

JSC “FGC UES”

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

IAS 34 “INTERIM FINANCIAL REPORTING” AS ADOPTED BY THE EU

FOR THE SIX MONTHS ENDED 30 JUNE 2013

(UNAUDITED)

CONTENTS

Report on Review of Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statement of Financial Position (Unaudited).....	4
Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited).....	5
Condensed Consolidated Interim Statement of Cash Flows (Unaudited).....	6
Condensed Consolidated Interim Statement of Changes in Equity (Unaudited).....	7

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Note 1. JSC “FGC UES” and its operations.....	9
Note 2. Basis of preparation.....	9
Note 3. Summary of significant accounting policies.....	9
Note 4. Balances and transactions with related parties.....	11
Note 5. Property, plant and equipment.....	12
Note 6. Available-for-sale investments.....	13
Note 7. Promissory notes.....	13
Note 8. Cash and cash equivalents.....	13
Note 9. Accounts receivable and prepayments.....	14
Note 10. Equity.....	14
Note 11. Income tax.....	14
Note 12. Debt.....	15
Note 13. Accounts payable and accrued charges.....	15
Note 14. Revenue.....	15
Note 15. Operating expenses.....	16
Note 16. Finance income.....	16
Note 17. Finance costs.....	16
Note 18. Loss per ordinary share for loss attributable to shareholders of FGC UES.....	16
Note 19. Contingencies, commitments, operating and financial risks.....	17
Note 20. Segment information.....	17
Note 21. Events after the reporting period.....	18



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Auditors' Report on review of Condensed Consolidated Interim Financial Statements

To the Shareholders and Board of Directors of Joint-Stock Company
"Federal Grid Company of Unified Energy System" (JSC "FGC UES")

Introduction

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

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of condensed consolidated interim 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.

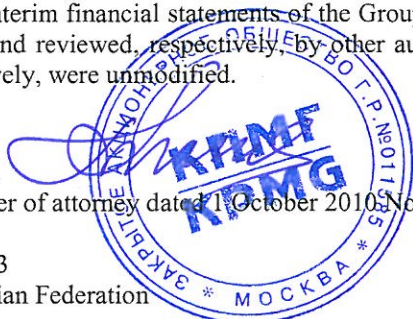
Conclusion

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

Other Matter

The consolidated financial statements as at and for the year ended 31 December 2012 and the condensed consolidated interim financial statements of the Group as at 30 June 2012 and for the six-month period then ended were audited and reviewed, respectively, by other auditors whose reports dated 22 April 2013 and 15 November 2012, respectively, were unmodified.

Altukhov K.V.
Director, (power of attorney dated 1 October 2010 No.24/10)
ZAO KPMG
27 August 2013
Moscow, Russian Federation



Audited entity: JSC "FGC UES"

Registered by the Registration chamber of the Leningrad region on 25 June 2002, Registration No. 00/03124.

Entered in the Unified State Register of Legal Entities on 20 August 2002 by the Tax Inspectorate of Tosnensky area of the Leningrad region of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1024701893336, Certificate series 47 No. 000872082.

5A Akademika Chelomeya Street, Moscow 117630, Russian Federation

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.

JSC "FGC UES"

Condensed Consolidated Interim Statement of Financial Position (Unaudited) (in millions of Russian Rouble unless otherwise stated)

	Notes	30 June 2013	31 December 2012 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,118,301	1,096,535
Intangible assets		9,367	9,319
Investments in associates		1,491	1,403
Available-for-sale investments	6	26,586	50,617
Long-term promissory notes	7	939	1,457
Other non-current assets		2,880	4,498
Total non-current assets		1,159,564	1,163,829
Current assets			
Cash and cash equivalents	8	37,192	24,056
Bank deposits		1,043	980
Short-term promissory notes	7	13,973	23,380
Loans given		49	38
Accounts receivable and prepayments	9	37,373	38,808
Income tax prepayments		1,173	2,143
Inventories		7,776	7,007
Total current assets		98,579	96,412
TOTAL ASSETS		1,258,143	1,260,241
EQUITY AND LIABILITIES			
Equity			
Share capital: Ordinary shares	10	633,570	630,193
Treasury shares	10	(4,782)	(4,917)
Share premium		10,501	10,501
Reserves		310,761	311,519
Accumulated deficit		(52,281)	(42,237)
Equity attributable to shareholders of FGC UES		897,769	905,059
Non-controlling interest		345	733
Total equity		898,114	905,792
Non-current liabilities			
Deferred income tax liabilities		79,120	80,489
Non-current debt	12	186,158	193,200
Retirement benefit obligations		6,958	7,294
Total non-current liabilities		272,236	280,983
Current liabilities			
Accounts payable to shareholders of FGC UES		10	3,257
Current debt and current portion of non-current debt	12	39,400	23,218
Accounts payable and accrued charges	13	48,300	46,816
Income tax payable		83	175
Total current liabilities		87,793	73,466
Total liabilities		360,029	354,449
TOTAL EQUITY AND LIABILITIES		1,258,143	1,260,241

