

**Group of companies “Russian Grids”  
(Russian Grids)**

**Consolidated Interim Condensed  
Financial Statements  
for the six months ended 30 June 2013  
(Unaudited)**

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## **Auditors' Report on Review of Consolidated Interim Condensed Financial Statements**

To the Shareholders and Board of Directors

JSC "Russian Grids"

### *Introduction*

We have reviewed the accompanying consolidated interim condensed statement of financial position of JSC "Russian Grids" (the "Company") and its subsidiaries (the "Group") as at 30 June 2013, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six - month period then ended, and notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Audited entity: JSC "Russian Grids"

Registered in the Unified State Register of Legal Entities on 4 April 2013 by Inter-Regional inspectorate of Federal Tax Service No.46 of Moscow, Registration No. 108776000019, Certificate series 77 No. 015768874.

26 Ulanskiy pereulok, Moscow, Russia, 107996

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 30 June 2013 and for the six - month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Sloutsky E.A.

Director, (power of attorney No. 49/10 dated 1 October 2010)

ZAO KPMG

29 August 2013

Moscow, Russian Federation

**Group of companies "Russian Grids"**  
*Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for the six months ended*  
*30 June 2013 (Unaudited)*  
*(in millions of Russian roubles, unless otherwise stated)*

	Notes	Six months ended 30 June 2013 Unaudited	Six months ended 30 June 2012 Unaudited Restated
Revenue and government subsidies	6	348,842	313,987
Operating expenses	7	(317,544)	(267,636)
Other income, net		1,315	1,043
<b>Results from operating activities</b>		<b>32,613</b>	<b>47,394</b>
Finance income	8	5,285	5,279
Finance costs	8	(35,511)	(19,722)
<b>Net finance costs</b>		<b>(30,226)</b>	<b>(14,443)</b>
Share of profit of equity accounted investees (net of income tax)		12	92
<b>Profit before income tax</b>		<b>2,399</b>	<b>33,043</b>
Income tax expense		(4,486)	(8,242)
<b>(Loss)/profit for the period</b>		<b>(2,087)</b>	<b>24,801</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of available-for-sale financial assets		(109)	(102)
Change in fair value of available-for-sale financial assets transferred to profit or loss		-	(30)
Foreign currency translation differences for foreign operations		81	23
Income tax on items that are or may be reclassified subsequently to profit or loss		20	14
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<b>(8)</b>	<b>(95)</b>
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurements of the defined benefit liability		1,032	94
Income tax on items that will never be reclassified to profit or loss		(131)	(18)
<i>Total items that will not be reclassified to profit or loss</i>		<b>901</b>	<b>76</b>
<b>Other comprehensive income/(loss) for the period, net of income tax</b>		<b>893</b>	<b>(19)</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(1,194)</b>	<b>24,782</b>

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 13 to 35.



**Group of companies "Russian Grids"**  
*Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for  
or the six months ended 30 June 2013 (Unaudited)  
(in millions of Russian roubles, unless otherwise stated)*

	Notes	Six months ended 30 June 2013 Unaudited	Six months ended 30 June 2012 Unaudited Restated
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		(1,840)	16,300
Non-controlling interest		(247)	8,501
<b>Total comprehensive (losses)/income attributable to:</b>			
Owners of the Company		(947)	16,281
Non-controlling interest		(247)	8,501
<b>(Loss)/earnings per share</b>			
	11		
Basic and diluted (loss)/earnings per ordinary share (in RUB)		(0.01)	0.11

These consolidated interim condensed financial statements were approved by management on 29 August 2013 and were signed on its behalf by:

First Deputy Director General  
for Economic Affairs and Finance

A. A. Demin



Chief Accountant

V.V. Shchukin

**Group of companies “Russian Grids”**  
*Consolidated Interim Condensed Statement of Financial Position as at 30 June 2013 (Unaudited)*  
*(in millions of Russian roubles, unless otherwise stated)*

	Notes	30 June 2013 Unaudited	31 December 2012 Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	1,680,119	1,639,737
Intangible assets		13,895	13,929
Investments in equity accounted investees		1,276	1,188
Non-current accounts receivable		7,617	12,559
Other investments and financial assets		33,872	60,687
Deferred tax assets		5,585	4,102
<b>Total non-current assets</b>		<b>1,742,364</b>	<b>1,732,202</b>
<b>Current assets</b>			
Inventories		26,065	20,855
Other investments and financial assets		27,455	56,056
Current tax assets		5,202	5,300
Trade and other receivables		113,683	118,771
Cash and cash equivalents		91,398	59,815
<b>Total current assets</b>		<b>263,803</b>	<b>260,797</b>
<b>Total assets</b>		<b>2,006,167</b>	<b>1,992,999</b>

**Group of companies “Russian Grids”**  
*Consolidated Interim Condensed Statement of Financial Position as at 30 June 2013 (Unaudited)*  
*(in millions of Russian roubles, unless otherwise stated)*

	Notes	30 June 2013 Unaudited	31 December 2012 Restated
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	10		
Share capital		59,322	49,947
Share premium		27,120	16,244
Treasury shares		(2,819)	(2,819)
Reserve for issue of shares		286,197	19,751
Other reserves		(4,440)	(5,333)
Retained earnings		521,671	808,864
<b>Total equity attributable to equity holders of the Company</b>		<b>887,051</b>	<b>886,654</b>
Non-controlling interest		330,580	335,765
<b>Total equity</b>		<b>1,217,631</b>	<b>1,222,419</b>
<b>Non-current liabilities</b>			
Loans and borrowings	12	379,109	381,868
Trade and other payables		16,332	15,061
Employee benefits		23,831	24,278
Deferred tax liabilities		73,777	72,818
<b>Total non-current liabilities</b>		<b>493,049</b>	<b>494,025</b>
<b>Current liabilities</b>			
Loans and borrowings	12	79,365	59,906
Trade and other payables		205,038	200,539
Provisions		10,773	14,566
Current tax liabilities		311	1,544
<b>Total current liabilities</b>		<b>295,487</b>	<b>276,555</b>
<b>Total liabilities</b>		<b>788,536</b>	<b>770,580</b>
<b>Total equity and liabilities</b>		<b>2,006,167</b>	<b>1,992,999</b>



**Group of companies "Russian Grids"**  
*Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2013 (Unaudited)*  
*(in millions of Russian roubles, unless otherwise stated)*

	<b>Six months ended 30 June 2013 Unaudited</b>	<b>Six months ended 30 June 2012 Unaudited Restated</b>
<b>OPERATING ACTIVITIES</b>		
(Loss)/profit for the period	<b>(2,087)</b>	<b>24,801</b>
<i>Adjustments for:</i>		
Depreciation, amortization and impairment	56,752	48,257
Finance costs	35,511	19,722
Finance income	(5,285)	(5,279)
Loss on disposal of property, plant and equipment	1,128	190
Share of profit of equity accounted investees (net of income tax)	(12)	(92)
Loss on disposal of subsidiaries	12	-
Other non-cash transactions	154	(372)
Income tax expense	4,486	8,242
<b>Operating profit before working capital changes and reserves</b>	<b>90,659</b>	<b>95,469</b>
Change in trade and other receivables	10,509	(6,536)
Change in financial assets related to employee benefit fund	71	259
Change in inventories	(5,210)	(4,943)
Change in trade and other payables	(553)	12,575
Change in employee benefit liabilities	(256)	(377)
Change in provisions	(3,793)	2,749
<b>Cash flows from operations before income taxes and interest paid</b>	<b>91,427</b>	<b>99,196</b>
Income taxes paid	(6,256)	(6,088)
Interest paid	(17,576)	(14,121)
<b>Net cash flows from operating activities</b>	<b>67,595</b>	<b>78,987</b>

