Open Joint Stock Company Lenenergo

Unaudited interim condensed consolidated financial statements prepared in accordance with International Accounting Standard No. 34

For the six months ended 30 June 2012

Open Joint Stock Company Lenenergo

Interim condensed consolidated financial statements

for the six months ended 30 June 2012

Contents

Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Board of Directors of OJSC Lenenergo

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC Lenenergo and its subsidiaries ("the Group") as at 30 June 2012, comprising of the interim consolidated statement of financial position as at 30 June 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated 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 interim financial information 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. Consequently, it 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

4 September 2012
St. Petersburg, Russia

OJSC Lenenergo

Interim condensed consolidated statement of financial position as at 30 June 2012

(in thousands of Russian Rubles)

	Note	30 June 2012 (unaudited)	31 December 2011 (audited)
ASSETS			
Non-current assets			
Intangible assets		**681,390**	714,589
Property, plant and equipment	6	**85,630,147**	82,518,717
Advances for construction of property, plant and equipment	7	**622,639**	854,343
Available-for-sale investments		**26,700**	26,700
Other non-current assets		**557,465**	843,179
Total non-current assets		**87,518,341**	84,957,528
Current assets			
Cash and cash equivalents		**6,535,917**	7,108,538
Accounts receivable	8	**1,835,782**	991,044
Inventories		**304,977**	289,605
Income tax prepayments		**240,697**	100,458
Other current assets	9	**2,577,420**	3,503,848
Total current assets		**11,494,793**	11,993,493
TOTAL ASSETS		**99,013,134**	96,951,021
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Ordinary shares	11	**5,072,171**	4,866,115
Preference shares		**625,603**	625,603
Share premium		**8,263,400**	5,548,880
Other reserves		**22,308,086**	22,347,822
Retained earnings		**10,230,028**	9,115,941
		46,499,288	42,504,361
Non-controlling interest		**32,153**	30,777
Total equity		**46,531,441**	42,535,138
Non-current liabilities			
Long-term borrowings, net of current portion	12	**24,660,875**	21,028,081
Deferred tax liabilities		**3,451,178**	3,058,696
Post-employment benefits liability		**451,614**	410,041
Other non-current liabilities		**3,119,341**	4,884,306
Total non-current liabilities		**31,683,008**	29,381,124
Current liabilities			
Short-term and current portion of long-term borrowings	12	**352,675**	6,549,305
Trade and other payables		**7,112,558**	7,094,478
Dividends payable	11	**141,742**	-
Provisions		**105,118**	121,771
Income tax payable		**-**	8,889
Advances received		**13,086,592**	11,260,316
Total current liabilities		**20,798,685**	25,034,759
Total liabilities		**52,481,693**	54,415,883
TOTAL EQUITY AND LIABILITIES		**99,013,134**	96,951,021

General Director A.V.Sorochinsky

Chief Accountant G.V.Kuznetsova

4 September 2012

The accompanying notes form an integral part of these Interim condensed consolidated financial statements

OJSC Lenenergo

Interim condensed consolidated income statement

for the six months ended 30 June 2012

(in thousands of Russian Rubles)

	Note	For the six months ended 30 June 2012 (unaudited)	For the six months ended 30 June 2011 (unaudited)
Revenues	13	**15,364,169**	15,806,821
Operating expenses	14	**(12,814,214)**	(16,394,887)
Operating profit/(loss)		**2,549,955**	(588,066)
Finance income		**95,830**	12,321
Finance expenses	15	**(1,019,535)**	(752,197)
Profit/(loss) before tax		**1,626,250**	(1,327,942)
Income tax (expense)/benefit	16	**(408,781)**	149,300
Net profit/(loss) for the period		**1,217,469**	(1,178,642)
Attributed to:			
Equity holders		**1,216,093**	(1,179,755)
Non-controlling interest		**1,376**	1,113
Earnings/(loss) per share (Russian Rubles)	17	**1.15**	(1.16)

General Director A.V.Sorochinsky

Chief Accountant G.V.Kuznetsova

4 September 2012

The accompanying notes form an integral part of these
Interim condensed consolidated financial statements

OJSC Lenenergo

Interim condensed consolidated statement of comprehensive income
for the six months ended 30 June 2012

(in thousands of Russian Rubles)

	Note	For the six months ended	
		30 June 2012 (unaudited)	**30 June 2011 (unaudited)**
Net profit/(loss)		**1,217,469**	(1,178,642)
Other comprehensive loss			
Property, plant and equipment			
Impairment loss		**-**	(3,652,585)
Income tax effect		**-**	730,517
		-	(2,922,068)
Other comprehensive loss, net of tax		**-**	(2,922,068)
Total comprehensive income / (loss), net of tax		**1,217,469**	(4,100,710)
Attributed to:			
Equity holders		**1,216,093**	(4,101,823)
Non-controlling interest		**1,376**	1,113

General Director A.V.Sorochinsky

Chief Accountant G.V.Kuznetsova

4 September 2012

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Interim condensed consolidated financial statements

OJSC Lenenergo

Interim condensed consolidated statement of changes in equity

for the six months ended 30 June 2012

(in thousands of Russian Rubles)

