

Auditor's opinion on accounting (financial) report for 2014

March 2015

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Independent auditor's report

To the shareholders of Open joint stock company of Power industry and electrification of Kuban

We have completed an audit of the attached hereto accounting (financial) report of Open joint stock company of Power industry and electrification of Kuban (hereinafter – Kubanenergo JSC), which comprises balance sheet as of 31 December 2014, profit and loss statement for 2014, appendixes.

Responsibility of the audited entity for the accounting (financial) report

Management of Kubanenergo bears responsibility for preparation and credibility of the accounting (financial) report drawn up in accordance with rules of Russian Federation for preparation of the accounting (financial) report and for the internal control system necessary for preparation of accounting (financial) report that do not contain material misstatements caused by fraud or faults.

Responsibility of the auditor

Our responsibility is to express opinion on the credibility of the consolidated financial statements on the basis of the carried out audit.

We have carried out the audit in accordance of federal standards of audit activities applied in the Russian Federation and International Auditing Standards. The standards require the observance of code of ethics as well as planning and performing the audit so that to make sure that the accounting (financial) report does not content material misstatements.

An audit contains the audit procedures aimed to find the audit evidences proving the figures in accounting report and the disclosed information. The choice of the procedures is the subject-matter of our estimations that are based on the risk assessment of the material misstatements caused by fraud or faults. During the risk assessment the auditor checks the system of internal control, which provides preparation and credibility of accounting (financial) report, in order to choose the appropriate audit procedures, but not with the purpose to evaluate the efficiency of internal control system. An audit also includes the appraisal of the accounting policy and validity of estimated figures, as well as the appraisal of performance of accounting report in general.

We consider that the audit evidence we have obtained is sufficient and appropriate to express qualified opinion.

Reasons to express qualified opinion

In accordance with accounting policy of Kubanenergo JSC fixed assets related to homogeneous groups, production buildings and equipment for power conversion, are included in current recovery value. The Company did not reevaluate and did not include in accounting (financial) report 2012 revaluation of homogeneous groups of fixed assets as of 31 December 2012. Quantitative estimate of deviations from the requirement cannot be carried out with sufficient reliability.

Qualified opinion

We believe that except influence of fact on comparatives of accounting (financial) report, specified in paragraph “Reasons to express qualified opinion”, the accounting (financial) report truly depicts in all material respects the financial state of the Company as of 31 December 2014, results of its business activity and cash flow in 2014 in accordance with Russian standards of preparing accounting (financial) statements.

Other information

Audit of accounting (financial) report for 2012 was carried out by other auditor that issued auditor's report on 25 March 2013 with modified opinion on the fact that Company did not reevaluate as of 31 December 2012 the homogeneous groups, which in accordance with accounting policy are evaluated by recovery value, the report also included paragraph "Material conditions" where attention was paid to information on amendments related to 2011 made by the Company in accounting report in 2012.

Audit of accounting (financial) report for 2013 was carried out by other auditor that issued auditor's report on 18 April 2014 with modified opinion on the fact that Company did not reevaluate as of 31 December 2012 the homogeneous groups, which in accordance with accounting policy are evaluated by recovery value, the report also included paragraph "Material conditions" where attention was paid to information on changes in 2013 in accounting policy in regard of accounting of fixed assets.

The attached hereto accounting (financial) report does not aim to show financial state and results of activity in accordance with principles or methods of accounting applied by countries or other municipal territories except for Russian Federation. Therefore, the attached hereto accounting (financial) report is not meant for persons unacknowledged with principles, methods and procedures of accounting in Russian Federation.

Kalmykova A.B.
Partner
Ernst & young LLC
2 march 2015

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Information on te audit entity

Name: Kubanenergo JSC

Entry made to the Unified State Register of Legal Entities on 17 September 2002, state registration number 1022301427268.

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Information on the auditor

Ernst and Young LLC

Entry made to the Unified State Register of Legal Entities on 5 December 2002, state registration number 1027739707203.

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Ernst and Young is a Member of Non-profit partnership Audit Chamber of Russia