

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

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

To the Shareholders and Board of Directors  
OJSC MOESK

### *Introduction*

We have reviewed the accompanying consolidated interim condensed statement of financial position of OJSC MOESK (the "Company") and its subsidiaries (the "Group") as at 30 June 2013, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information 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 consolidated interim condensed 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 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 consolidated interim condensed financial information as at 30 June 2013 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Krasnikhina T.L., Director, power of attorney dated 1 October 2010 No. 38/10

ZAO KPMG

29 August 2013

Moscow, Russian Federation

Audited entity: OJSC MOESK

Entered in the Unified State Register of Legal Entities on 1 April 2005 by the Moscow Inter-Regional tax inspectorate No. 46 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1057746556811, Certificate series 77 No. 005900296.

Building 3/2, 2nd Paveletskiy proezd, Moscow, 115114, Russian Federation

Independent auditor: ZAO KPMG, a company incorporated under the Law 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.

	30 June 2013	31 December 2012
Note	'000 RUB (unaudited)	'000 RUB (restated)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	230 444 421	226 647 139
Intangible assets	529 057	529 969
Long-term investments	651 892	621 674
Other non-current assets	5 909 394	10 716 267
<b>Total non-current assets</b>	<b>237 534 764</b>	<b>238 515 049</b>
<b>Current assets</b>		
Inventories	2 227 197	2 066 195
Income tax receivable	831 994	6 897
Trade and other receivables	18 556 144	20 126 489
Short-term investments	-	10 001
Cash and cash equivalents	6 956 389	8 331 910
<b>Total current assets</b>	<b>28 571 724</b>	<b>30 541 492</b>
<b>Total assets</b>	<b>266 106 488</b>	<b>269 056 541</b>

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 9 to 23 and with the consolidated financial statements for the year ended 31 December 2012.

		<b>30 June 2013</b>	<b>31 December 2012</b>
	<b>Note</b>	<b>'000 RUB</b> <b>(unaudited)</b>	<b>'000 RUB</b> <b>(restated)</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	10		
Share capital		24 353 546	24 353 546
Additional paid in capital		18 580 888	18 580 888
Retained earnings		98 739 364	95 780 689
<b>Total equity attributable to the shareholders of OJSC MOESK</b>		<b>141 673 798</b>	<b>138 715 123</b>
Non-controlling interest		171 598	231 468
<b>Total equity</b>		<b>141 845 396</b>	<b>138 946 591</b>
<b>Non-current liabilities</b>			
Loans and borrowings	12	46 032 926	50 037 170
Employee benefits		3 792 017	3 421 610
Deferred tax liabilities		8 685 697	9 714 130
Trade and other payables		8 574 355	9 344 524
<b>Total non-current liabilities</b>		<b>67 084 995</b>	<b>72 517 434</b>
<b>Current liabilities</b>			
Loans and borrowings	12	3 643 941	4 070 539
Income tax payable		2 341	434 716
Other taxes payable		847 633	990 629
Trade and other payables		49 834 124	48 923 947
Provisions		2 848 058	3 172 685
<b>Total current liabilities</b>		<b>57 176 097</b>	<b>57 592 516</b>
<b>Total equity and liabilities</b>		<b>266 106 488</b>	<b>269 056 541</b>

The consolidated interim condensed financial statements was approved on 29 August 2013.:

First Deputy Director General  
on Economics and Finance

A. V. Inozemtsev



Head of Department  
on Economics and Finance

V. V. Bragova

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 9 to 23 and with the consolidated financial statements for the year ended 31 December 2012.

**OJSC MOESK**  
*Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income  
for the six months ended 30 June 2013*

		<b>6 months ended 30 June 2013 (unaudited) '000 RUB</b>	<b>6 months ended 30 June 2012 (restated) '000 RUB</b>
<b>Revenue</b>	7	61 231 364	57 134 235
Operating expenses	8	(51 555 113)	(45 921 521)
Other operating income		541 168	588 757
<b>Results from operating activities</b>		<b>10 217 419</b>	<b>11 801 471</b>
Finance income		190 715	1 017 075
Finance costs		(1 527 132)	(1 507 320)
<b>Profit before income tax</b>		<b>8 881 002</b>	<b>11 311 226</b>
Income tax expense		(1 692 488)	(2 710 864)
<b>Profit for the period</b>		<b>7 188 514</b>	<b>8 600 362</b>
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Remeasurements of the defined benefit liability		7 881	10 668
Tax on defined benefit liability		(1 576)	(2 134)
<b>Other comprehensive income for the period, net of tax</b>		<b>6 305</b>	<b>8 534</b>
<b>Total comprehensive income for the period</b>		<b>7 194 819</b>	<b>8 608 896</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of OJSC MOESK		7 254 689	8 656 067
Non-controlling interests		(59 870)	(47 171)
<b>Basic and diluted earnings per ordinary share (in RUB)</b>		<b>0.1488</b>	<b>0.1775</b>

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 9 to 23 and with the consolidated financial statements for the year ended 31 December 2012.