	Attributable to equity holders of the parent							
	Ordinary shares	**Preference shares**	**Share premium**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
As at 31 December 2010	**4,866,115**	**625,603**	**5,548,880**	**28,659,394**	**10,237,449**	**49,937,441**	**23,542**	**49,960,983**
Loss for the period (unaudited)	-	-	-	-	(1,179,755)	(1,179,755)	1,113	**(1,178,642)**
Other comprehensive loss, net of tax (unaudited)	-	-	-	(2,922,068)	-	(2,922,068)	-	**(2,922,068)**
Total comprehensive loss (unaudited)	-	-	-	(2,922,068)	(1,179,755)	(4,101,823)	1,113	**(4,100,710)**
Release of asset revaluation reserve on disposed property plant and equipment items, net of tax (unaudited)	-	-	-	(32,466)	32,466	-	-	-
Dividends for 2010 (unaudited)	-	-	-	-	(380,861)	(380,861)	-	**(380,861)**
As at 30 June 2011 (unaudited)	**4,866,115**	**625,603**	**5,548,880**	**25,704,860**	**8,709,299**	**45,454,757**	**24,655**	**45,479,412**
As at 31 December 2011	**4,866,115**	**625,603**	**5,548,880**	**22,347,822**	**9,115,941**	**42,504,361**	**30,777**	**42,535,138**
Profit for the period (unaudited)	-	-	-	-	1,216,093	1,216,093	1,376	**1,217,469**
Other comprehensive income, net of tax (unaudited)	-	-	-	-	-	-	-	-
Total comprehensive income (unaudited)	-	-	-	-	1,216,093	1,216,093	1,376	**1,217,469**
Ordinary shares issued (Note 11)	206,056	-	2,714,520	-	-	2,920,576	-	**2,920,576**
Release of asset revaluation reserve on disposed property plant and equipment items, net of tax (unaudited)	-	-	-	(39,736)	39,736	-	-	-
Dividends for 2011 (unaudited)	-	-	-	-	(141,742)	(141,742)	-	**(141,742)**
As at 30 June 2012 (unaudited)	**5,072,171**	**625,603**	**8,263,400**	**22,308,086**	**10,230,028**	**46,499,288**	**32,153**	**46,531,441**

General Director A.V.Sorochinsky

Chief Accountant G.V.Kuznetsova

4 September 2012

The accompanying notes form an integral part of these Interim condensed consolidated financial statements

OJSC Lenenergo

Interim condensed consolidated statement of cash flows

for the six months ended 30 June 2012

(in thousands of Russian Rubles)

		For six months ended	
	Note	**30 June 2012 (unaudited)**	**30 June 2011 (unaudited)**
Cash flows from operating activities			
Profit/(loss) before tax		**1,626,250**	(1,327,942)
Adjustments to reconcile profit/(loss) before tax and net cash flow from operating activities:			
Loss on disposal of property, plant and equipment		**95,374**	23,486
Finance income		**(95,830)**	(12,321)
Depreciation of property, plant and equipment	6, 14	**2,063,221**	2,318,974
Amortization of intangible assets	14	**44,047**	69,894
Impairment loss on property, plant and equipment		**-**	2,961,229
Impairment of intangible asset		**-**	177,747
Finance expenses	15	**1,019,535**	752,197
Net movement in the provision for impairment of receivables	10, 14	**14,747**	288,707
Impairment loss on finance leases		**61,364**	122,558
Non-cash settlement of technological connection revenue	13	**(70,029)**	(370,195)
Provision for impairment of inventories	14	**41,955**	19,273
Net expense for the defined benefit plan		**60,249**	38,822
Net movements in provisions		**34,031**	47,153
Operating cash flows before changes in working capital		**4,894,914**	5,109,582
Decrease in trade and other payables		**(218,296)**	(1,980,345)
Increase/(decrease) in other current liabilities		**1,826,276**	(514,365)
(Decrease)/increase in other non-current liabilities		**(1,770,085)**	206,334
(Increase)/decrease in accounts receivable		**(892,339)**	364,936
Increase in inventories		**(57,327)**	(43,942)
Decrease/(increase) in other current assets		**1,211,060**	(76,485)
Cash generated from operations		**4,994,203**	3,065,715
Interest paid		**(1,047,008)**	(608,345)
Income tax paid		**(165,427)**	(316,578)
Pension benefits paid		**(18,676)**	(18,160)
Net cash generated from operating activities		**3,763,092**	2,122,632
Cash flow from investment activities			
Purchases of property, plant and equipment		**(3,789,395)**	(2,114,002)
Purchases of intangible assets		**(10,848)**	(55,975)
Proceeds from disposal of property, plant and equipment		**6,178**	2,514
Interest received		**95,830**	9,338
Net cash used in investment activities		**(3,698,235)**	(2,158,125)

The accompanying notes form an integral part of these Interim condensed consolidated financial statements

OJSC Lenenergo

Interim condensed consolidated statement of cash flows (continued)

for the six months ended 30 June 2012

(in thousands of Russian Rubles)

		For six months ended	
	Note	30 June 2012 (unaudited)	30 June 2011 (unaudited)
Cash flow from financing activities			
Long-term borrowings received		**6,799,783**	4,473,371
Issue and transaction costs on bonds and loans		**(55,240)**	-
Proceeds from share issue	11	**2,000,185**	-
Repayment of long-term borrowings before maturity		**(3,000,000)**	(1,525,000)
Repayment of short-term borrowings		**(6,000,000)**	(1,800,000)
Repayment of finance lease liabilities		**(382,206)**	(856,334)
Net cash (used in)/provided by financing activities		**(637,478)**	292,037
Net (decrease)/increase in cash and cash equivalents		**(572,621)**	256,544
Cash and cash equivalents at the beginning of the period		**7,108,538**	653,068
Cash and cash equivalents at the end of the period		**6,535,917**	909,612

General Director A.V.Sorochinsky

Chief Accountant G.V.Kuznetsova

4 September 2012

1. Corporate information

Open joint stock company of Electricity and Electrification Lenenergo (hereinafter “the Company”) was established on 22 January 1993 as the successor of the rights and obligations of state-owned enterprise Electricity and Electrification Industrial Association Lenenergo to the extent specified in the privatization plan dated 22 December 1992. On 1 October 2005, as a result of corporate restructuring through the spin off of electricity generation and sales, heat generation, distribution and sales businesses, the Company retained the electricity transmission networks. Currently the Company provides electricity transmission and network connection services to the consumers.