Authorised for issue and signed on behalf of the Management Board:

27 August 2013

First Deputy Chairman of the Management Board

Head of Accounting and Financial Reporting – Chief Accountant

 A.E. Murov
 A.P. Noskov

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements

JSC “FGC UES”

Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited) (in millions of Russian Rouble unless otherwise stated)

	Notes	Six months ended 30 June 2013	Six months ended 30 June 2012 (restated)
Revenues	14	75,826	66,909
Other operating income		1,445	1,447
Operating expenses	15	(66,329)	(53,310)
(Impairment) / reversal of impairment of property, plant and equipment, net		(392)	267
Operating profit		10,551	15,313
Finance income	16	1,977	1,934
Finance costs	17	(349)	(332)
Impairment of available-for-sale investments	6	(22,977)	(12,895)
(Impairment) / reversal of impairment of promissory notes		(451)	303
Reversal of impairment of investments in associates		-	313
Share of result of associates		8	(1)
(Loss) / profit before income tax		(11,241)	4,635
Income tax	11	322	(657)
(Loss) / profit for the period		(10,919)	3,978
Other comprehensive income / (loss)			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of retirement benefit obligations		546	-
Change in revaluation reserve for property, plant and equipment in associates		-	260
Income tax relating to items that will not be reclassified		(49)	-
Total items that will not be reclassified to profit or loss		497	260
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value of available-for-sale investments	6	(24,031)	(13,559)
Impairment of available-for-sale investments recycled to profit or loss	6	22,977	12,895
Foreign currency translation difference		80	24
Income tax relating to items that may be reclassified		211	133
Total items that may be reclassified to profit or loss		(763)	(507)
Other comprehensive loss for the period, net of income tax		(266)	(247)
Total comprehensive (loss) / income for the period		(11,185)	3,731
(Loss) / profit attributable to:			
Shareholders of FGC UES	18	(10,536)	4,009
Non-controlling interest		(383)	(31)
Total comprehensive (loss) / income attributable to:			
Shareholders of FGC UES		(10,802)	3,762
Non-controlling interest		(383)	(31)
(Loss) / earnings per ordinary share for (loss) / profit attributable to shareholders of FGC UES – basic and diluted (in Russian Rouble)	18	(0.008)	0.003

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements

JSC “FGC UES”

Condensed Consolidated Interim Statement of Cash Flows (Unaudited) (in millions of Russian Rouble unless otherwise stated)

	Notes	Six months ended 30 June 2013	Six months ended 30 June 2012 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss) / profit before income tax		(11,241)	4,635
<i>Adjustments to reconcile (loss) / profit before income tax to net cash provided by operations</i>			
Depreciation of property, plant and equipment	15	27,435	20,186
Loss on disposal of property, plant and equipment		381	279
Amortisation of intangible assets		409	278
Impairment / (reversal of impairment) of property, plant and equipment, net	5	392	(267)
Impairment of available-for-sale investments	6	22,977	12,895
Impairment / (reversal of impairment) of promissory notes		451	(303)
Reversal of impairment of investments in associates		-	(313)
Share of result of associates		(8)	1
Accrual of allowance for doubtful debtors	15	3,738	1,933
Share-based compensation		135	361
Finance income	16	(1,977)	(1,934)
Finance costs	17	349	332
Other non-cash operating (income) / expense		(3)	7
Operating cash flows before working capital changes and income tax paid		43,038	38,090
<i>Working capital changes:</i>			
Increase in accounts receivable and prepayments		(1,101)	(2,145)
Increase in inventories		(769)	(1,177)
Decrease in other non-current assets		134	46
Increase in accounts payable and accrued charges		2,268	4,364
Decrease in retirement benefit obligations		(48)	(112)
Income tax paid		(19)	(1,613)
Net cash generated by operating activities		43,503	37,453
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(42,235)	(58,882)
Proceeds from disposal of property, plant and equipment		211	341
Purchase of intangible assets		(457)	(803)
Purchase of promissory notes		(13,079)	(35,000)
Redemption of promissory notes		23,597	45,027
Investment in bank deposits		(1,618)	(1,897)
Redemption of bank deposits		1,555	2,046
Interest received		1,187	1,169
Net cash used in investing activities		(30,839)	(47,999)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from non-current borrowings		40,000	20,000
Repayment of non-current borrowings		(32,000)	-
Repayment of current borrowings		-	(59)
Repayment of lease		(75)	(75)
Interest paid		(7,453)	(4,994)
Net cash generated by financing activities		472	14,872
Net increase in cash and cash equivalents		13,136	4,326
Cash and cash equivalents at the beginning of the period	8	24,056	25,627
Cash and cash equivalents at the end of the period	8	37,192	29,953