**OJSC MOESK**  
*Consolidated Interim Condensed Statement of Changes in Equity*  
*for the six months ended 30 June 2013*

	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital	Additional paid in capital	Retained earnings	Total		
<b>Balance at 1 January 2013, as previously reported</b>	24 353 546	18 580 888	97 428 538	140 362 972	231 468	140 594 440
Impact of changes in accounting policy	-	-	(1 647 849)	(1 647 849)	-	(1 647 849)
<b>Balance at 1 January 2013 (restated)</b>	24 353 546	18 580 888	95 780 689	138 715 123	231 468	138 946 591
Profit/(loss) for the period	-	-	7 248 384	7 248 384	(59 870)	7 188 514
Other comprehensive income	-	-	6 305	6 305	-	6 305
<b>Total comprehensive income for the period</b>	-	-	(4 296 014)	(4 296 014)	-	(4 296 014)
Dividends to shareholders (unaudited)	-	-	-	-	-	-
<b>Balance at 30 June 2013</b>	24 353 546	18 580 888	98 739 364	141 673 798	171 598	141 845 396
<b>Balance at 1 January 2012, as previously reported</b>	24 353 546	18 580 888	79 494 344	122 428 778	484 455	122 913 233
Impact of changes in accounting policy	-	-	(1 044 993)	(1 044 993)	-	(1 044 993)
<b>Balance at 1 January 2012 (restated)</b>	24 353 546	18 580 888	78 449 351	121 383 785	484 455	121 868 240
Profit/(loss) for the period	-	-	8 647 533	8 647 533	(47 171)	8 600 362
Other comprehensive income	-	-	8 534	8 534	-	8 534
<b>Total comprehensive income for the period</b>	-	-	(1 217 677)	(1 217 677)	-	(1 217 677)
Dividends to shareholders (unaudited)	-	-	-	-	-	-
Acquisition of non-controlling interest without a change in control	-	-	191 228	191 228	(242 228)	(51 000)
<b>Balance at 30 June 2012 (restated)</b>	24 353 546	18 580 888	86 078 969	129 013 403	195 056	129 208 459

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 9 to 23 and with the consolidated financial statements for the year ended 31 December 2012.

**OJSC MOESK**  
*Consolidated Interim Condensed Statement of Cash Flows*  
*for the six months ended 30 June 2013*

	6 months ended 30 June 2013 (unaudited) '000 RUB	6 months ended 30 June 2012 (restated) '000 RUB
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before income tax</b>	<b>8 881 002</b>	<b>11 311 226</b>
<i>Adjustments for:</i>		
Depreciation and amortization	8 586 262	9 814 191
Loss on disposal of property, plant and equipment	160 515	54 414
Impairment of property, plant and equipment	318 906	-
Provisions	(223 307)	529 385
Finance income	(190 715)	(1 017 075)
Finance costs	1 527 132	1 507 320
Allowance for impairment of accounts receivable	4 834 477	153 460
Provision for inventory obsolescence	2 689	-
Gain on disposal of inventory	12 815	(52 506)
Other non-cash items	-	(14 808)
<b>Operating profit before changes in working capital</b>	<b>23 909 776</b>	<b>22 285 607</b>
Change in inventories	(176 506)	(708 939)
Change in trade and other receivables, non-current advances given for connection services	1 427 679	2 135 499
Change in retirement benefit obligations and related assets	326 643	48 666
Change in trade and other payables	(3 439 681)	(3 518 304)
Change in taxes payable, other than income tax	(142 996)	501 544
<b>Cash flows from operations before income taxes</b>	<b>21 904 915</b>	<b>20 744 073</b>
Income taxes paid	(3 979 969)	(1 698 681)
<b>Net cash from operating activities</b>	<b>17 924 946</b>	<b>19 045 392</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	2 161	2 421
Acquisition of property, plant and equipment	(12 733 250)	(17 234 726)
Interest received	180 798	144 646
Acquisition of intangible assets	(84 443)	(21 760)
Purchase of investments	-	(251 000)
Proceeds from disposal of investments	10 001	175 000
<b>Net cash used in investing activities</b>	<b>(12 624 733)</b>	<b>(17 185 419)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	5 870 647	6 942 833
Repayment of borrowings	(9 841 119)	(6 836 043)
Payment of finance lease liabilities	(712 416)	(1 484 893)
Interest paid	(1 992 846)	(2 491 809)
Acquisition of non-controlling interests	-	(51 000)
<b>Net cash used in financing activities</b>	<b>(6 675 734)</b>	<b>(3 920 912)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1 375 521)</b>	<b>(2 060 939)</b>
Cash and cash equivalents at beginning of period	8 331 910	3 944 875
<b>Cash and cash equivalents at end of period</b>	<b>6 956 389</b>	<b>1 883 936</b>