**Group of companies "Russian Grids"**  
*Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2013 (Unaudited)*  
*(in millions of Russian roubles, unless otherwise stated)*

	<b>Six months ended 30 June 2013 Unaudited</b>	<b>Six months ended 30 June 2012 Unaudited Restated</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment and intangible assets	(86,003)	(108,262)
Proceeds from sale of property, plant and equipment	2,115	1,093
Acquisition of investments and placement of bank deposits	(32,874)	(45,744)
Proceeds from sale of investments and withdrawal of bank deposits	62,586	53,809
Dividends received	-	17
Interest received	3,349	2,705
<b>Net cash flows used in investing activities</b>	<b>(50,827)</b>	<b>(96,382)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loans and borrowings	86,076	43,382
Repayment of loans and borrowings	(69,997)	(26,436)
Purchase of non-controlling interest in subsidiaries	(764)	(4,948)
Proceeds from shares issued (see Note 10)	500	5,734
Dividends paid	-	(29)
Payment of finance lease liabilities	(1,000)	(2,290)
<b>Net cash flows from financing activities</b>	<b>14,815</b>	<b>15,413</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>31,583</b>	<b>(1,982)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>59,815</b>	<b>74,480</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>91,398</b>	<b>72,498</b>

## Attributable to equity holders of the Company

	Share capital	Share premium	Treasury shares	Reserve for issue of shares	Reserve for purchase of shares of subsidiaries	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2012, as previously reported	45,039	6,036	(1,786)	9,382	-	280	207,790	266,741	177,136	443,877
Impact of change in accounting policy	-	-	-	-	-	(2,152)	(2,205)	(4,357)	-	(4,357)
Effect of FGC acquisition (see note 3(b))	-	-	(1,033)	-	-	518	571,519	571,004	148,595	719,599
Balance at 1 January 2012 (restated)	45,039	6,036	(2,819)	9,382	-	(1,354)	777,104	833,388	325,731	1,159,119
Profit for the period	-	-	-	-	-	-	16,300	16,300	8,501	24,801
Other comprehensive income	-	-	-	-	-	(15)	-	(15)	-	(15)
Income tax on other comprehensive income	-	-	-	-	-	(4)	-	(4)	-	(4)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19)</b>	<b>16,300</b>	<b>16,281</b>	<b>8,501</b>	<b>24,782</b>
<b>Transactions with owners, recorded directly in equity</b>										
<b>Contributions by and distributions to owners</b>										
Issue of shares (see Note 10)	4,908	10,208	-	(9,382)	-	-	-	5,734	-	5,734
Dividends	-	-	-	-	-	-	(145)	(145)	(1,336)	(1,481)
Effect of employee share options	-	-	-	-	-	-	515	515	-	515
<b>Total contributions by and distributions to owners</b>	<b>4,908</b>	<b>10,208</b>	<b>-</b>	<b>(9,382)</b>	<b>-</b>	<b>-</b>	<b>370</b>	<b>6,104</b>	<b>(1,336)</b>	<b>4,768</b>
<b>Changes in ownership interests in subsidiaries</b>										
Purchase of shares issued by subsidiaries	-	-	-	-	-	-	1,585	1,585	(662)	923
Purchase of non-controlling interest in subsidiaries without a change in control (see Note 10)	-	-	-	-	(4,894)	-	63	(4,831)	(117)	(4,948)
<b>Total transactions with owners, recorded directly in equity</b>	<b>4,908</b>	<b>10,208</b>	<b>-</b>	<b>(9,832)</b>	<b>(4,894)</b>	<b>-</b>	<b>2,018</b>	<b>2,858</b>	<b>(2,115)</b>	<b>743</b>
<b>Balance at 30 June 2012 (unaudited)</b>	<b>49,947</b>	<b>16,244</b>	<b>(2,819)</b>	<b>-</b>	<b>(4,894)</b>	<b>(1,373)</b>	<b>795,422</b>	<b>852,527</b>	<b>332,117</b>	<b>1,184,644</b>

**Group of companies “Russian Grids”**  
*Consolidated Interim Condensed Statement of Changes in Equity for the six months ended 30 June 2013 (Unaudited)*  
*(in millions of Russian roubles, unless otherwise stated)*

	<b>Attributable to equity holders of the Company</b>							<b>Non- controlling interest</b>	<b>Total equity</b>
	<b>Share capital</b>	<b>Share premium</b>	<b>Treasury shares</b>	<b>Reserve for issue of shares</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total</b>		
Balance at 1 January 2013, as previously reported	49,947	16,244	(1,786)	19,751	190	225,583	309,929	184,757	494,686
Impact of change in accounting policy	-	-	-	-	(4,239)	(1,576)	(5,815)	276	(5,539)
Effect of FGC acquisition (see note 3(b))	-	-	(1,033)	-	(1,284)	584,857	582,540	150,732	733,272
Balance at 1 January 2013 (restated)	49,947	16,244	(2,819)	19,751	(5,333)	808,864	886,654	335,765	1,222,419
Loss for the period	-	-	-	-	-	(1,840)	(1,840)	(247)	(2,087)
Other comprehensive income	-	-	-	-	1,004	-	1,004	-	1,004
Income tax on other comprehensive income	-	-	-	-	(111)	-	(111)	-	(111)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>893</b>	<b>(1,840)</b>	<b>(947)</b>	<b>(247)</b>	<b>(1,194)</b>
<b>Transactions with owners, recorded directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Issue of shares (see Note 10)	9,375	10,876	-	266,446	-	(286,197)	500	-	500
Dividends	-	-	-	-	-	(141)	(141)	(3,364)	(3,505)
Effect of employee share options	-	-	-	-	-	175	175	-	175
<b>Total contributions by and distributions to owners</b>	<b>9,375</b>	<b>10,876</b>	<b>-</b>	<b>266,446</b>	<b>-</b>	<b>(286,163)</b>	<b>534</b>	<b>(3,364)</b>	<b>(2,830)</b>
<b>Changes in ownership interests in subsidiaries</b>									
Purchase of shares issued by subsidiaries	-	-	-	-	-	1,079	1,079	(1,079)	-
Purchase of non-controlling interest in subsidiaries without a change in control	-	-	-	-	-	(269)	(269)	(495)	(764)
<b>Total transactions with owners, recorded directly in equity</b>	<b>9,375</b>	<b>10,876</b>	<b>-</b>	<b>266,446</b>	<b>-</b>	<b>(285,353)</b>	<b>1,344</b>	<b>(4,938)</b>	<b>(3,594)</b>
<b>Balance at 30 June 2013 (unaudited)</b>	<b>59,322</b>	<b>27,120</b>	<b>(2,819)</b>	<b>286,197</b>	<b>(4,440)</b>	<b>521,671</b>	<b>887,051</b>	<b>330,580</b>	<b>1,217,631</b>

## **1 Background**

### **(a) The Group and its operations**

Joint Stock Company "Interregional Distribution Grid Companies Holding" (hereinafter referred to as "JSC IDGC Holding" or "the Company") was established on 1 July 2008 in accordance with the resolution of the Extraordinary General Meeting of the Shareholders of the Unified Energy System of Russia (hereinafter referred to as "RAO UES") dated 26 October 2007 by the means of spin-off from RAO UES.