The accompanying notes on are an integral part of these Condensed Consolidated Interim Financial Statements

JSC “FGC UES”

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited) (in millions of Russian Rouble unless otherwise stated)

	Notes	Attributable to shareholders of FGC UES					Total	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Reserves	Accumulated deficit			
As at 1 January 2013, as previously reported		630,193	10,501	(4,917)	313,117	(41,831)	907,063	733	907,796
Effect of changes in accounting policies		-	-	-	(1,598)	(406)	(2,004)	-	(2,004)
As at 1 January 2013 (restated)		630,193	10,501	(4,917)	311,519	(42,237)	905,059	733	905,792
Comprehensive income / (loss) for the period									
Loss for the period		-	-	-	-	(10,536)	(10,536)	(383)	(10,919)
<i>Other comprehensive income / (loss), net of related income tax</i>									
Change in revaluation reserve for property, plant and equipment		-	-	-	(492)	492	-	-	-
Change in fair value of available-for-sale investments	6	-	-	-	(19,224)	-	(19,224)	-	(19,224)
Impairment of available-for-sale investments recycled to profit or loss	6	-	-	-	18,381	-	18,381	-	18,381
Remeasurements of retirement benefit obligations		-	-	-	497	-	497	-	497
Foreign currency translation difference		-	-	-	80	-	80	-	80
Total other comprehensive (loss) / income		-	-	-	(758)	492	(266)	-	(266)
Total comprehensive loss for the period		-	-	-	(758)	(10,044)	(10,802)	(383)	(11,185)
Transactions with shareholders of FGC UES recorded directly in equity									
Issue of share capital	10	3,377	-	-	-	-	3,377	-	3,377
Share-based compensation		-	-	135	-	-	135	-	135
Dividends declared		-	-	-	-	-	-	(5)	(5)
Total transactions with shareholders of FGC UES		3,377	-	135	-	-	3,512	(5)	3,507
As at 30 June 2013		633,570	10,501	(4,782)	310,761	(52,281)	897,769	345	898,114

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements

JSC “FGC UES”

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited) (in millions of Russian Rouble unless otherwise stated)

	Notes	Attributable to shareholders of FGC UES					Total	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Reserves	Accumulated deficit			
As at 1 January 2012, as previously reported		627,974	10,501	(5,522)	314,323	(49,962)	897,314	793	898,107
Effect of changes in accounting policies		-	-	-	148	(511)	(363)	-	(363)
As at 1 January 2012 (restated)		627,974	10,501	(5,522)	314,471	(50,473)	896,951	793	897,744
Comprehensive income / (loss) for the period									
Profit / (loss) for the period		-	-	-	-	4,009	4,009	(31)	3,978
<i>Other comprehensive income / (loss), net of related income tax</i>									
Change in revaluation reserve for property, plant and equipment		-	-	-	(388)	388	-	-	-
Change in revaluation reserve for property, plant and equipment of associates		-	-	-	260	-	260	-	260
Change in fair value of available-for-sale investments	6	-	-	-	(10,846)	-	(10,846)	-	(10,846)
Impairment of available-for-sale investments recycled to profit or loss	6	-	-	-	10,315	-	10,315	-	10,315
Foreign currency translation difference		-	-	-	24	-	24	-	24
Total other comprehensive (loss) / income		-	-	-	(635)	388	(247)	-	(247)
Total comprehensive income / (loss) for the period		-	-	-	(635)	4,397	3,762	(31)	3,731
Transactions with shareholders of FGC UES recorded directly in equity									
Issue of share capital		2,219	-	-	-	-	2,219	-	2,219
Share-based compensation		-	-	361	-	-	361	-	361
Recovery of unclaimed dividends		-	-	-	-	1	1	-	1
Total transactions with shareholders of FGC UES		2,219	-	361	-	1	2,581	-	2,581
As at 30 June 2012 (restated)		630,193	10,501	(5,161)	313,836	(46,075)	903,294	762	904,056

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements

JSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

Note 1. JSC “FGC UES” and its operations

Joint-Stock Company “Federal Grid Company of Unified Energy System” (“FGC UES” or the “Company”) was established in June 2002 for the purpose of operating and managing the electricity transmission grid infrastructure of the Russian Unified National Electric Grid (the “UNEG”).

