trade and other receivables | 63 049 | 78 912 |
| Other assets | 859 | 2 977 |
| Cash and cash equivalents | 551 | 5 436 |
| | **69 392** | **92 272** |
| **Total Assets** | **93 841** | **102 717** |
| **Net Assets** | | |
| Share capital | 10 | 10 |
| Revaluation reserves | 991 | 991 |
| Retained earnings | (93 367) | (27 052) |
| | **(92 366)** | **(26 051)** |
| **LIABILITIES** | | |
| **Non-current** | | |
| Loans and borrowings | 66 000 | - |
| Deferred tax liabilities | 270 | 270 |
| | **66 270** | **270** |
| **Current** | | |
| Loans and borrowings | 59 171 | 50 806 |
| Trade and other payables | 59 535 | 73 297 |
| Other liabilities | 1 231 | 4 395 |
| | **119 937** | **128 498** |
| **Total Liabilities** | **186 207** | **128 768** |
| **Total Equity and Liabilities** | **93 841** | **102 717** |

# LLC “Klintsovskaya TEC”
# Income statement

| | 2015 RUB’000 | 4 Q 2014 RUB’000 |
|---|---|---|
| Sales revenue | 226 131 | 87 403 |
| Cost of sales | (257 666) | (103 687) |
| **Gross profit / (loss)** | **(31 535)** | **(16 284)** |
| Selling and marketing expenses | (2 704) | (887) |
| Administrative expenses | (15 179) | (2 950) |
| Other operating expenses, net | (300) | (73) |
| **Operating profit / (loss)** | **(49 718)** | **(20 194)** |
| Net finance costs | (8 440) | (1 264) |
| Other income / (expense), net | (22 899) | (34) |
| **Profit / (loss) before income tax** | **(81 057)** | **(21 492)** |
| Income tax expense, net | 14 742 | 6 473 |
| **Profit /(loss) for the period** | **(66 315)** | **(15 019)** |

# LLC “Klintsovskaya TEC”
# Statement of Cash Flows

| | 2015<br>RUB’000 | 4 Q 2014<br>RUB’000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / (loss) for the period before taxation | (81 058) | (21 492) |
| Adjustments for: | | |
| Depreciation and amortization | 833 | 196 |
| Impairment of trade and other receivables | 18 858 | - |
| Interest expense | 8 365 | 1 241 |
| VAT non-deductible | 39 | 28 |
| Provision for unused vacation | (297) | 463 |
| | **(53 260)** | **(19 564)** |
| (Increase) / decrease in inventories in course of operational activities | 14 | (4 519) |
| (Increase) / decrease in trade and other receivables in course of operational activities | (913) | (48 238) |
| Increase / (decrease) in trade and other payables in course of operational activities | (16 631) | 62 623 |
| Income taxes paid | - | - |
| **Net cash from operating activities** | **(70 790)** | **(9 698)** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and intangible assets | (95) | (98) |
| **Net cash used in investing activities** | **(95)** | **(98)** |
| **Cash flows from financing activities** | | |
| Proceeds from loans and borrowings | 66 000 | 13 500 |
| **Net cash (used in) / from financing activities** | **66 000** | **13 500** |
| **Net increase in cash and cash equivalents** | **(4 885)** | **3 704** |
| Cash and cash equivalents at beginning of year | 5 436 | 1 732 |
| **Cash and cash equivalents at end of year** | **551** | **5 436** |

# LLC “Klintsovskaya TEC”
# Statement of Changes in Net Assets

| | **Share capital** RUB'000 | **Revaluation reserves** RUB'000 | **Retained earnings** RUB'000 | **Total Net Assets** RUB'000 |
|---|---|---|---|---|
| **Balance at 1 October 2014** | **10** | **991** | **(12 033)** | **(11 032)** |
| Loss for the period | - | - | (15 019) | (15 019) |
| **Balance at 31 December 2014** | **10** | **991** | **(27 052)** | **(26 051)** |
| **Balance at 1 January 2015** | **10** | **991** | **(27 052)** | **(26 051)** |
| Loss for the period | - | - | (66 315) | (66 315) |
| **Balance at 31 December 2015** | **10** | **991** | **(93 367)** | **(92 366)** |