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 9 to 23 and with the consolidated financial statements for the year ended 31 December 2012.



## **1 Background**

### **(a) Organisation and operations**

Open Joint-Stock Company Moskovskaya Ob'edinennaya Electrosetevaya Kompaniya (OJSC MOESK or the "Company") was established on 1 April 2005 by transference of assets and activities related to the electricity transmission of OJSC Mosenergo, a subsidiary of RAO UES of Russia, within the framework of the Russian electricity sector restructuring in accordance with Resolution No. 1 adopted by shareholders of OJSC Mosenergo on 29 June 2004.

The Group's consolidated interim condensed financial statements includes the following subsidiaries:

- OJSC Moskabel'set'montaj (MKSM);
- OJSC Moskabel'energoremont (MKER);
- OJSC Repair of Electrical and Technical Equipment Plant (RETEP);
- OJSC Energocentr.

As at 30 June 2013 the Russian Government owned 63.69% of the voting ordinary shares and 7.01% of the preference shares of JSC "Russian Grids", which in turn owned 50.9% of OJSC MOESK.

The Company's registered office and the actual address is at building 3/2, 2<sup>nd</sup> Paveletskiy proezd, Moscow, 115114, Russian Federation.

The Group's principal activity is electricity transmission by means of electrical networks located in Moscow and the Moscow Region. The Group also provides connection services as part of its core operations.

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

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

## **2 Basis of preparation**

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

This consolidated interim condensed financial statements have been prepared in accordance with International Financial Reporting Standard (“IFRS”) IAS 34 *Interim Financial Reporting*. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2012.

### **(b) Basis of measurement**

The consolidated interim condensed financial statements are prepared on the historical cost basis except that investments classified as available-for-sale are stated at fair value.

### **(c) Functional and presentation currency**

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the Group companies functional currency and the currency in which this consolidated interim condensed financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand.

### **(d) Use of judgements, estimates and assumptions**

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare this consolidated interim condensed financial statements in conformity with IFRSs. Actual results may differ from those estimates.

The judgements, estimates and assumptions applied by the Group in this consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

## **3 Significant accounting policies**

Except as described below, the accounting policies applied by the Group in this consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

### **Changes in accounting policies**

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IAS 19 (Revised 2011) *Employee Benefits*, IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. As required by IAS 34, the nature and the effect of these changes are disclosed below.

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

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

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

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

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

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

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

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

The Group applied IAS 19 (2011) to its pension plan which is a defined benefit plan retrospectively beginning from 1 January 2012. As a result, past service costs are recognised in the full amount as a n expense 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 a straight-line basis over the average period until the benefits become vested.

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

The application of the revised standard had the following impact on the financial position of the Group:

**Consolidated interim condensed statement of financial position:**

'000 RUB	As previously reported	Effect of changes in accounting policies	As restated
<b>1 January 2012</b>			
Employee benefits	(1 356 652)	(1 306 240)	(2 662 892)
Deferred tax liabilities	271 331	261 247	532 578
<b>Total liabilities</b>	<b>(1 085 321)</b>	<b>(1 044 993)</b>	<b>(2 130 314)</b>
Retained earnings	1 085 321	1 044 993	2 130 314
<b>Total equity</b>	<b>1 085 321</b>	<b>1 044 993</b>	<b>2 130 314</b>

**OJSC MOESK**  
*Notes to the Consolidated Interim Condensed Financial Statements*  
*for the six months ended 30 June 2013*  
*(unaudited)*