FGC UES and its subsidiaries (the “Group”) act as the natural monopoly operator for the UNEG. The Group’s principal operating activities consist of providing electricity transmission services, providing connection to the electricity grid, maintaining the electricity grid system, technical supervision of grid facilities and investment activities in the development of the UNEG. The majority of the Group’s revenues are generated via tariffs for electricity transmission, which are approved by the Russian Federal Tariff Service (the “FTS”) based on the Regulatory Asset Base (“RAB”) regulation. FGC UES’s main customers are distribution grid companies (“IDGCs”), certain large commercial end customers and retail electricity supply companies.

On 14 June 2013 the Government of the Russian Federation (the “RF”) transferred its stake in FGC UES to OJSC “Russian Grids” (former OJSC “IDGC Holding”), the holding company of an electricity distribution group, controlled by the Government of the RF. As a result of this share transfer, as at 30 June 2013, FGC UES was 79.64% owned and controlled by OJSC “Russian Grids”. The remaining shares are traded on Moscow Interbank Currency Exchange and as Global Depository Receipts on the London Stock Exchange.

The registered office of the Company is located at 5A Akademika Chelomeya Street, Moscow 117630, Russian Federation.

Relationships with the state. The Government of the RF is the ultimate controlling party of FGC UES. The Government directly affects the Group’s operations via regulation over tariff by the FTS and its investment program is subject to approval by both the FTS and the Ministry of Energy. Ultimately the Government supports the Group due to its strategic position in the Russian Federation. The Government’s economic, social and other policies could have a material impact on the Group’s operations.

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 RF, which display characteristics of an emerging market. The legal, tax and regulatory framework continue to develop, but are subject to varying interpretations and frequent changes which contribute to the challenges faced by entities operating in the RF (Note 19). These condensed consolidated interim financial statements (“Condensed Consolidated Interim Financial Statements”) reflect management’s assessment of the impact of the Russian business environment on the operations and financial position of the Group. The future business environment may differ from management’s assessment.

Seasonality of business. The Group’s services are not seasonal.

Note 2. Basis of preparation

Statement of compliance. These Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union (the “EU”). They do not include all the information required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Selected explanatory notes are included to explain events and transactions that are significant for understanding of changes in the Group’s financial position and performance since the last annual consolidated financial statements. All information should be read in conjunction with the Group’s audited consolidated financial statements as at and for the year ended 31 December 2012 prepared in accordance with IFRS.

Critical accounting estimates and assumptions. In preparing these Condensed Consolidated Interim Financial Statements, the 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 at and for the year ended 31 December 2012.

Note 3. Summary of significant accounting policies

Except for the adoption of the new standards and interpretations effective for the annual periods beginning on 1 January 2013 and adopted by the EU, the accounting policies followed in the preparation of these Condensed Consolidated Interim Financial Statements were consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2012. Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual profit or loss.

JSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

Note 3. Summary of significant accounting policies (continued)

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

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 will be recognised immediately as they occur;
- remeasurements of the net defined benefit obligation are recognised only in other comprehensive income, the current ability to recognise all changes in the defined benefit obligation in profit or loss is eliminated.

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

The Group applied IAS 19 (2011) to its defined benefit pension plans 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 are recognised in other comprehensive income. Previously the Group applied the corridor method.

The application of the revised standard had the following impact on the Group’s financial position (in RR million):

<i>As at 1 January 2012:</i>	As previously reported	Effect of changes in accounting policies	As restated
Retirement benefit obligations	4,686	358	5,044
Deferred income tax liabilities	80,572	5	80,577
Total liabilities	265,570	363	265,933
Reserves	314,323	148	314,471
Accumulated deficit	(49,962)	(511)	(50,473)
Total equity	898,107	(363)	897,744

<i>As at 31 December 2012:</i>	As previously reported	Effect of changes in accounting policies	As restated
Retirement benefit obligations	5,164	2,130	7,294
Deferred income tax liabilities	80,615	(126)	80,489
Total liabilities	352,445	2,004	354,449
Reserves	313,117	(1,598)	311,519
Accumulated deficit	(41,831)	(406)	(42,237)
Total equity	907,796	(2,004)	905,792

JSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

Note 3. Summary of significant accounting policies (continued)

Changes in condensed consolidated interim statement of comprehensive income:

<i>For the six months ended 30 June 2012:</i>	As previously reported	Effect of changes in accounting policies	As restated
Operating expenses	(53,584)	274	(53,310)
Finance costs	(129)	(203)	(332)
Income tax	(650)	(7)	(657)
Profit for the period	3,914	64	3,978
Other comprehensive loss for the period, net of income tax	(247)	-	(247)
Total comprehensive income for the period	3,667	64	3,731