# LLC “Klintsovskaya TSK”
# Statement of Financial Position

| | 31 December 2015 RUB’000 | 01 August 2015 RUB’000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current** | | |
| Property, plant and equipment | 18 668 | 19 835 |
| Intangible assets | | |
| Deferred tax assets | 4 083 | |
| | **22 751** | **19 835** |
| **Current** | | |
| Inventories | 506 | 1 |
| Trade and other receivables | 11 111 | 100 |
| Other assets | 3 715 | |
| Cash and cash equivalents | 689 | |
| | **16 021** | **101** |
| **Total Assets** | **38 772** | **19 936** |
| **Net Assets** | | |
| Share capital | 19 935 | 19 935 |
| Revaluation reserves | - | - |
| Retained earnings | (17 115) | - |
| | **2 820** | **19 935** |
| **LIABILITIES** | | |
| **Current** | | |
| Loans and borrowings | 1 012 | - |
| Trade and other payables | 34 593 | 1 |
| Other liabilities | 347 | - |
| | **35 952** | **1** |
| **Total Liabilities** | **35 952** | **1** |
| **Total Equity and Liabilities** | **38 772** | **19 936** |

# LLC "Klintsovskaya TSK"
# Income statement

| | 2015<br>RUB'000 |
|---|---|
| Sales revenue | 52 236 |
| Cost of sales | (70 764) |
| **Gross profit / (loss)** | **(18 528)** |
| Selling and marketing expenses | (388) |
| Administrative expenses | (2 328) |
| Other operating expenses, net | (195) |
| **Operating profit / (loss)** | **(21 439)** |
| Net finance costs | (80) |
| Other income / (expense), net | 321 |
| **Profit / (loss) before income tax** | **(21 198)** |
| Income tax expense, net | 4 083 |
| **Profit /(loss) for the period** | **(17 115)** |

# LLC "Klintsovskaya TSK"
# Statement of Cash Flows

| | 2015<br>RUB'000 |
|---|---|
| **Cash flows from operating activities** | |
| Profit / (loss) for the period before taxation | (21 198) |
| Adjustments for: | |
| Depreciation and amortization | 1 167 |
| Interest expense | 48 |
| VAT non-deductible | - |
| Provision for unused vacation | - |
| | **(19 983)** |
| (Increase) / decrease in inventories in course of operational activities | (505) |
| (Increase) / decrease in trade and other receivables in course of operational activities | (14 726) |
| Increase / (decrease) in trade and other payables in course of operational activities | 34 939 |
| Income taxes paid | (36) |
| **Net cash from operating activities** | **(311)** |
| **Cash flows from investing activities** | |
| Purchase of property, plant and equipment and intangible assets | - |
| **Net cash used in investing activities** | **-** |
| **Cash flows from financing activities** | |
| Proceeds from loans and borrowings | 1 000 |
| **Net cash (used in) / from financing activities** | **1 000** |
| **Net increase in cash and cash equivalents** | **689** |
| Cash and cash equivalents at beginning of year | - |
| **Cash and cash equivalents at end of year** | **689** |

# LLC "Klintsovskaya TSK"
# Statement of Changes in Net Assets

| | Share capital RUB'000 | Revaluation reserves RUB'000 | Retained earnings RUB'000 | Total Net Assets RUB'000 |
|---|---|---|---|---|
| **Balance at 1 August 2015** | **19 935** | **-** | **-** | **19 935** |
| Loss for the period | - | - | (17 115) | (17 115) |
| **Balance at 31 December 2015** | **19 935** | **-** | **(17 115)** | **2 820** |