On 23 March 2013 at an Extraordinary General Meeting of Shareholders of JSC IDGC Holding the decision was made to amend the Charter of JSC "IDGC Holding", under which it was renamed JSC "Russian Grids" ("the Company"). On 4 April 2013 the respective changes to the Charter of JSC "IDGC Holding" were registered by the Inter-Regional inspectorate of Federal Tax Service №46 of Moscow.

The ordinary and preference shares of the Company are traded on the MICEX-RTS Stock Exchange. Also GDRs of the Company are listed on the London Stock Exchange.

The Company's registered office is located at 26 Ulanskiy pereulok, Moscow, Russia, 107996.

The group of companies "Russian Grids" (Russian Grids) (hereinafter referred to as "the Group") comprises JSC "Russian Grids" and its subsidiaries presented in Note 4.

The Group's principal activities are electricity distribution and technological connection services. In addition several Group subsidiaries sell electricity.

### **(b) Russian business environment**

The Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

### **(c) Relations with state and current regulations**

The Group's strategic business units (see Note 5) are regional natural monopolies. The Russian Government directly affects the Group's operations through the system of regional tariffs.

In accordance with legislation the Group's tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commission in each region.

As at 30 June 2013 the Russian Government owned 63.69% of the voting ordinary shares and 7.01 % of the preference shares of the Company (31 December 2012: 56.58% of the voting ordinary shares and 7.01 % of the preference shares). The Russian Government, through the Federal Agency for the Management of Federal Property, is the ultimate controlling party of the Company. The Russian Government supports the Group due to its strategic position for economy of the Russian Federation. The Group's customer base includes a number of state-controlled entities.

## **2 Basis of preparation**

### **(a) Statement of compliance**

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2012. These consolidated interim condensed financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

### **(b) Use of judgments, estimates and assumptions**

Preparing the interim financial statements requires Management to make judgements, estimates assumptions that affect the application of accounted policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim condensed financial statements significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2012, except for judgements described in Note 2 (c).

### **(c) Business combination under common control**

In accordance with Decree No. 1567 of the President of the Russian Federation dated 22 November 2012 "On the Open Joint Stock Company Russian Grids", on 14 June 2013 the Federal State Property Management Agency contributed as payment for the additional share issue of JSC "Russian Grids" ordinary shares of OJSC FGC UES (hereinafter referred to as "FGC") in the amount of 1,009,146,315,079 shares, which constitutes 79.64% of the charter capital of OJSC FGC UES. As a result of this transaction the Group obtained control over OJSC FGC UES, stemming from the following:

- The majority of the voting shares in FGC belong to the Company;
- Its 79.64% interest in the share capital of FGC allows the Company to select the majority of the members of FGC's Board of Directors;
- Although the Shareholder Agreement prescribing the relationship between the Federal Agency for State Property Management ("the Agency") and the Company stipulates that instructions on a range of important issues of the competence of the governing bodies of FGC should be confirmed by the Agency, there is a mechanism that nevertheless allows the Group's management to exercise control over FGC. Thus, under the Shareholder Agreement, the Company's representatives on the Board of Directors are obliged to vote as instructed by the Company on a broad list of items on the agenda at Board meetings.

In these financial statements the combination of the Group with the FGC Group was recognized in accordance with the accounting policy as a combination of entities under common control.

The assets and liabilities of the entities that participated in the combination are recognized at carrying amount recognised in the consolidated financial statements of the FGC Group prepared in accordance with IFRS and adjusted in accordance with the requirements of the IFRS accounting policy of the Group, including recognition of the property, plant and equipment at their historical cost.

Comparative data were revised as the above-mentioned transaction was recognised as if the combination had occurred at the beginning of the earliest comparative data presented in the financial statements. The effect of the restatement is presented in Note 3 (b).

### **3 Significant accounting policies**

Except for the adoption of the new standards and interpretations effective as of 1 January 2013, the accounting policies applied by the Group were consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2012.

#### **(a) Changes in accounting policies**

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IAS 19 (Revised 2011) *Employee Benefits*, IFRS 10 *Consolidated Financial Statements*, IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

#### **Amendment to IAS 1 *Presentation of items of other comprehensive income***

The Amendment requires an entity to present separately items of other comprehensive income that could be reclassified in the future to profit or loss from those items that will never be reclassified to profit or loss. In addition, according to the Amendment the title of statement of comprehensive income was changed to statement of profit or loss and other comprehensive income. However, use of other titles is permitted.

#### **IAS 19 (2011) *Employee Benefits*:**

The standard has been significantly amended in relation to defined benefits plans, including the following:

- the corridor method is removed and, therefore, all changes in the present value of the defined benefit obligation and in the fair value of plan assets will be recognised immediately as they occur;
- remeasurements of the net defined benefit obligation (asset) are recognised only in other comprehensive income, the current ability to recognise all changes in the defined benefit obligation and plan assets in profit or loss is eliminated;
- the expected return on plan assets recognised in profit or loss will be calculated based on the rate used to discount the defined benefit obligation.

Besides, new disclosures, such as quantitative sensitivity analysis, are now required.

The Group applied IAS 19 (2011) to its pension plan which is a defined benefit plan retrospectively beginning from 1 January 2012. As a result, past service costs are recognised in full amount as expense as at the earlier of the following dates: (a) the date of plan amendment or plan curtailment, and (b) the date when the related restructuring costs or termination benefits are recognised.



Previously the entity recognised past service costs as an expense on the straight-line basis over the average period until the benefits become vested.

According to IAS 19 (2011) remeasurements of the net defined benefit obligation (asset) are recognised in other comprehensive income. Previously the Group applied the corridor method.

The effect of the restatement is presented in Note 3 (b).

**IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements**

IFRS 10 introduces a single control model that applies to all entities including special purpose entities. IFRS 10 supersedes a part of previously effective IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. The new standard changes the definition of control such that an investor controls an investee when:

- it has power over the investee;
- it is exposed, or has rights, to variable returns from its involvement with the investee, and
- it has the ability to affect those returns through its power over the investee (i.e. there is a link between power and returns).

This standard had no impact on the consolidation of the Group's investees.

**IFRS 13 Fair Value Measurement** supersedes the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. Comparative disclosure information is not required for periods before the date of initial application.

The application of IFRS 13 has not had a significant impact on the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures of fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required by IAS 34.16A(j) for the consolidated interim condensed financial statements.