Note 4. Balances and transactions with related parties

Government-related entities. During the six months ended 30 June 2013 and 2012 the Group had the following significant transactions with government-related entities:

	Six months ended 30 June 2013	Six months ended 30 June 2012
Transmission revenue	64,146	60,136
Electricity sales	451	266
Connection services	22	99
Purchased electricity for production needs	3,526	3,337

Significant balances with government-related entities are presented below:

	30 June 2013	31 December 2012
Cash and cash equivalents	27,183	9,637
Short-term promissory notes	4,431	17,264
Trade receivables (Net of allowance for doubtful debtors of RR 4,973 million as at 30 June 2013 and RR 2,508 million as at 31 December 2012)	22,041	15,806
Available-for-sale investments	26,586	50,617
Non-current debt	(3,658)	(35,700)
Accounts payable and accrued charges	(15,911)	(15,137)

As at 30 June 2013 the Group had long-term undrawn committed financing facilities with government-related banks of RR 102,000 million (as at 31 December 2012: RR 70,000 million) (Note 12). There were no short-term undrawn committed financing facilities with government-related banks as at 30 June 2013 and 31 December 2012.

Tax balances and charges are disclosed in Notes 11, 13 and 15. Tax transactions are disclosed in the Consolidated Interim Statement of Comprehensive Income.

Directors' compensation. Total remuneration in the form of salary, bonuses and non-cash benefits (social security contributions are not included) provided to the members of the Management Board for the six months ended 30 June 2013 and 2012 was as follows:

	Six months ended 30 June 2013	Six months ended 30 June 2012
Short-term compensation, including salary and bonuses	181	168
Termination benefits	141	-
Post-employment benefits and other long-term benefits	2	11
Share-based compensation	63	227
Total	387	406

No remuneration was provided to the members of the Board of Directors for the six months ended 30 June 2013 and 2012.

JSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

Note 5. Property, plant and equipment

	Buildings	Power transmission grids	Substations	Construction in progress	Other	Total
Appraisal value or cost						
Balance as at 1 January 2013	19,131	554,868	285,543	315,161	31,350	1,206,053
Additions	491	19	193	48,087	1,396	50,186
Transfers	547	6,490	3,908	(11,486)	541	-
Disposals	-	(129)	(689)	(31)	(47)	(896)
Reversal of impairment provision	-	-	-	5	-	5
Balance as at 30 June 2013	20,169	561,248	288,955	351,736	33,240	1,255,348
Accumulated depreciation and impairment						
Balance as at 1 January 2013	(989)	(55,206)	(43,656)	(1,465)	(8,202)	(109,518)
Depreciation charge	(330)	(13,244)	(11,391)	-	(2,470)	(27,435)
Impairment loss	-	(29)	-	(353)	(15)	(397)
Disposals	-	24	267	-	12	303
Balance as at 30 June 2013	(1,319)	(68,455)	(54,780)	(1,818)	(10,675)	(137,047)
Net book value as at 1 January 2013	18,142	499,662	241,887	313,696	23,148	1,096,535
Net book value as at 30 June 2013	18,850	492,793	234,175	349,918	22,565	1,118,301

	Buildings	Power transmission grids	Substations	Construction in progress	Other	Total
Appraisal value or cost						
Balance as at 1 January 2012	16,173	481,535	200,419	325,009	23,460	1,046,596
Additions	167	174	820	59,824	988	61,973
Transfers	1,136	4,004	12,168	(17,605)	297	-
Disposals	(1)	(43)	(661)	(71)	(67)	(843)
Reversal of impairment provision	-	-	-	438	-	438
Balance as at 30 June 2012	17,475	485,670	212,746	367,595	24,678	1,108,164
Accumulated depreciation and impairment						
Balance as at 1 January 2012	(487)	(33,387)	(26,552)	(1,310)	(4,183)	(65,919)
Depreciation charge	(219)	(10,166)	(8,067)	-	(1,734)	(20,186)
Impairment loss	-	(3)	-	(158)	(10)	(171)
Disposals	-	7	180	-	36	223
Balance as at 30 June 2012	(706)	(43,549)	(34,439)	(1,468)	(5,891)	(86,053)
Net book value as at 1 January 2012	15,686	448,148	173,867	323,699	19,277	980,677
Net book value as at 30 June 2012	16,769	442,121	178,307	366,127	18,787	1,022,111

JSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

Note 6. Available-for-sale investments

	1 January 2013	Change in fair value**	Impairment charge	30 June 2013
OJSC “INTER RAO UES”	48,136	-	(22,977)	25,159
OJSC “Russian Grids”*	2,481	(1,054)	-	1,427
Total	50,617	(1,054)	(22,977)	26,586

	1 January 2012	Change in fair value**	Impairment charge	30 June 2012
OJSC “INTER RAO UES”	67,077	-	(12,895)	54,182
OJSC “Russian Grids”*	2,902	(664)	-	2,238
Total	69,979	(664)	(12,895)	56,420

* Former OJSC “IDGC Holding”.