As at 30 June 2012 and 31 December 2011 the Group comprised the Company and its subsidiaries: CJSC Lenenergospetsremont (100%), CJSC Kurortenergo (98.13%), CJSC Tsarskoselskaya Energeticheskaya Compania (96.95%) and OJSC Energoservisnaya Compania Lenenergo (100%) (hereinafter collectively referred to as “the Group”).

Relations with the state and current legislation

The Group is under control of OJSC MRSK Holding (hereinafter “MRSK-Holding”), which as at 30 June 2012 owned 49.23% (31 December 2011: 45.71%) of the Group’s share capital, including 53.29% (31 December 2011: 50.31%) of voting ordinary shares, and which in turn is controlled by the government. The Group provides services to a number of entities controlled by or closely related to the state. In addition, a number of the Group’s suppliers are state-controlled entities.

The government directly influences the Group’s operations through the regulation of wholesale electricity sales by the Federal Service on Tariffs (FST) and of retail electricity sales by Regional Electricity commissions for St. Petersburg and Leningrad Region. The Group sets electricity transmission tariffs for its customers based on regulated tariffs. The Russian Federation government’s economic, social and other policies can have a material effect on the Group’s operations.

Financial position and liquidity

As at 30 June 2012 the Group’s current liabilities exceeded its current assets by 9,303,892 (31 December 2011: 13,041,266). The Group’s net profit for the six months ended 30 June 2012 was 1,217,469 (net loss for the six months ended 30 June 2011 of 1,178,642), including 1,216,093 (loss for the six months ended 30 June 2011 of 1,179,755) attributed to equity holders of the parent. For the six months ended 30 June 2012 the Group generated cash flow from operating activities of 3,763,092 (2011: 2,122,632).

As at 30 June 2012 liquidity ratios improved in comparison with 31 December 2011. Current ratio, being current assets divided by current liabilities, increased from 0.48 as at 31 December 2011 to 0.55 as at 30 June 2012; quick assets ratio, being current receivables and cash (including cash equivalents) divided by current liabilities, increased from 0.32 as at 31 December 2011 to 0.40 as at 30 June 2012.

1. Corporate information (continued)

Financial position and liquidity (continued)

The Group's management is taking the following measures to improve the Group's financial and liquidity position:

- Adjustment of the Group's investments into power lines and equipment:
  - the emphasis was shifted from the construction of new electric power supplies and other power equipment to completion of the previously launched projects having high stage of completion in order to ensure additional operating cash flows within relatively short period of time;
  - tenders aimed at the selection of contractors with innovative construction technologies in order to reduce the construction period and thus to accelerate cash inflows from customers for technological connection to the electricity grids;
  - carrying out investment projects (including engineering and construction works) with a view of the current financial needs of the Group and the investment program priorities.
- Improving operating efficiency of the Group through implementing programs to reduce technological losses on transmission of electricity through the Group's own network and operating expenses.
- Implementing improved financial budgeting procedures with a strong focus on timely collection of receivables; restructuring of liabilities to enable their repayment over a longer period;
- Negotiating favourable terms for attracting additional borrowings. During the six months ended 30 June 2012 the Group received long-term borrowings in the amount of 6,799,783 (Note 12).
- Gradually transferring from assets-settled to cash-settled technological connections to the Group's network. During the six months ended 30 June 2012 non-cash settlement of technological connection revenue comprised 70,029 (30 June 2011: 370,195).

Therefore the interim condensed consolidated financial statements are prepared based on the assumption that the Group will continue as a going concern in the foreseeable future, and its assets will be recovered and liabilities met as they become due.

2. Basis of presentation of the financial statements and accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2011.

2. Basis of presentation of the financial statements and accounting policies (continued)

2.2 New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of new Standards and Interpretations as of 1 January 2012, as stated below:

IAS 12 - *Deferred Tax: Recovery of Underlying Assets* (Amendment)

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

The Group has assets under IAS 16 valued under the revaluation model. The jurisdictions in which the Group operates do not have different tax charge for sale or consumption of the assets. The amendment has no impact on the financial position or performance of the Group.

The following amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 7 - *Disclosures - Transfers of financial assets* (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

IFRS 1 - *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendment)

When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Segment information

The Group operates in one industry segment, being the provision of electricity transmission services and technological connection to the electricity grids to domestic customers in one geographic area, i.e. St. Petersburg and Leningrad region. The results of this segment and assets and liabilities are presented in the interim condensed consolidated income statement and the interim condensed consolidated statement of financial position.

An analysis of revenue by service type is disclosed in Note 13.

All of the Group's assets are located within the territory of St. Petersburg and Leningrad Region.

4. Impairment and revaluation of non-current assets

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Based on the analysis performed as at 30 June 2012, the Group did not recognize any impairment of its available-for-sale investments.

Property, plant and equipment

The last revaluation was carried out as at 31 December 2011 by an independent appraiser. Management believes that as of 30 June 2012 no material changes in the fair value of property, plant and equipment have occurred.

Intangible assets

Intangible assets are assessed for impairment at each reporting date either individually or at the cash-generating unit level.

As at 30 June 2012 the Group performed an impairment analysis of its intangible assets. As a result of this analysis for the six months ended 30 June 2012 the Group did not recognize any impairment of intangible assets. For the six months ended 30 June 2011 the Group recognized impairment loss of 177,747.

5. Reclassifications

Certain comparative amounts and disclosures have been reclassified to conform to the current period presentation. The reclassifications and other presentation changes made by the Group are as follows:

- Interest accrued on bank loans and coupon bonds of 193,141 as at 31 December 2011 is included within Borrowings, while previously reported within Trade and Other Payables.