**(b) Effect of the restatement**

The application of the revised IAS 19 and acquisition of FGC had the following impact on the financial position of the Group:

**Group of companies “Russian Grids”**

*Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)  
(in millions of Russian roubles, unless otherwise stated)*

<b>1 January 2012</b>	<b>As previously reported</b>	<b>Effect of FGC acquisition</b>	<b>Effect of revised IAS 19</b>	<b>As restated</b>
Property, plant and equipment	687,489	754,198	-	1,441,687
Intangible assets	4,368	6,973	-	11,341
Investments in equity accounted investees	1,280	911	-	2,191
Non-current accounts receivable	16,818	338	-	17,156
Non-current other investments and financial assets	9,837	82,713	-	92,550
Deferred tax assets	2,599	-	-	2,599
<b>Total non-current assets</b>	<b>722,391</b>	<b>845,133</b>	<b>-</b>	<b>1,567,524</b>
Inventories	12,907	6,238	-	19,145
Current other investments and financial assets	8,728	21,921	-	30,649
Current tax assets	4,516	1,910	-	6,426
Trade and other receivables	81,682	37,704	-	119,386
Cash and cash equivalents	48,853	25,627	-	74,480
<b>Total current assets</b>	<b>156,686</b>	<b>93,400</b>	<b>-</b>	<b>250,086</b>
<b>Total assets</b>	<b>879,077</b>	<b>938,533</b>	<b>-</b>	<b>1,817,610</b>
Share capital	45,039	-	-	45,039
Share premium	6,036	-	-	6,036
Treasury shares	(1,786)	(1,033)	-	(2,819)
Reserve for issue of shares	9,382	-	-	9,382
Reserves	280	518	(2,152)	(1,354)
Retained earnings	207,790	571,519	(2,205)	777,104
<b>Total equity attributable to equity holders of the Company</b>	<b>266,741</b>	<b>571,004</b>	<b>(4,357)</b>	<b>833,388</b>
Non-controlling interest	177,136	148,595	-	325,731
<b>Total equity</b>	<b>443,877</b>	<b>719,599</b>	<b>(4,357)</b>	<b>1,159,119</b>
Non-current loans and borrowings	168,831	130,778	-	299,609
Non-current trade and other payables	30,081	22	-	30,103
Employee benefits	9,660	5,044	5,291	19,995
Deferred tax liabilities	32,478	35,791	(934)	67,335
<b>Total non-current liabilities</b>	<b>241,050</b>	<b>171,635</b>	<b>4,357</b>	<b>417,042</b>
Current loans and borrowings	28,965	2,005	-	30,970
Current trade and other payables	158,689	45,789	-	204,478
Provisions	5,977	(778)	-	5,199
Current tax liabilities	519	283	-	802
<b>Total current liabilities</b>	<b>194,150</b>	<b>47,299</b>	<b>-</b>	<b>241,449</b>
<b>Total liabilities</b>	<b>435,200</b>	<b>218,934</b>	<b>4,357</b>	<b>658,491</b>
<b>Total equity and liabilities</b>	<b>879,077</b>	<b>938,533</b>	<b>-</b>	<b>1,817,610</b>

**Group of companies “Russian Grids”**

*Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)  
(in millions of Russian roubles, unless otherwise stated)*

<b>31 December 2012</b>	<b>As previously reported</b>	<b>Effect of FGC acquisition</b>	<b>Effect of revised IAS 19</b>	<b>As restated</b>
Property, plant and equipment	760,857	878,880	-	1,639,737
Intangible assets	4,609	9,320	-	13,929
Investments in equity accounted investees	104	1,084	-	1,188
Non-current accounts receivable	12,424	135	-	12,559
Non-current other investments and financial assets	10,144	50,543	-	60,687
Deferred tax assets	3,711	391	-	4,102
<b>Total non-current assets</b>	<b>791,849</b>	<b>940,353</b>	<b>-</b>	<b>1,732,202</b>
Inventories	13,742	7,113	-	20,855
Current other investments and financial assets	35,105	20,951	-	56,056
Current tax assets	3,156	2,144	-	5,300
Trade and other receivables	93,193	25,578	-	118,771
Cash and cash equivalents	35,691	24,124	-	59,815
<b>Total current assets</b>	<b>180,887</b>	<b>79,910</b>	<b>-</b>	<b>260,797</b>
<b>Total assets</b>	<b>972,736</b>	<b>1,020,263</b>	<b>-</b>	<b>1,992,999</b>
Share capital	49,947	-	-	49,947
Share premium	16,244	-	-	16,244
Treasury shares	(1,786)	(1,033)	-	(2,819)
Reserve for issue of shares	19,751	-	-	19,751
Reserves	190	(1,284)	(4,239)	(5,333)
Retained earnings	225,583	584,857	(1,576)	808,864
<b>Total equity attributable to equity holders of the Company</b>	<b>309,929</b>	<b>582,540</b>	<b>(5,815)</b>	<b>886,654</b>
Non-controlling interest	184,757	150,732	276	335,765
<b>Total equity</b>	<b>494,686</b>	<b>733,272</b>	<b>(5,539)</b>	<b>1,222,419</b>
Non-current loans and borrowings	188,763	193,105	-	381,868
Non-current trade and other payables	18,868	(3,807)	-	15,061
Employee benefits	9,930	7,338	7,010	24,278
Deferred tax liabilities	36,653	37,636	(1,471)	72,818
<b>Total non-current liabilities</b>	<b>254,214</b>	<b>234,272</b>	<b>5,539</b>	<b>494,025</b>
Current loans and borrowings	40,098	19,808	-	59,906
Current trade and other payables	168,263	32,276	-	200,539
Provisions	14,106	460	-	14,566
Current tax liabilities	1,369	175	-	1,544
<b>Total current liabilities</b>	<b>223,836</b>	<b>52,719</b>	<b>-</b>	<b>276,555</b>
<b>Total liabilities</b>	<b>478,050</b>	<b>286,991</b>	<b>5,539</b>	<b>770,580</b>
<b>Total equity and liabilities</b>	<b>972,736</b>	<b>1,020,263</b>	<b>-</b>	<b>1,992,999</b>

**Group of companies "Russian Grids"**

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)  
(in millions of Russian roubles, unless otherwise stated)

The application of the revised IAS 19 and acquisition of FGC had the following impact on the consolidated interim condensed statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2012.