** For the six months ended 30 June 2013 change in fair value of these available-for-sale investments in the total amount of RR 24,031 million was recognised in other comprehensive income (for the six months ended 30 June 2012: RR 13,559 million). The amount of RR 22,977 million was reclassified from other comprehensive income to profit or loss for the six months ended 30 June 2013.

Valuation of available-for sale investments is made on a recurring basis using quoted market prices (Level 1 inputs) at the end of each reporting period.

Note 7. Promissory notes

	Effective interest rate	Due	30 June 2013	31 December 2012
Long-term promissory notes				
Bank promissory notes	6.0%-12.6%	2014-2015	396	928
Non-bank promissory notes	11.1%-12.6%	2014-2038	543	529
Total long-term promissory notes			939	1,457
Short-term promissory notes				
Bank promissory notes	6.1%-11.1%	2013	10,502	18,768
Non-bank promissory notes	8.9%-12.6%	2012-2013	3,471	4,612
Total short-term promissory notes			13,973	23,380

All promissory notes are denominated in Russian Rouble. Included in long-term non-bank promissory notes are promissory notes of LLC “ENERGO-finance” which are fully impaired. The amount of impairment provision was RR 12,022 million as at 30 June 2013 and 31 December 2012. Fair value of promissory notes approximates their carrying value.

Note 8. Cash and cash equivalents

	30 June 2013	31 December 2012
Cash at bank and in hand	20,800	20,022
Cash equivalents	16,392	4,034
Total cash and cash equivalents	37,192	24,056

Cash equivalents include short-term investments in certificates of deposit with original maturities of three months or less and contractual interest rate of 4.2-6.5% as at 30 June 2013 and 5.3-8.0% as at 31 December 2012. There were no certificates of deposit denominated in foreign currency included in cash equivalents as at 30 June 2013 and 31 December 2012.

JSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

Note 9. Accounts receivable and prepayments

	30 June 2013	31 December 2012
Trade receivables		
(Net of allowance for doubtful debtors of RR 8,573 million as at 30 June 2013 and RR 4,839 million as at 31 December 2012)	22,736	20,512
Other receivables		
(Net of allowance for doubtful debtors of RR 827 million as at 30 June 2013 and RR 689 million as at 31 December 2012)	1,923	1,504
VAT recoverable	9,233	14,034
Advances to suppliers		
(Net of allowance for doubtful debtors of RR 2,013 million as at 30 June 2013 and RR 2,020 million as at 31 December 2012)	3,398	2,685
Tax prepayments	83	73
Total accounts receivable and prepayments	37,373	38,808

Trade and other receivables are not interest-bearing and are largely due in 30 to 90 days as at 30 June 2013 and 31 December 2012. Given the short period of the trade and other receivables repayment, the fair value of such receivables approximates their book value.

Note 10. Equity

Share capital

	Number of shares issued and fully paid		30 June 2013	31 December 2012
	30 June 2013	31 December 2012		
Ordinary shares	1,267,141,015,996	1,260,386,658,740	633,570	630,193

Additional issue of shares. In April 2013, the Company completed and registered an additional share issue. The amount of RR 3,377 million received for shares issued was included as at 31 December 2012 in the Consolidated Statement of Financial Position as accounts payable to shareholders of FGC UES. The total consideration amounted to RR 3,250 million in cash and other assets of RR 127 million.

Treasury shares. The Group through a subsidiary holds 13,727,165 thousand ordinary shares in treasury at a total cost of RR 4,782 million (as at 31 December 2012: 4,917 million).

In 2013, treasury shares decreased by RR 135 million with the corresponding recognition of expense relating to share-based compensation, since management plans to use treasury shares for the share option plan.

Dividends. At the Annual General Meeting in June 2013 the decision was approved not to declare dividends for the year ended 31 December 2012. For the six months ended 30 June 2013 dividends were not declared.

Note 11. Income tax

Income tax benefit / (expense) is recognised based on the management’s best estimate of the weighted average annual income tax rate expected for the full financial year. The weighted average annual income tax rate used has been affected by an increase in the unrecognised deferred tax assets amounted to RR 1,643 million.

During the six months ended 30 June 2013 and 2012 most entities of the Group were subject to tax rates of 20 percent on taxable profit.

JSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (in millions of Russian Rouble unless otherwise stated)

Note 12. Debt

	Effective interest rate	Due	Option	30 June 2013	31 December 2012
Certified interest-bearing non-convertible bearer bonds:					
with fixed rates	7.15-9.00%	2019-2028	2013-2022	163,538	152,806
with variable rates	CPI + 1% *	2048	-	30,138	-
Stock Exchange authorised certified interest-bearing non-convertible bearer bonds	8.10%	2015	2015	10,149	10,151
Loan participation notes (LPNs)	8.45%	2019	-	17,943	17,578
Bank loans from OJSC “Gazprombank”	8.75%	2016	-	3,000	35,055
Finance lease liabilities	9.50%	2018	-	740	778
Total debt				225,508	216,368
Less: current portion of non-current bonds and LPNs				(39,268)	(23,035)
Less: current portion of non-current bank loans				-	(55)
Less: current portion of finance lease liabilities				(82)	(78)
Total non-current debt				186,158	193,200

* Interest rates are fixed for the first coupon at 8.4% and variable for the other: calculated as the consumer price index growth rate for the last year plus 1%.

All debt instruments are denominated in Russian Rouble.

During the reporting period the following certified interest-bearing non-convertible bearer bonds were issued:

	Effective interest rate	Issue date	Due	Option	30 June 2013	31 December 2012
Series 24	8.00%	25.01.2013	07.01.2028	24.01.2020	10,000	-
Series 23	8.4% / CPI + 1%	10.06.2013	27.04.2048	-	10,000	-
Series 28	8.4% / CPI + 1%	10.06.2013	27.04.2048	-	20,000	-

As at 30 June 2013 the estimated fair value of total non-current debt (including the current portion) was RR 221,576 million (as at 31 December 2012: RR 213,721 million), which was measured using the market prices for quoted FGC UES bonds as at 30 June 2013.

As at 30 June 2013 the Group had long-term undrawn committed financing facilities of RR 159,500 million (as at 31 December 2012: RR 122,500 million) which could be used for the general purposes of the Group.

Note 13. Accounts payable and accrued charges

	30 June 2013	31 December 2012
Trade payables	15,254	14,653
Accounts payable to construction companies and suppliers of property, plant and equipment	14,851	15,533
Advances received	12,167	12,842
Accounts payable to employees	2,176	1,162
Taxes other than on income payable	1,845	910
Other creditors and accrued liabilities	2,007	1,716
Total accounts payable and accrued charges	48,300	46,816

Note 14. Revenue

	Six months ended 30 June 2013	Six months ended 30 June 2012
Transmission fee	73,913	65,342
Electricity sales	1,357	912
Connection services	280	504
Grids repair and maintenance services	276	151
Total revenues	75,826	66,909

JSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

Note 15. Operating expenses

	Six months ended 30 June 2013	Six months ended 30 June 2012 (restated)
Depreciation of property, plant and equipment	27,435	20,186
Employee benefit expenses and payroll taxes	14,656	12,759
Purchased electricity	7,009	6,432
Accrual of allowance for doubtful debtors	3,738	1,933
Taxes, other than on income	2,287	792
Electricity transit via foreign countries	1,164	811
Repairs and maintenance of equipment (by contractors)	1,128	1,567
Materials for repair	1,061	872
Business trips and transportation expenses	1,037	950
Security services	966	894
Other materials	922	837
Rent	885	850
Other expenses	4,040	4,427
Total operating expenses	66,328	53,310

Note 16. Finance income

	Six months ended 30 June 2013	Six months ended 30 June 2012
Interest income	1,965	1,875
Foreign currency exchange differences	11	58
Other finance income	1	1
Total finance income	1,977	1,934

Note 17. Finance costs

	Six months ended 30 June 2013	Six months ended 30 June 2012 (restated)
Interest expense	8,669	5,603
Net interest on the defined benefit obligations	258	203
Foreign currency exchange differences	25	43
Other finance costs	29	43
Total finance cost	8,981	5,892
Less: capitalised interest expenses	(8,632)	(5,560)
Total finance cost recognised in profit or loss	349	332

Note 18. Loss per ordinary share for loss attributable to shareholders of FGC UES

	Six months ended 30 June 2013	Six months ended 30 June 2012 (restated)
Weighted average number of ordinary shares (millions of shares)	1,253,414	1,246,659
(Loss) / profit attributable to shareholders of FGC UES (millions of RR)	(10,536)	4,009
Weighted average (loss) / earnings per share – basic and diluted (in RR)	(0.008)	0.003

The Group has no dilutive potential ordinary shares; therefore, the diluted (loss) / earnings per share equal the basic (loss) / earnings per share.

JSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

Note 19. Contingencies, commitments, operating and financial risks

There have been no changes in political environment, insurance policies and environmental matters during the six months ended 30 June 2013 in comparison with those described in the Group’s consolidated financial statements for the year ended 31 December 2012 as well as there have been no changes in operating and financial risk management policies since year end.

Legal proceedings. In the normal course of business the Group entities may be a party to certain legal proceedings. In the opinion of management, currently there are no existing legal proceedings or claims outstanding or final dispositions which will have a material adverse effect on the financial position of the Group.

As at 30 June 2013 the Group's subsidiary, OJSC “Nurenergo” was engaged in a number of litigations involving claims amounting in total to RR 8,295 million (as at 31 December 2012: RR 7,433 million), for collection of amounts payable for electricity purchased by OJSC “Nurenergo”. This amount is recorded within accounts payable. No additional provision has been made as the Group's management believes that these claims are unlikely to result in any further liabilities. In September 2012, the Commercial Court of the Republic of Chechnya commenced an Observation procedure in respect of OJSC “Nurenergo”. In accordance with Russian legislation on bankruptcy, all the above-mentioned litigations were suspended. In March 2013, the Federal Commercial Court of the North Caucasus District granted a cassational appeal filed by OJSC “Nurenergo”, annulled the original court decision, and remitted the case for a new trial.

Tax contingency. Russian tax and customs legislation is subject to varying interpretation when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by the relevant regional and federal authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of decision to perform tax review. Under certain circumstances reviews may cover longer periods.

As at 30 June 2013 management believes that its interpretation of the relevant legislation is appropriate and the Group’s tax, currency and customs positions will be sustained.

Capital commitments related to construction of property, plant and equipment. Future capital expenditures for which contracts have been signed amount to RR 242,749 million as at 30 June 2013 (as at 31 December 2012: RR 222,912 million) including VAT. These amounts include accounts payable to construction companies and suppliers of property, plant and equipment in the amount of RR 14,851 million as at 30 June 2013 (as at 31 December 2012: RR 15,533 million) (Note 13).

Note 20. Segment information

The Group operates within one operating segment. The Group’s single primary activity is provision of electricity transmission services within the Russian Federation which is represented as Transmission segment. There are no differences from the last annual consolidated financial statements in the basis of segmentation.

The Board of Directors of the Company has been determined as chief operating decision maker (the “CODM”) of the Group which generally analyses information relating to Transmission segment. The Board of Directors does not evaluate financial information of other components of the Group to allocate resources or assess performance and does not determine these components as segments. The key indicator of the transmission segment performance is return on equity ratio (ROE). It is calculated based on the statutory financial statements prepared according to RAR as net profit divided by net assets. Accordingly, the measure of transmission segment profit or loss analysed by the CODM is net profit of segment based on the statutory financial statements prepared according to RAR. The other information provided to the CODM is also based on statutory financial statements prepared according to RAR.

JSC “FGC UES”

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
(in millions of Russian Rouble unless otherwise stated)

Note 20. Segment information (continued)

	Transmission segment – based on statutory financial statements prepared according to RAR	
	Six months ended 30 June 2013	Six months ended 30 June 2012
Revenue from external customers	74,613	66,190
Intercompany revenue	203	151
Total revenue	74,816	66,341
Segment loss for the period	(4,865)	(126)
	30 June 2013	31 December 2012
Total reportable segment assets (RAR)	1,161,282	1,151,565
Total reportable segment liabilities (RAR)	335,048	323,824

A reconciliation of the reportable segment’s revenue to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2013 and 2012 is presented below:

	Six months ended 30 June 2013	Six months ended 30 June 2012
Total revenue from segment (RAR)	74,816	66,341
Reclassification between revenue and other income	(297)	(285)
Non-segmental revenue	1,511	1,004
Elimination of intercompany revenue	(204)	(151)
Total revenue (IFRS)	75,826	66,909

Information on revenue for separate services and products of the Group is presented in Note 14. The Group performs most of its activities in the Russian Federation and does not have any significant revenue from foreign customers or any non-current assets located in foreign countries.

The major customers of the Group are government-related entities. The amounts of revenue from such entities are disclosed in Note 4. The Group has no other major customers with turnover over 10 percent of the Group revenue.

Note 21. Events after the reporting period

Bonds issue. In August 2013, the Group issued certified interest-bearing non-convertible bearer bonds of Series 26 and 27 with a total nominal value of RR 15,000 million and RR 11,000 million respectively, interest rate fixed for the first coupon at 7.5% and variable for the other (calculated as the consumer price index growth rate for the last year plus 1%), maturity in June 2048, and embedded put option in July 2047.