Such reclassification had no impact on the financial position or performance of the Group.

6. Property, plant and equipment

	Production premises	Power lines	Equipment, power equipment, sub-stations	Other	Assets under construction	Total
Cost						
As at 31 December 2010	21,850,757	60,540,410	30,773,910	10,804,236	15,029,332	**138,998,645**
Additions	-	-	587,733	-	4,898,746	**5,486,479**
Revaluation	(1,286,677)	(7,195,732)	(2,816,109)	(272,620)	(398,333)	**(11,969,471)**
Disposals	(7,312)	(6,775)	(15,989)	(100,757)	(6,368)	**(137,201)**
Transfer	1,409,146	466,349	1,575,738	84,655	(3,535,888)	**-**
As at 30 June 2011 (unaudited)	21,965,914	53,804,252	30,105,283	10,515,514	15,987,489	**132,378,452**
As at 31 December 2011	24,336,508	52,252,300	32,027,180	6,050,102	14,628,640	**129,294,730**
Additions	-	-	210,133	-		**4,417,176**
Contribution to share capital (Note 11)	-	-	-	-	920,391	**920,391**
Disposals	(1,079)	(11,085)	(11,519)	(38,367)	(63,927)	**(125,977)**
Transfer	1,511,293	538,819	1,379,953	361,898	(3,791,963)	**-**
As at 30 June 2012 (unaudited)	**25,846,722**	**52,780,034**	**33,605,747**	**6,373,633**	**15,900,184**	**134,506,320**
Accumulated depreciation and impairment						
As at 31 December 2010	(2,976,635)	(34,851,851)	(8,140,496)	(7,515,949)	(1,892,139)	**(55,377,070)**
Charge for the year	(294,479)	(1,106,695)	(638,668)	(279,132)	-	**(2,318,974)**
Revaluation	180,687	4,229,628	756,276	189,066	-	**5,355,657**
Impairment loss on initial recognition of finance leases (Note 12)	-	-	(122,558)	-	-	**(122,558)**
Disposals	1,634	4,727	7,499	97,342	-	**111,202**
As at 30 June 2011 (unaudited)	(3,088,793)	(31,724,191)	(8,137,947)	(7,508,673)	(1,892,139)	**(52,351,743)**
As at 31 December 2011	(3,661,605)	(31,235,776)	(7,722,408)	(2,264,085)	(1,892,139)	**(46,776,013)**
Charge for the year	(393,475)	(837,875)	(606,974)	(224,897)	-	**(2,063,221)**
Impairment loss on initial recognition of finance leases (Note 12)	-	-	(61,364)	-	-	**(61,364)**
Disposals	314	6,997	3,766	13,348	-	**24,425**
As at 30 June 2012 (unaudited)	**(4,054,766)**	**(32,066,654)**	**(8,386,980)**	**(2,475,634)**	**(1,892,139)**	**(48,876,173)**
Net book value as at As at 31 December 2010	18,874,122	25,688,559	22,633,414	3,288,287	13,137,193	**83,621,575**
Net book value as at As at 30 June 2011 (unaudited)	18,877,121	22,080,061	21,967,336	3,006,841	14,095,350	**80,026,709**
Net book value as at As at 31 December 2011	20,674,903	21,016,524	24,304,772	3,786,017	12,736,501	**82,518,717**
Net book value as As at 30 June 2012 (unaudited)	**21,791,956**	**20,713,380**	**25,218,767**	**3,897,999**	**14,008,045**	**85,630,147**

6. Property, plant and equipment (continued)

Property, plant and equipment under finance lease

Assets received under finance lease and recognized within property, plant and equipment were structured as follows:

	30 June 2012 (unaudited)	31 December 2011
Cost	**4,623,747**	4,404,286
Accumulated depreciation	**(1,198,507)**	(1,063,750)
Net book value	**3,425,240**	3,340,536

Property, plant and equipment under finance lease were pledged as security for the respective finance lease agreements.

For the six months ended 30 June 2012 acquisitions under finance lease of 210,133 (30 June 2011: 587,733) were excluded from the interim condensed consolidated statement of cash flows, so investing activities in the interim condensed consolidated cash flow statement represent actual cash transactions.

7. Advances for construction of property, plant and equipment

Advances of 622,639 paid to construction contractors (31 December 2011: 854,343) are stated net of impairment provision of 147,997 (31 December 2011: 202,582). Movements in the provision for impairment of advances to construction contractors are disclosed in Note 10.

8. Accounts receivable

	30 June 2012 (unaudited)	31 December 2011
Trade receivables net of impairment provision of 402,740 (2011: 386,263)	**1,679,052**	868,593
Other accounts receivable net of impairment provision of 12,558 (2011: 25,138)	**156,730**	122,451
Total	**1,835,782**	991,044

Management determined the provision for impairment of receivables based on specific customer solvency, industry-specific payment trends, subsequent receipts and settlements and analysis of expected future cash flows. The Group analyses the ability of debtors to fulfill the payment obligation on a regular basis and creates provision for impairment that represents the estimate of potential losses in respect of trade and other receivables (Note 10). Management believes that the Group will be able to realize the net receivable amount through direct collections and non-cash settlements. Movements in the provision for impairment of accounts receivable are disclosed in Note 10.

9. Other current assets

	30 June 2012 (unaudited)	31 December 2011
VAT receivable net of impairment provision of 109,612 (2011: 102,693)	**2,276,070**	2,945,239
Prepayments and advances given to suppliers net of impairment provision of 59,984 (2011: 75,475)	**292,310**	552,201
Other taxes receivable	**6,687**	6,408
Other current assets	**2,353**	-
Total	**2,577,420**	3,503,848

Movements in the provision for impairment of VAT receivable, prepayments and advances to suppliers are disclosed in Note 10.