	<b>As previously reported</b>	<b>Effect of FGC acquisition</b>	<b>Effect of revised IAS 19</b>	<b>As restated</b>
Revenue and government subsidies	302,654	11,333	-	313,987
Operating expenses	(278,214)	9,788	790	(267,636)
Other income, net	713	330	-	1,043
Finance income	2,817	2,462	-	5,279
Finance costs	(6,066)	(13,153)	(503)	(19,722)
Share of profit of equity accounted investees (net of income tax)	97	(5)	-	92
Income tax expense	(6,384)	(1,902)	44	(8,242)
<b>Profit for the year</b>	<b>15,617</b>	<b>8,853</b>	<b>331</b>	<b>24,801</b>
Change in fair value of available-for-sale financial assets	(102)	-	-	(102)
Change in fair value of available-for-sale financial assets transferred to profit or loss	(30)	-	-	(30)
Foreign currency translation differences for foreign operations	-	23	-	23
Income tax on items that are or may be reclassified subsequently to profit or loss	14	-	-	14
Remeasurements of the defined benefit liability	-	-	94	94
Income tax on items that will never be reclassified to profit or loss	-	-	(18)	(18)
<b>Other comprehensive loss for the period, net of income tax</b>	<b>(118)</b>	<b>23</b>	<b>76</b>	<b>(19)</b>
<b>Total comprehensive income for the period</b>	<b>15,499</b>	<b>8,876</b>	<b>407</b>	<b>24,782</b>

The application of the revised IAS 19 had the following impact on the consolidated interim condensed statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2013

	<b>Six month ended 30 June 2013</b>
Operating expenses	457
Finance costs	(845)
Income tax expense	77
Loss for the period	<b>(311)</b>
Remeasurements of the defined benefit liability	1,032
Income tax on items that will never be reclassified to profit or loss	(131)
<b>Total other comprehensive income for the period, net of tax</b>	<b>901</b>
<b>Total comprehensive income for the period</b>	<b>590</b>

## 4 Significant subsidiaries

	Country of incorporation	30 June 2013	31 December 2012
		Unaudited Ownership/voting, %	Ownership/voting, %
JSC "Tyumenenergo"	Russian Federation	100	100
JSC "IDGC of Volga"	Russian Federation	67.63	67.63
JSC "IDGC of North Caucasus"	Russian Federation	93.21	81.33
JSC "IDGC of North-West"	Russian Federation	55.38	55.38
JSC "IDGC of Siberia"	Russian Federation	55.59	55.59
JSC "IDGC of South"	Russian Federation	51.66	51.66
JSC "IDGC of Urals"	Russian Federation	51.52	51.52
JSC "MOESK"	Russian Federation	50.9	50.9
JSC "Lenenergo"	Russian Federation	53.71 / 60.56	53.71 / 60.56
JSC "IDGC of Centre and Volga region"	Russian Federation	50.4	50.4
JSC "IDGC of Centre"	Russian Federation	50.23	50.23
JSC "Yantarenergo"	Russian Federation	100	100
JSC "TDC"	Russian Federation	85.77 / 94.58	77.90 / 85.52
JSC "FGC UES "	Russian Federation	79.64	79.55
JSC "Chechenenergo"	Russian Federation	51	51
JSC "Kubanenergo"	Russian Federation	89.45	82.08
JSC "Karachaevo-Cherkesskenergo"	Russian Federation	100	100
JSC "Kalmenergosbyt"	Russian Federation	100	100
JSC "Tyvaenergosbyt"	Russian Federation	100	100
JSC "Kabbalkenergo"	Russian Federation	65.27	65.27
JSC "Dagestan Power Sales Company"	Russian Federation	51	51
JSC "Sevkavkazenergo"	Russian Federation	55.94	55.94
JSC "Ingushenergo"	Russian Federation	49*	49*
JSC "Research Centre of IDGC"	Russian Federation	100	100
JSC "VNIPIenergoprom"	Russian Federation	100	100
JSC "Special design bureau for heat and power equipment VTI"	Russian Federation	100	100
JSC "Power Grid Optical Networks Engineering"	Russian Federation	100	100

	<b>Country of incorporation</b>	<b>30 June 2013</b>	<b>31 December 2012</b>
		<b>Unaudited</b>	<b>Ownership/voting,</b>
		<b>Ownership/voting,</b>	<b>Ownership/voting,</b>
		<b>%</b>	<b>%</b>
JSC “NEMC”	Russian Federation	55.71	55.71
JSC “Nedvizhimost VNIPIenergoprom”	Russian Federation	100	100
JSC “NIC of UES”	Russian Federation	100	100
JSC “NIC North - West”	Russian Federation	100	100
JSC “NIC Volga”	Russian Federation	100	100
JSC “NIC of the South”	Russian Federation	100	100
JSC “NIC Urals”	Russian Federation	100	100
JSC “NIC Siberia”	Russian Federation	100	100

\* The Group exercises control over these entities stemming from the majority representation on the Board of Directors.

## 5 Operating segments

The Group has fourteen reportable segments, as described below, which are the Group’s strategic business units. Each strategic business unit offers electricity distribution services including technological connection services in separate geographical regions of the Russian Federation and is managed separately. The “other” segment includes insignificant operating segments such as electricity transmission, electricity sales, rent services and repair and maintenance services. For each of the strategic business units, the Management Board reviews internal management reports on at least a quarterly basis. Unallocated items comprise assets and balances of the Group’s headquarter which exercises management activity on remuneration basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on earnings before interest expense, income tax and depreciation and amortisation (EBITDA), as included in the internal management reports that are reviewed by the Management Board. EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry.

Segment reports are based on the information reported in statutory accounts, which differ significantly from the consolidated financial statements prepared under IFRS. Reconciliation of items measured as reported to the Management Board with similar items in these consolidated interim condensed financial statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

(i) **Information about reportable segments**

For the six months ended 30 June 2013:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	IDGC Kubanenergo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Revenue from external customers	33,200	24,943	23,926	22,856	12,169	14,278	4,039	36,834	17,522	15,479	140	41,762	59,077	15,846	27,950	350,021
Inter-segment revenue	3	2	2,564	1	184	1	1,394	9	1,422	38	1,769	3	6	58,970	11,914	78,280
<b>Total segment revenue</b>	<b>33,203</b>	<b>24,945</b>	<b>26,490</b>	<b>22,857</b>	<b>12,353</b>	<b>14,279</b>	<b>5,433</b>	<b>36,843</b>	<b>18,944</b>	<b>15,517</b>	<b>1,909</b>	<b>41,765</b>	<b>59,083</b>	<b>74,816</b>	<b>39,864</b>	<b>428,301</b>
Including																
<i>Electricity transmission</i>	28,272	24,111	26,058	19,078	12,117	14,141	5,151	30,453	14,783	14,159	1,729	31,281	54,223	73,977	4,205	353,738
<i>Connection services</i>	516	668	301	92	185	110	212	298	77	1 282	88	272	4,690	287	457	9,535
<i>Electricity sales</i>	4,355	-	-	3,589	-	-	-	5,974	3,952	-	-	9,846	-	-	24,343	52,059
<i>Other revenue</i>	60	166	131	98	51	28	70	118	132	76	92	366	170	552	10,859	12,969
<b>EBITDA</b>	<b>1,221</b>	<b>3,404</b>	<b>2,869</b>	<b>2,717</b>	<b>2,716</b>	<b>(154)</b>	<b>1,533</b>	<b>5,879</b>	<b>2,017</b>	<b>3,982</b>	<b>328</b>	<b>6,762</b>	<b>18,857</b>	<b>32,201</b>	<b>(1,043)</b>	<b>83,289</b>