# LLC “VTK”
# Statement of Financial Position

| | 31 December 2015 RUB’000 | 31 December 2014 RUB’000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current** | | |
| Property, plant and equipment | 241 | - |
| Intangible assets | 7 | 5 |
| Deferred tax assets | 5 973 | 2 727 |
| | **6 221** | **2 732** |
| **Current** | | |
| Inventories | 991 | 288 |
| Trade and other receivables | 19 193 | 21 349 |
| Other assets | 2 708 | 3 262 |
| Cash and cash equivalents | 4 810 | 2 938 |
| | **27 702** | **27 837** |
| **Total Assets** | **33 923** | **30 569** |
| **Net Assets** | | |
| Share capital | 50 | 50 |
| Revaluation reserves | - | - |
| Retained earnings | (25 369) | (10 912) |
| | **(25 319)** | **(10 862)** |
| **LIABILITIES** | | |
| **Current** | | |
| Loans and borrowings | 1 | 1 500 |
| Trade and other payables | 27 499 | 38 683 |
| Other liabilities | 1 742 | 1 248 |
| | **29 242** | **41 431** |
| **Total Liabilities** | **59 242** | **41 431** |
| **Total Equity and Liabilities** | **33 923** | **30 569** |

# LLC "VTK"
# Income statement

| | 2015 RUB'000 | 2014 RUB'000 |
|---|---|---|
| Sales revenue | 121 780 | 40 204 |
| Cost of sales | (120 959) | (48 419) |
| **Gross profit / (loss)** | **821** | **(8 215)** |
| Selling and marketing expenses | | |
| Administrative expenses | (8 912) | (5 269) |
| Other operating expenses, net | (6) | (5) |
| **Operating profit / (loss)** | **(8 097)** | **(13 489)** |
| Net finance costs | (2 026) | (122) |
| Other income / (expense), net | (7 580) | 3 |
| **Profit / (loss) before income tax** | **(17 703)** | **(13 608)** |
| Income tax expense, net | 3 246 | 2 721 |
| **Profit /(loss) for the period** | **(14 457)** | **(10 887)** |

# LLC “VTK”
# Statement of Cash Flows

| | 2015 RUB’000 | 2014 RUB’000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / (loss) for the period before taxation | (17 703) | (13 608) |
| Adjustments for: | | |
| Depreciation and amortization | 20 | 2 |
| Impairment and write-off of doubtful trade and other receivables | 7 251 | - |
| Interest expense | 1 942 | 63 |
| VAT non-deductible | 6 | 5 |
| Provision for unused vacation | 173 | 614 |
| | **(8 311)** | **(12 924)** |
| (Increase) / decrease in inventories in course of operational activities | (703) | (289) |
| (Increase) / decrease in trade and other receivables in course of operational activities | (5 878) | (23 214) |
| Increase / (decrease) in trade and other payables in course of operational activities | (10 898) | 39 281 |
| Interest paid | (1 977) | (27) |
| Income taxes paid | 1 402 | (1 402) |
| **Net cash from operating activities** | **(26 365)** | **1 425** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and intangible assets | (263) | (7) |
| **Net cash used in investing activities** | **(263)** | **(7)** |
| **Cash flows from financing activities** | | |
| Proceeds from loans and borrowings | 36 340 | 1 930 |
| Repayment of loans and borrowings | (7 840) | (430) |
| **Net cash (used in) / from financing activities** | **28 500** | **1 500** |
| **Net increase in cash and cash equivalents** | **1 872** | **2 918** |
| Cash and cash equivalents at beginning of year | 2 938 | 20 |
| **Cash and cash equivalents at end of year** | **4 810** | **2 938** |

# LLC “VTK”
# Statement of Changes in Net Assets

| | Share capital RUB'000 | Revaluation reserves RUB'000 | Retained earnings RUB'000 | Total Net Assets RUB'000 |
|---|---|---|---|---|
| **Balance at 1 January 2014** | **50** | **-** | **(24)** | **26** |
| Loss for the period | - | - | (10 887) | (10 887) |
| **Balance at 31 December 2014** | **50** | **-** | **(10 911)** | **(10 861)** |
| **Balance at 1 January 2015** | **50** | **-** | **(10 911)** | **(10 861)** |
| Loss for the period | - | - | (14 457) | (14 457) |
| **Balance at 31 December 2015** | **50** | **-** | **(25 368)** | **(25 318)** |