10. Impairment provision for accounts receivable, advances given and other current assets

Movements in the provision for impairment of accounts receivable, advances given and other current assets were as follows:

	Trade receivables	VAT receivable	Advances to suppliers	Advances for construction	Other receivables	Total
As at 31 December 2010	383,336	89,535	27,195	420,436	35,834	**956,336**
Charge	41,273	44,219	44,136	281,534	-	**411,162**
Released	(35,961)	(9,467)	(3,160)	(73,867)	-	**(122,455)**
Utilized	(154,352)	(10,889)	(958)	(26,250)	-	**(192,449)**
As at 30 June 2011 (unaudited)	234,296	113,398	67,213	601,853	35,834	**1,052,594**
As at 31 December 2011	386,263	102,693	75,475	202,582	25,138	**792,151**
Charge	77,793	6,919	4,481	25,243	2,408	**116,844**
Released	(44,682)	-	(10,318)	(41,289)	(5,808)	**(102,097)**
Utilized	(16,634)	-	(9,654)	(38,539)	(9,180)	**(74,007)**
As at 30 June 2012 (unaudited)	**402,740**	**109,612**	**59,984**	**147,997**	**12,558**	**732,891**

11. Equity

	Number of shares issued and fully paid		Share capital	
	30 June 2012 (unaudited)	31 December 2011	30 June 2012 (unaudited)	31 December 2011
Ordinary shares	**1,132,078,238**	926,021,679	**5,072,171**	4,866,115
Preference shares	**93,264,311**	93,264,311	**625,603**	625,603
Total	**1,225,342,549**	1,019,285,990	**5,697,774**	5,491,718

11. Equity (continued)

Share capital

The par value of both ordinary and preference shares is 1 Ruble per share. Ordinary shares carry voting rights with no guarantee of dividends.

In 2012 the Group completed a closed placement of 206,056,559 ordinary shares. Total additional capital raised comprised 2,920,576. Additional shares were subscribed to by OJSC MRSK Holding and individuals (insignificant part) that paid 2,000,185 in cash altogether and by the City of St. Petersburg that contributed property, plant and equipment with fair value of 920,391.

The excess in the amount of 2,714,520 of the fair value of the above mentioned contribution of 2,920,576 over par value of issued shares of 206,056 was recognized within share premium.

Preference shares

Preference shares have priority over ordinary shares in the event of liquidation but carry no voting rights except on resolutions regarding liquidation or reorganization of the Group, changes or amendments to the Articles of Association limiting rights of preference shareholders, changes to dividend levels of preference shares, or the issuance of additional preference stock. Such resolutions require 75% approval of both preference and ordinary shareholders.

Preference shareholders have the right to participate in general shareholders' meetings and vote on all issues within the competence of general shareholders' meetings following the annual general meeting at which, for whatever reason, a decision not to pay (or not to pay the full amount of) dividends on preference shares was taken. The right of preference shareholders to vote at general shareholders' meetings ceases from the date of the first full payment of dividend on such shares.
Preference shares carry no rights of redemption or conversion.

Preference shares carry dividends amounting to the higher of 10% of the net income after taxation of the Group as reported in the Russian statutory accounts divided by the number of preference shares and the dividends paid on one ordinary share. Dividends on the preference shares are non-cumulative. In case of liquidation, the assets remaining after settlement with creditors, payment of preference dividends and redemption of the par value of preference shares are distributed among preference and ordinary shareholders proportionally to the number of shares owned.

Accordingly, the Group's preference shares are considered participating equity instruments for the purpose of earnings per share calculations (Note 17).

Distributable earnings

Distributable earnings of all entities included in the Group are limited to their respective retained earnings, as mandated by the statutory accounting rules. Statutory retained earnings as at 30 June 2012 comprized 11,168,218 (31 December 2011: 10,996,429). Statutory net profit of the Company for the six months ended 30 June 2012 amounted to 297,056 (30 June 2011: 1,208,715).

Dividend declared

For the six months ended 30 June 2012 dividends for the year ended 31 December 2011 were declared in the amount of 1.5198 Rubles per preference share (nil per ordinary share). The total amount of dividends accrued in 2012 for the year ended 31 December 2011 was 141,742 (31 December 2010: 380,861). By 30 June 2012 the dividends for 2011 were not paid.

12. Borrowings

	Currency	Effective interest rate	Maturity date	30 June 2012 (unaudited)	31 December 2011
Bank loans (local currency denominated)	Rubles	7.01%-9.99%	2013-2016	**21,597,828**	20,834,871
Bonds issued by the Group					
series 02	Rubles	8.54%	2012	**-**	3,108,957
series 03	Rubles	8.02%	2012	**-**	3,046,915
series 04	Rubles	8.50%	2017	**3,039,509**	-
Finance lease liabilities	Rubles	14.86% - 34.45%	2013-2015	**376,213**	586,643
Total borrowings				**25,013,550**	27,577,386
Less: current portion of bank loans	Rubles	7.01%-9.99%		**(44,850)**	(34,871)
Less: current portion of finance lease liabilities	Rubles	14.86% - 34.45%		**(260,322)**	(358,562)
Less: current portion of bonds					
series 02	Rubles	8.54%		**-**	(3,108,957)
series 03	Rubles	8.02%		**-**	(3,046,915)
series 04	Rubles	8.50%		**(47,503)**	-
Short-term and current portion of long-term borrowings				**(352,675)**	(6,549,305)
Long-term borrowings, net of current portion				**24,660,875**	21,028,081

Bonds

During the six months ended 30 June 2012 the Group fully met its coupon obligations under the 10th coupon of the 2nd and 3rd bond issues in the amount of 127,749 and 119,970 respectively and repaid the principle amounts of 2nd and 3rd bond issues of 3,000,000 each.