For the six months ended 30 June 2012:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kubanenergo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
Revenue from external customers	28,215	22,584	24,059	24,381	12,057	13,630	3,496	29,213	13,800	17,212	148	33,853	55,157	10,120	26,773	314,698
Inter-segment revenue	6	91	2,180	1	172	-	1,549	7	1,513	28	1,586	23	10	56,236	12,571	75,973
<b>Total segment revenue</b>	<b>28,221</b>	<b>22,675</b>	<b>26,239</b>	<b>24,382</b>	<b>12,229</b>	<b>13,630</b>	<b>5,045</b>	<b>29,220</b>	<b>15,313</b>	<b>17,240</b>	<b>1,734</b>	<b>33,876</b>	<b>55,167</b>	<b>66,356</b>	<b>39,344</b>	<b>390,671</b>
Including																
<i>Electricity transmission</i>	27,491	22,085	25,443	24,190	11,697	13,320	4,925	28,652	14,603	14,141	1,536	33,273	48,680	65,393	3,920	339,349
<i>Connection services</i>	669	329	602	90	475	272	31	413	500	3,017	95	285	6,326	503	239	13,846
<i>Electricity sales</i>	-	-	-	-	-	-	-	-	81	-	-	-	-	-	23,813	23,894
<i>Other revenue</i>	61	261	194	102	57	38	89	155	129	82	103	318	161	460	11,372	13,582
<b>EBITDA</b>	<b>1,883</b>	<b>5,095</b>	<b>2,312</b>	<b>3,797</b>	<b>2,786</b>	<b>(662)</b>	<b>1,236</b>	<b>4,615</b>	<b>2,418</b>	<b>4,498</b>	<b>33</b>	<b>9,196</b>	<b>20,799</b>	<b>31,811</b>	<b>(995)</b>	<b>88,822</b>

As at 30 June 2013:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kubanenergo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
<b>Segment assets</b>	<b>57,924</b>	<b>142,063</b>	<b>52,217</b>	<b>60,708</b>	<b>45,728</b>	<b>51,196</b>	<b>35,185</b>	<b>87,980</b>	<b>49,596</b>	<b>137,778</b>	<b>6,663</b>	<b>99,499</b>	<b>284,755</b>	<b>1,131,202</b>	<b>105,190</b>	<b>2,347,684</b>
<i>Including property, plant and equipment</i>	44,715	126,296	41,366	53,247	31,648	35,157	27,836	68,902	37,189	115,587	4,643	79,156	220,205	951,236	42,226	1,879,409

As at 31 December 2012:

	IDGC Siberia and TDC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kubanenergo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC UES	Other	Total
<b>Segment assets</b>	<b>57,905</b>	<b>141,400</b>	<b>50,259</b>	<b>60,818</b>	<b>43,843</b>	<b>42,974</b>	<b>32,410</b>	<b>84,374</b>	<b>45,488</b>	<b>131,740</b>	<b>6,257</b>	<b>99,113</b>	<b>286,747</b>	<b>1,122,995</b>	<b>101,199</b>	<b>2,307,522</b>
<i>Including property, plant and equipment</i>	45,265	126,198	40,359	53,047	31,302	31,207	28,337	67,566	37,001	115,075	4,639	79,221	216,883	937,032	41,978	1,855,110

(ii) **Reconciliations of reportable segment EBITDA**

Reconciliation of reportable segment EBITDA is presented below:

	<b>Six months ended 30 June 2013 Unaudited</b>	<b>Six months ended 30 June 2012 Unaudited</b>
<b>EBITDA of reportable segments</b>	<b>83,289</b>	<b>88,822</b>
Adjustment for disposal of property, plant and equipment	(585)	(174)
Adjustment for inventories valuation	(30)	(19)
Discounting of financial instruments	485	748
Bad debt allowance adjustment	(4,525)	1,636
Adjustments for financial lease	1,701	2,880
Accrued salaries and wages	(494)	(865)
Retirement benefit obligations recognition	(585)	(77)
Assets related to employee benefit fund	149	(234)
Other provisions	78	(2,634)
Adjustments for deferred expenses	315	446
Impairment of available-for-sale investments	(22,977)	(12,894)
Reversal of impairment of intercompany promissory notes	8,126	5,955
Other adjustments	3,963	2,743
Unallocated	(1,917)	961
	<b>66,993</b>	<b>87,294</b>
Depreciation, amortization and impairment	(56,752)	(48,257)
Interest expenses on financial liabilities measured at amortised cost	(7,632)	(5,356)
Financial leasing	(210)	(638)
Income tax expense	(4,486)	(8,242)
<b>(Loss)/profit for the period per consolidated interim condensed statement of profit or loss and other comprehensive income</b>	<b>(2,087)</b>	<b>24,801</b>

**6 Revenue and government subsidies**

	<b>Six months ended 30 June 2013 Unaudited</b>	<b>Six months ended 30 June 2012 Unaudited</b>
Electricity transmission	281,923	273,461
Electricity sales	51,539	20,375
Technological connection services	10,382	14,885
Other revenues	4,998	5,187
	<b>348,842</b>	<b>313,908</b>
Government subsidies	-	79
	<b>348,842</b>	<b>313,987</b>

Other revenue is comprised of rental income, repair and maintenance services, communication services, transportation services, etc.

From February 2013 JSC IDGC of Siberia, JSC IDGC of North-West, JSC IDGC of Centre, JSC IDGC of Centre and Volga Region and JSC IDGC of Volga undertook the functions of electricity supplier in several regions they operate. Hence, in addition to performing power transmission services, the group subsidiaries commenced performing power distribution services, including purchasing electricity on the wholesale market and selling it on the retail market, and entering into power purchase agreements with all customers, including householders. The functions of the electricity supplier will be undertaken by these subsidiaries until the effective date of the decision to provide the tender winner with the electricity supplier status in the abovementioned operating areas, but for not more than 12 months.

## 7 Operating expenses

	<b>Six months ended 30 June 2013 Unaudited</b>	<b>Six months ended 30 June 2012 Unaudited</b>
Personnel costs	71,886	64,595
Depreciation and amortization and impairment	56,752	48,257
Electricity transmission	54,662	51,499
Purchased electricity for compensation of technological losses	43,315	45,270
Purchased electricity for resale	28,767	12,628
Allowance for impairment of trade and other receivables	16,951	4,786
Raw materials and supplies	9,759	8,520
Repairs, maintenance and installation services	5,651	6,003
Taxes other than income tax	4,850	2,650
Rent	3,487	3,158
Security services	2,374	2,213
Consulting, legal and audit services	1,899	2,472
Insurance	1,839	1,753
Other expenses	15,352	13,832
	<b>317,544</b>	<b>267,636</b>

Other expenses are comprised mainly of transportation cost, telecommunication and information services, bank charges, travel allowance, labour safety expense and training expense.

Out of total amount of allowance for impairment of trade and other receivables recognized in the reporting period RUB 5,220 million relate to impairment of trade receivables from regional distribution entities which lost status of electricity supplier resulted in cease of their operating activity and insolvency. The remainder of the impairment loss mainly relates to disagreements with other regional distribution entities.

## 8 Finance income and costs

	<b>Six months ended 30 June 2013</b>	<b>Six months ended 30 June 2012</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Recognised in profit or loss</b>		
<i>Finance income</i>		
Interest income on loans, bank deposits and promissory notes	3,867	4,096
Gain on disposal of financial assets	304	77
Other finance income	1,114	1,106
	<b>5,285</b>	<b>5,279</b>
<i>Finance costs</i>		
Interest expenses on financial liabilities measured at amortised cost	(7,632)	(5,356)
Financial leasing	(210)	(638)
Impairment loss on available-for-sale financial assets	(22,977)	(12,894)
Other finance costs	(4,692)	(834)
	<b>(35,511)</b>	<b>(19,722)</b>

As a result of a further decline in the fair value of equity investments in OJSC "INTER RAO UES" below their cost the Group recognized an impairment loss of RR 22,977 million (six months ended 30 June 2012: RUB 12,894 million) in impairment loss on available-for-sale investments within profit or loss.

## 9 Property, plant and equipment

	Land and buildings	Transmis- sion networks	Equipment for electricity transmission	Other	Construc- tion in progress	Total
Balance at 1 January 2012	145,242	603,625	463,709	144,367	497,792	1,854,735
Additions	2,811	749	1,325	1,837	102,413	109,135
Transfer	3,812	13,928	21,069	2,995	(41,804)	-
Disposals	(453)	(369)	(1,119)	(632)	(470)	(3,043)
Balance at 30 June 2012 (unaudited)	<b>151,412</b>	<b>617,933</b>	<b>484,984</b>	<b>148,567</b>	<b>557,931</b>	<b>1,960,827</b>
<i>Depreciation and impairment</i>						
Balance at 1 January 2012	(23,198)	(187,245)	(135,703)	(60,516)	(7,243)	(413,905)
Depreciation charge	(3,871)	(17,914)	(15,482)	(10,561)	-	(47,828)
Impairment	-	-	-	-	279	279
Disposals	73	124	798	442	-	1,437
Balance at 30 June 2012 (unaudited)	<b>26,996</b>	<b>(205,035)</b>	<b>(150,387)</b>	<b>(70,635)</b>	<b>(6,964)</b>	<b>(460,017)</b>
<i>Net book value</i>						
At 1 January 2012	<b>122,044</b>	<b>416,380</b>	<b>328,006</b>	<b>83,851</b>	<b>490,549</b>	<b>1,440,830</b>
At 30 June 2012 (unaudited)	<b>124,416</b>	<b>412,898</b>	<b>334,597</b>	<b>77,932</b>	<b>550,967</b>	<b>1,500,810</b>

**Group of companies "Russian Grids"**

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)  
(in millions of Russian roubles, unless otherwise stated)

	<b>Land and buildings</b>	<b>Transmis- sion networks</b>	<b>Equipment for electricity transmission</b>	<b>Other</b>	<b>Construc- tion in progress</b>	<b>Total</b>
Balance at 1 January 2013	168,412	741,711	598,269	179,245	463,328	2,150,965
Reclassifications	(448)	460	(1)	(11)	-	-
Additions	2,093	1,686	842	3,203	91,657	99,481
Transfer	2,893	16,521	11,281	4,021	(34,716)	-
Disposals	(351)	(443)	(2,408)	(502)	(1,503)	(5,207)
Balance at 30 June 2013 (unaudited)	<b>172,599</b>	<b>759,935</b>	<b>607,983</b>	<b>185,956</b>	<b>518,766</b>	<b>2,245,239</b>
<b>Depreciation and impairment</b>						
Balance at 1 January 2013	(30,256)	(224,797)	(166,940)	(80,298)	(8,937)	(511,228)
Reclassifications	(4)	(3)	1	6	-	-
Depreciation charge	(3,929)	(20,548)	(20,116)	(10,526)	-	(55,119)
Impairment	-	-	-	-	(670)	(670)
Disposals	85	178	1,152	482	-	1,897
Balance at 30 June 2013 (unaudited)	<b>(34,104)</b>	<b>(245,170)</b>	<b>(185,903)</b>	<b>(90,336)</b>	<b>(9,607)</b>	<b>(565,120)</b>
<b>Net book value</b>						
At 1 January 2013	<b>138,156</b>	<b>516,914</b>	<b>431,329</b>	<b>98,947</b>	<b>454,391</b>	<b>1,639,737</b>
At 30 June 2013 (unaudited)	<b>138,495</b>	<b>514,765</b>	<b>422,080</b>	<b>95,620</b>	<b>509,159</b>	<b>1,680,119</b>

## 10 Equity

### (a) Share capital

Number of shares unless  
otherwise stated

	<b>Ordinary shares</b>		<b>Preference shares</b>	
	<b>30 June 2013 Unaudited</b>	<b>31 December 2012</b>	<b>30 June 2013 Unaudited</b>	<b>31 December 2012</b>
Shares issued	57,247,302,465	47,871,694,416	2,075,149,384	2,075,149,384
Par value	RUB 1	RUB 1	RUB 1	RUB 1



**(b) Issuance of additional shares**

On 30 September 2011 the Board of Directors of the Company approved an increase in the Company's charter capital through issuance of 5,444,391,292 additional ordinary shares with a par value of 1 rouble each under an open subscription. The offering price was determined at 3.08 roubles per share. This share issuance was registered by the Federal Service for Financial Markets on 10 November 2011. On 16 April 2012 the share issue was completed and 4,907,627,335 shares were subscribed. The increase in share capital was registered on 28 June 2012. The amount of RUB 4,908 million and RUB 10,208 million was recognised as share capital and share premium within equity for the six months ended 30 June 2012, respectively.

On 20 November 2012 the Board of Directors of the Company approved an increase in the Company's charter capital through issuance of 16,885,114,442 additional ordinary shares with a par value of 1 rouble each under an open subscription. The offering price was determined at 2.16 roubles per share. This share issuance was registered by the Federal Service for Financial Markets on 3 December 2012. Advances received as prepayment for share issue as at 31 December 2012 in the amount of RUB 19,751 million were recognised as a reserve for issue of shares within equity.

On 4 March 2013 the share issue was completed and 9,375,608,049 shares were subscribed. The increase in share capital was registered on 19 March 2013. The amount of RUB 9,375 million and RUB 10,876 million was recognised as share capital and share premium within equity for the six months ended 30 June 2013, respectively.

On 6 May 2013 the Extraordinary General Meeting of Shareholders of the Company approved an increase in the Company's charter capital through issuance of 161,066,440,775 additional ordinary shares with a par value of 1 rouble each under an open subscription. The offering price was determined at 2.79 roubles per share. Ordinary shares of FGC received as the payment for the 102,578,477,101 shares acquired as at 30 June 2013 in the amount of RUB 286,197 million were recognised as a reserve for issue of shares within equity until the increase in share capital is registered.

**(c) Non-controlling interest**

***Purchase of non-controlling interest in subsidiaries***

In April 2012, the Group prepaid RUB 4,302 million for 27,260,040 ordinary shares of JSC "Kubanenergo", the Group's subsidiary, and RUB 525 million and RUB 67 million for 979,267,684 ordinary and 158,213,911 preference shares of JSC "TDC", the Group's subsidiary, respectively. A prepayment for shares of subsidiaries in the amount of RUB 4,894 million was recognised as a reserve for purchase of shares of subsidiaries within equity as at 30 June 2012.

In November 2012 the Group completed acquisition of 27,260,040 ordinary shares of its subsidiary JSC "Kubanenergo" for a cash consideration of RUB 4,302 million from non-controlling shareholder. As a result of the transaction the ownership interest of the Group in JSC "Kubanenergo" increased to 82.08%.