In April 2012 the Group placed the 4th issue of 3,000,000 certified coupon bonds with a par value of 1,000 Rubles each with 10 interest-bearing coupons. Payments under each coupon are due on the 182nd day. The interest rate under coupons is set at 8.50% p.a. The bonds mature in April 2017, in 1820 days from the date of placement with the option for early redemption that may be executed within 2 weeks after 21 April 2015.

Bank loans

In April 2012 the Group:

- Entered into a non-revolving credit line agreement with OJSC Sberbank with the limit of 3,000,000 bearing interest of 9.99% and maturing in April 2014. During the six months ended 30 June 2012 the Group received 3,000,000 under this agreement and repaid the total amount before the maturity date;
- Entered into non-revolving credit line agreement with VneshEconomBank with the limit of 4,700,000 bearing interest of Mosprime3M+2.83% and maturing in May 2020. During the six months ended 30 June 2012 the Group received 799,783 under this agreement.

12. Borrowings (continued)

Restriction and covenants

The Group is liable under the agreement with VneshEconomBank whereby the bank may demand early repayment in case of any substantial and surable adverse change in the financial condition or business of the borrower. Under the agreement with VneshEconomBank the Group has to:

- maintain the following annual financial performance ratios (based on IFRS statements):
  - Net debt to EBITDA ratio – maximum 3:1;
  - Net debt to Equity ratio – maximum 2:1;
  - Equity to Total Assets ratio – minimum 0.4:1;
  - EBITDA to Interest paid on borrowings ratio – minimum 5;
- provide the following financial statements:
  - unaudited annual financial statements prepared under Russian accounting rules, forwarded to the tax authorities – on or earlier the 15 April of the year following the reporting year;
  - unaudited quarter financial statements prepared under Russian accounting rules, forwarded to the tax authorities – on or earlier the 15 May, August, November of the reporting year;
  - audited annual financial statements prepared under Russian accounting rules – on or earlier the 31 May of the year following the reporting year;
  - reviewed consolidated interim financial statements under IFRS as of 30 June – on or earlier the 31 October of the reporting year;
  - unaudited annual consolidated financial statements under IFRS – on or earlier the 30 May of the year following the reporting year;
  - audited annual consolidated financial statements under IFRS – on or earlier the 30 June of the year following the reporting year.
- comply with certain restrictions on the restructuring of the Group if not approved by the bank.

As of 30 June 2012 the Group complied with all restrictions and covenants.

Finance lease commitments

As at 30 June 2012 the Group entered into new lease agreement for electricity transmission equipment which has been delivered to the Group by the reporting date and, therefore, is recognized in these interim condensed consolidated financial statements. Future minimum lease payments under finance lease are as follows:

	During the next year	**During 2-5 years**	**Over 5 years**	**Total**
As at 30 June 2012 (unaudited)				
Future minimum lease payments	317,639	127,462	-	**445,101**
future % expenses	(57,317)	(11,571)	-	**(68,888)**
Present value of minimum lease payments	**260,322**	**115,891**	-	**376,213**
As at 31 December 2011				
Future minimum lease payments	457,772	252,695	-	710,467
Less: future interest expenses	(99,210)	(24,614)	-	(123,824)
Present value of future minimum lease payments	358,562	228,081	-	586,643

12. Borrowings (continued)

Finance lease commitments (continued)

All lease agreements are fully secured against the Group's leased assets (Note 6).

As at 30 June 2012 the Group's primary lessors were OJSC VTB-Leasing, LLC Sevzapleasing. For the six months ended 30 June 2012 effective interest rate on lease liabilities ranged from 14.86% to 34.45% p.a.

Certain finance lease agreements provide for inception and commencement dates which are substantially different in time and the Group is required to prepay a substantial amount of the fair value of the leased assets before commencement date. As of the commencement dates the present value of future minimum lease payments together with the amounts already prepaid exceeded the fair value of the leased assets, and the Group had to recognize an impairment loss on initial recognition of the leased assets. As a result, the difference of 61,364 was immediately recognized within operating expenses (Note 14) in the interim condensed consolidated income statement for the six months ended 30 June 2012 (30 June 2011: 122,558).

As at December 2011 the Group had entered into a number of finance leases under which equipment was not received as at reporting date. Accordingly, the liabilities arising from the above financial leases are not reported in these financial statements. The present value of future minimum lease payments under these agreements as at 31 December 2011 is 60,236. Future interest expense is 11,324. As at 31 December 2011 the Group paid advances of 103,713 under these leases. There were no such commitments as at 30 June 2012.

13. Revenue

	For the six months ended	
	30 June 2012 (unaudited)	**30 June 2011 (unaudited)**
Network transmission of electricity	**14,033,029**	14,956,738
Technological losses at the normal (expected) level	**(2,549,589)**	(3,242,400)
Network transmission of electricity, net of normal (expected) losses	**11,483,440**	11,714,338
Technical connection to electricity grids	**3,083,018**	3,774,349
Other revenue	**797,711**	318,133
Total	**15,364,169**	15,806,821

For the six months ended 30 June 2012 electricity transmission revenue before technological losses at the normal (expected) level of 12,371,241 (30 June 2011: 12,338,981) was generated from three customers that individually accounted for greater than 10% (30 June 2011: two customers).

Technological connection fees for the six months ended 30 June 2012 of 70,029 (30 June 2011: 370,195) were settled by way of contribution of property, plant and equipment from the customers.