In November 2012 the Group completed acquisition of 979,267,684 ordinary and 158,213,911 preference shares of JSC "TDC" for a cash consideration of RUB 525 million and RUB 67 million respectively. As a result of the transaction the ownership interest of the Group in JSC "TDC" increased to 77.90%.

**(d) Dividends**

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

At the annual shareholders meeting held on 28 June 2013 the decision was made not to declare dividends for ordinary and preference shares according to the results of 2012 and to declare dividends for preference shares in the amount of RUB 0.08 per share from the previous year's retained earnings.

**11 (Loss)/earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2013 was based on the loss attributable to ordinary shareholders of RUB 1,816 million (six months ended 30 June 2012: profit: RUB 16,074 million), and a weighted average number of ordinary shares outstanding of 158,230 million (six months ended 30 June 2012: 147,693 million), as shown below\*.

<i>In millions of shares</i>	<b>2013</b>	<b>2012</b>
Issued shares at 1 January	47,872	42,964
Effect of own shares held	(1,516)	(1,516)
Effect of shares issued for FGC acquisition	102,578	102,578
Effect of shares issued	9,296	3,667
<b>Weighted average number of shares for the six months ended 30 June</b>	<b>158,230</b>	<b>147,693</b>
	<b>Six months ended 30 June 2013 Unaudited</b>	<b>Six months ended 30 June 2012 Unaudited</b>
Total (loss)/profit attributable to holders of ordinary shares	(1,816)	16,074
Weighted average number of ordinary shares for the six months ended 30 June (in millions of shares)	158,230	147,693
<b>(Loss)/earnings per ordinary share (in RUB) – basic and diluted</b>	<b>(0.01)</b>	<b>0.11</b>

\* - The effect of shares issued for FGC acquisition was recognised retrospectively.

## 12 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings and financial lease liabilities, which are measured at amortised cost.

	<b>30 June 2013</b>	<b>31 December 2012</b>
	<b>Unaudited</b>	
<b><i>Non-current liabilities</i></b>		
Unsecured loans	158,593	197,148
Unsecured bonds issued	219,556	183,576
Promissory notes	7	7
Financial lease liabilities	953	1,137
	<b>379,109</b>	<b>381,868</b>
<b><i>Current liabilities</i></b>		
Current portion of unsecured loans and bonds	68,835	55,715
Current portion of secured loans and bonds	9	20
Unsecured loans	9,584	2,339
Promissory notes	368	479
Loans from other related parties, including current portion of long-term loans	-	27
Current portion of financial lease liabilities	569	1,326
	<b>79,365</b>	<b>59,906</b>

The Group raised the following bank loans and issued the following bonds during the six months ended 30 June 2013:

	<b>Amount</b>	<b>Interest rate</b>	<b>Maturity</b>
Unsecured bonds	50,994	7.15-9%	2016-2048
Unsecured bank loans*	20,815*	7.01-11%	2014-2025
Unsecured bank loans	9,002	7.71-12%	2013-2016
Unsecured bank loans	1,627	7.5-9.5%	2013-2016
Unsecured bank loans*	1,011*	10%	2013-2014
Unsecured bank loans	1,005	7.31-11.8%	2013-2017
Unsecured bank loans*	680*	10%	2013-2014
Unsecured bank loans	943	10-14.5%	2013-2015

\*- Loans from government-related entities

The Group repaid the following significant bank facilities and bonds during the six months ended 30 June 2013:

	<b>Amount</b>
Loans from government-related entities	13,161
Other loans	56,748

With respect to bank loan amounting to RUB 4,658 million at 30 June 2013 and repayable in 2020, the Group's subsidiary has breached a loan covenant relating to EBITDA to interest paid ratio and Net debt to EBITDA ratio. As a result, the bank can request repayment on demand and Group has

classified the loan as short-term borrowings. No waiver has been received from the bank as at 30 June 2013.

## 13 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2012.

The fair values of financial assets and liabilities approximate the carrying amounts as at 30 June 2013 except for the following:

	<u>Carrying value</u>	<u>Fair value</u>
<b>Financial liabilities</b>		
Loans and borrowings	458,474	433,483

As at 30 June 2013 the Group holds investments in equity shares of RUB 25,505 million classified as available for sale which are listed on MICEX-RTS, measured at fair value and belong to Level 1 in the fair value hierarchy. Valuation of available-for sale investments is made on a recurring basis using quoted market prices

## 14 Commitments

As at 30 June 2013 the Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 326,497 million (as at 31 December 2012: RUB 322,097 million).

## 15 Contingencies

### (a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

### (b) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

**(c) Legal proceedings**

The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group and which have not been accrued or disclosed in these consolidated interim condensed financial statements except for those disclosed in Note 15 (e).

**(d) Environmental matters**

The Group and its predecessors have operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. The Group's management periodically evaluates its obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated, but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

**(e) Other contingencies**

Management believes that all Group's sales arrangements are generally in compliance with the Russian legislation regulating electric power transmission. However, based on uncertainty of legislation that regulates the lease of Unified National Electricity Network property by the Group ("last-mile") there is a risk that customers may challenge that the Group has no legal ground to invoice them and hence recognize revenue for electric power transmission services provided via leased "last-mile" grids and courts agree with the customers' view. The potential amount of such claims could be significant, but cannot be reliably estimated as each claim has individual legal circumstances and respective estimation should be based on variety of assumptions and judgments, which makes it impracticable. As at 30 June 2013 the Group was defendant in "last-mile" lawsuits for the total amount of RUB 9,945 million. The Group did not recognise any provision for those claims as it believes that it is not probable that related outflow of resources will take place. After the reporting date the Group won "last-mile" lawsuits amounting to RUB 6,322 million.

## **16 Related party transactions**

**(a) Control relationships**

The Russian Government holds the majority of the voting rights of the Company and it is the ultimate controlling party of the Group.

**(b) Transactions with government-related entities**

In the course of its operating activities the Group is engaged in significant transactions with government-related entities. Revenues and purchases from government-related entities are measured at regulated tariffs where applicable.

Revenues from government-related entities for the six months ended 30 June 2013 constitute 29% (six months ended 30 June 2012: 33%) of total Group revenues, including 33% (six months ended 30 June 2012: 36%) of electricity transmission revenues.

Electricity transmission costs (including purchased electricity for compensation of technological losses) for government-related entities for the six months ended 30 June 2013 constitute 27% (six months ended 30 June 2012: 25%) of total transmission costs.

Significant loans from government-related entities raised and repaid during the period are disclosed in Note 12.

**(c) Pricing policies**

Related party revenue for electricity transmission is based on the tariffs determined by the government.

**(d) Management remuneration**

The Group identifies members of Boards of Directors, members of Management Boards and top managers of the Company and its subsidiaries as key management personnel.

There are no transactions or balances with key management and close family members except their remuneration in the form of salary and bonuses.

Key management received the following remuneration during the period, which is included in personnel costs:

	<b>Six months ended 30 June 2013 Unaudited</b>	<b>Six months ended 30 June 2012 Unaudited</b>
Salaries and bonuses	<u>2,046</u>	<u>2,335</u>

**17 Events after the reporting period**

There were no significant events during the period from the reporting date till the date of approval of these consolidated interim condensed financial statements.