14. Operating expenses

	For the six months ended	
	30 June 2012 (unaudited)	**30 June 2011 (unaudited)**
Transmission fee	**6,717,791**	6,858,460
Depreciation (Note 6)	**2,063,221**	2,318,974
Payroll and payroll taxes	**1,960,632**	1,940,895
Repairs and maintenance	**385,274**	325,382
Rent expenses	**210,545**	225,843
Agency services	**205,172**	1,085
Telecommunication and information services	**174,629**	146,258
Raw materials and supplies	**131,434**	113,038
Taxes other than income tax	**99,694**	93,339
Social expenses	**84,058**	94,377
Internal security expenses	**63,724**	58,731
Consulting, legal and audit services	**61,784**	47,167
Impairment loss on finance leases (Note 12)	**61,364**	122,558
Utilities	**58,172**	71,499
Electric metering services	**50,844**	54,446
Amortization of intangible assets	**44,047**	69,894
Provision for impairment of inventories	**41,955**	19,273
Provision for impairment of receivables (Note 10)	**14,747**	288,707
Impairment loss on property, plant and equipment	**-**	2,961,229
Impairment of intangible asset	**-**	177,747
Other operating expenses	**385,127**	405,985
Total	**12,814,214**	16,394,887

15. Finance expenses

	For the six months ended	
	30 June 2012 (unaudited)	**30 June 2011 (unaudited)**
Interest expense on loans	**809,473**	362,805
Interest expense on bonds	**139,586**	251,926
Interest expense on finance leases	**65,356**	129,393
Other finance expenses	**5,120**	8,073
Total	**1,019,535**	752,197

16. Income tax

	For the six months ended	
	30 June 2012 (unaudited)	**30 June 2011 (unaudited)**
Current income tax:		
Current income tax charge	**24,667**	359,286
Deferred income tax:		
Relating to origination and reversal of temporary differences	**392,482**	(508,586)
Adjustments in respect of current income tax of previous year	**(8,368)**	-
Income tax expense/(benefit) reported in the interim condensed consolidated income statement	**408,781**	(149,300)

Reconciliation between tax (expense)/benefit and accounting profit/(loss) multiplied by tax rate for the six months ended 30 June 2012 and 2011 is as follows:

	For the six months ended	
	30 June 2012 (unaudited)	**30 June 2011 (unaudited)**
Accounting profit/(loss) before tax	**1,626,250**	(1,327,942)
Theoretical tax expense/(benefit) at statutory income tax rate of 20%	**325,250**	(265,588)
Non-deductible expenses	**91,899**	70,975
Relating to change in a manner of recovery of deferred tax asset	**-**	45,313
Adjustments in respect of current income tax of previous year	**(8,368)**	-
Income tax expense/(benefit) reported in the interim condensed consolidated income statement at the effective income tax rate of 25% (30 June 2011: 11%)	**408,781**	(149,300)

17. Earnings per share

	For the six months ended	
	30 June 2012 (unaudited)	**30 June 2011 (unaudited)**
Weighted average number of outstanding ordinary shares (thousands)	**960,365**	926,022
Weighted average number of outstanding preference shares (thousands)	**93,264**	93,264
Net profit/(loss) attributable to equity holders:	**1,216,093**	(1,179,755)
- attributable to holders of ordinary shares	**1,108,448**	(1,071,808)
- attributable to holders of preference shares	**107,645**	(107,947)
Earnings/(loss) per share (Rubles)	**1.15**	(1.16)

18. Commitments and contingencies

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Tax legislation

The existing Russian tax, currency and customs legislation allows for various interpretations and is prone to frequent changes. Interpretation by the Group's management of the legislation in place when applicable to the Group's transactions and activities may be challenged by the appropriate regional or federal authorities. Recent events that occurred in the Russian Federation are indicative of the fact that tax authorities may assume a tougher stance with regard to interpretation of legislation and review of tax returns. Consequently, tax authorities may challenge transactions and accounting methods that they had never challenged before. As a result, significant additional taxes, penalties and fines may be accrued. It is not possible to determine amounts of constructive claims or evaluate probability of their negative outcome. Tax audits may cover a period of three calendar years immediately preceding the reporting one. Under certain circumstances, tax authorities may review earlier accounting periods.

As at 30 June 2012 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

Operating leases

Operating lease commitments mainly relate to contractual obligations under long-term lease agreements for office premises and land plots under Group's power lines and equipment. These non-cancellable leases have terms between 5 and 49 years and contain renewal option. Rent expenses for the six months ended 30 June 2012 of 210,545 (30 June 2011: 225,843) were recognized within interim condensed consolidated income statement (Note 14).

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2012 and 31 December 2011 are as follows:

	30 June 2012 (unaudited)	**31 December 2011**
Within one year	**353,513**	304,389
After one year but not more than five years	**1,260,116**	630,723
More than five years	**647,232**	570,376
Total	**2,260,861**	1,505,488

18. Commitments and contingencies (continued)

Capital commitments

Future capital expenditures for which contracts have been signed amounted to 15,002,581 as at 30 June 2012 (31 December 2011: 15,671,449).

Guarantees issued

As at 30 June 2012 the Group provided the following guarantees for the loans granted by OJSC Bank VTB Severo-Zapad to the Group's lessor (CJSC Rosgazleasing):

Guarantee	Underlying loan agreement	Maturity date	Amount of loan guaranteed
CJSC Rosgazleasing	#107/07 dated 22 August 2007	22 August 2012	2,560

19. Related party transactions

For the purposes of these interim condensed consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group had balances outstanding as at 30 June 2012 and 31 December 2011 with the following related parties.

Transactions with MRSK-Holding and entities under MRSK-Holding control

	30 June 2012 (unaudited)	31 December 2011
Accounts receivable, including:		
Other receivables	**98**	**33**
OJSC EnergoUchet	33	33
MRSK-Holding	65	-
Accounts payable, including		
Trade accounts payable	**4,836**	**4,836**
MRSK-Holding	4,813	4,813
OJSC NW EMK	23	23
Other accounts payable	**599**	**-**
OJSC EnergoUchet	599	-
Advances received	**13**	**13**
OJSC NW EMK	13	13

19. Related party transactions (continued)

Transactions with MRSK-Holding and entities under MRSK-Holding control (continued)

	For the six months ended	
	30 June 2012 (unaudited)	**30 June 2011 (unaudited)**
Consulting, legal and audit services	**40,792**	**40,792**
MRSK-Holding	40,792	40,792
Dividends received	**-**	**157**
OJSC EnergoUchet	-	157

Transactions with other related parties

Non-government pension fund Electroenergetiki

The outstanding balances with NPF Electroenergetiki were as follows:

	30 June 2012 (unaudited)	31 December 2011
Other accounts receivable	129,994	122,820

Compensation to key management personnel

Key management personnel comprise general director of the Company and his deputies, including finance director and chief accountant, as well as members of the Board of Directors. Total compensation to key management personnel, which is represented by short-term and termination employee benefits (monthly payroll, annual bonuses and pensions), included in payroll and payroll taxes in the income statement was as follows:

	For the six months ended	
	30 June 2012 (unaudited)	**30 June 2011 (unaudited)**
Short-term employee benefits	**44,424**	43,993
Termination benefits	**7,730**	9,160
Total	**52,154**	53,153

20. Financial risk management

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The exposure of the Group to these and other financial risks is disclosed below.

Credit risk

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

20. Financial risk management (continued)

Liquidity risk

The table below summarizes the maturity profile of the Group's financial liabilities as at 30 June 2012 and 31 December 2011 based on contractual undiscounted payments:

As at 30 June 2012 (unaudited)	**1 year**	**2 years**	**3-5 years**	**Over 5 years**
Bonds issued	301,804	508,603	3,508,603	-
Interest-bearing loans	1,946,952	5,441,668	19,328,883	1,008,222
Trade and other accounts payable	6,323,108	900	104,224	-
Other financial obligations	317,639	111,431	16,031	-
Total	**8,889,503**	**6,062,602**	**22,957,741**	**1,008,222**

As at 31 December 2011	**1 year**	**2 years**	**3-5 years**	**Over 5 years**
Bonds issued	6,247,719	-	-	-
Interest-bearing loans	782,299	3,632,260	20,006,366	-
Trade and other accounts payable	6,430,355	1,800	104,201	-
Other financial obligations	457,772	208,066	44,630	-
Total	**13,918,145**	**3,842,126**	**20,155,197**	**-**

Fair values

Set out below is a comparison by category of carrying amount and fair value of the Group's financial instruments that are carried in these interim condensed consolidated financial statements:

	30 June 2012 (unaudited)		**31 December 2011**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	**6,535,917**	6,535,917	7,108,538	7,108,538
Available-for-sale investments	**26,700**	26,700	26,700	26,700
Loans and receivables	**1,835,782**	1,835,782	991,044	991,044
Obligations under finance leases	**(376,213)**	(376,213)	(586,643)	(586,643)
Short-term and current portion of long-term borrowings	**(92,353)**	(92,353)	(5,962,662)	(6,102,000)
Long-term fixed rate borrowings	**(24,544,984)**	(23,279,704)	(20,800,000)	(20,291,149)
Trade and other payables	**(6,583,356)**	(6,583,356)	(6,436,021)	(6,436,021)

The following methods and assumptions were used to estimate the fair values:

Cash, loans and receivables, interest payable, trade and other payables, short-term borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of available-for-sale investment was determined using cost method.

20. Financial risk management (continued)

Fair values (continued)

The fair value of obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair value of borrowings is calculated by discounting the expected future cash flows at interest rates determined with regard to the Group's creditworthiness.

Fair value hierarchy

As at 30 June 2012 the Group held the following financial instruments measured at fair value:

	30 June 2012	Level 1	Level 2	Level 3
Available-for-sale investments	**26,700**	-	-	26,700

For the six months ended 30 June 2012 there were no transfers among any levels of fair value measurements.

Capital risk management

Capital includes ordinary and preference shares attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ending 30 June 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio up to 80%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

	30 June 2012 (unaudited)	31 December 2011
Interest-bearing loans and borrowings (Note 12)	**25,013,550**	27,577,386
Trade and other payables	**7,112,558**	7,094,478
Less cash and cash equivalents	**(6,535,917)**	(7,108,538)
Net debt	**25,590,191**	26,976,683
Ordinary shares (Note 11)	**5,072,171**	4,866,115
Preference shares (Note 11)	**625,603**	625,603
Total capital	**5,697,774**	5,491,718
Capital and net debt	**31,287,965**	32,468,401
Gearing ratio	**82%**	83%

As at 30 June 2012 the Group has been in compliance with share capital requirements established by the legislation of Russian Federation.

21. Events after the reporting date

In July - August 2012 the Group entered into agreements with OJSC Sberbank for non-renewable credit lines of 2,000,000 maturing in July 2014 – July 2016 and bearing interest of 7.22 – 7.28%.

In July – August 2012 the Group received several tranches of 680,503 from VneshEconomBank and a new tranche of 50,000 from AB Rossiya under the credit lines described in Note 12.

In July 2012 state authorities of St. Petersburg and Leningrad region issued new regulations on transmission tariffs changing the parameters of RAB-tarification system. Particularly, the profitability rate on capital invested before RAB implementation was reduced from 11% to 1% and the index for the operating expenses effectiveness was increased from 1% to 3%. The above regulations might negatively affect the fair value of property, plant and equipment. Currently the Group is assessing the impact of new pronouncements, which will be considered while performing the analysis of the fair value of property, plant and equipment as of 31 December 2012.

In August 2012 the Group fully repaid dividends for 2011 in the amount of 141,742.