000'RUB	As previously reported	Effect of changes in accounting policies	As restated
<b>31 December 2012</b>			
Employee benefits	(1 361 799)	(2 059 811)	(3 421 610)
Deferred tax liabilities	272 360	411 962	684 322
<b>Total liabilities</b>	<b>(1 089 439)</b>	<b>(1 647 849)</b>	<b>(2 737 288)</b>
Retained earnings	1 089 439	1 647 849	2 737 288
<b>Total equity</b>	<b>1 089 439</b>	<b>1 647 849</b>	<b>2 737 288</b>

**Consolidated interim condensed statement of profit or loss and other comprehensive income:**

000'RUB	Before application of the revised standard	Effect of changes in accounting policies	As reported
<b>For the six months ended 30 June 2012</b>			
Operating expenses	187 740	62 832	250 572
Financial expense	98 016	3 569	101 585
Income tax expense	(57 151)	(13 280)	(70 431)
<b>Total profit for the period</b>	<b>228 605</b>	<b>53 121</b>	<b>281 726</b>
Remeasurements of the defined benefit liability / Defined benefit plan actuarial gains (losses)	-	(10 668)	(10 668)
Income tax expense	-	2 134	2 134
<b>Total other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>(8 534)</b>	<b>(8 534)</b>
<b>Total comprehensive income for the period</b>	<b>228 605</b>	<b>44 587</b>	<b>273 192</b>

000'RUB	Before application of the revised standard	Effect of changes in accounting policies	As reported
<b>For the six months ended 30 June 2013</b>			
Operating expenses	374 697	112 931	487 628
Financial expense	114 966	4 118	119 084
Income tax expense	(97 933)	(23 409)	(121 342)
<b>Total profit for the period</b>	<b>391 730</b>	<b>93 640</b>	<b>485 370</b>
Remeasurements of the defined benefit liability / Defined benefit plan actuarial gains (losses)	-	(7 881)	(7 881)
Income tax expense	-	1 576	1 576
<b>Total other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>(6 305)</b>	<b>(6 305)</b>
<b>Total comprehensive income for the period</b>	<b>391 730</b>	<b>87 335</b>	<b>479 065</b>

**Consolidated interim condensed statement of financial position:**

<b>000'RUB</b>	<b>As previously reported</b>	<b>Effect of changes in accounting policies</b>	<b>As restated</b>
<b>1 January 2012</b>			
Total assets	249 558 806	-	249 558 806
Total equity	122 913 233	(1 044 993)	121 868 240
Total liabilities	126 645 573	1 044 993	127 690 566
<b>31 December 2012</b>			
Total assets	269 056 541	-	269 056 541
Total equity	140 594 440	(1 647 849)	138 946 591
Total liabilities	128 462 101	1 647 849	130 109 950

**Consolidated interim condensed statement of profit or loss and other comprehensive income:**

**000'RUB**

**For the six months ended 30 June 2012**

Total comprehensive income for the period	8 653 483	(44 587)	8 608 896
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	<b>Before application of the revised standard</b>	<b>Effect of changes in accounting policies</b>	<b>As reported</b>
<b>For the six months ended 30 June 2013</b>			
Total comprehensive income for the period	7 107 484	87 335	7 194 819

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

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

#### 4 Determination of fair values

The fair value of non-derivative financial instruments is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### 5 Financial risk management

During the period the Company had the same exposure to financial risks as those which existed as at, and during, the year ended 31 December 2012.

#### 6 Operating segments

Operating segments are identified on the basis of internal reports on components of the Group that are regularly reviewed by the Board of Directors, the chief operating decision maker, to allocate resources to a segment and assess its performance.

Management has determined the following as reportable segments:

- Electricity transmission in Moscow;
- Electricity transmission in the Moscow region;
- Connection services in Moscow;
- Connection services in the Moscow region.

Other activities mainly represent rental income, installation services, repair and technical maintenance of electrical equipment, which have been included in the “other”. None of these items meets any of the quantitative thresholds for determining reportable segments in the six months ended 30 June 2013 or the six months ended 30 June 2012.

Effective 1 July 2012 certain districts of the Moscow region have been included within the Moscow city territory under the decision of the government of the Russian Federation. Consequently this resulted in the change of the structure of the Company and therefore change in the composition of operation segments.

The segment revenue and profit/(loss) before income tax for the six months ended 30 June 2013 are as follows (unaudited):

'000 RUB	Electricity transmission	Connection services	Other	Total
<b>Revenues</b>				
External revenues	54 222 717	5 015 033	446 058	59 683 808
Moscow	26 527 777	3 305 957	409 173	30 242 907
Moscow Region	27 694 940	1 709 076	36 885	29 440 901
<b>Inter-segment revenue</b>	-	-	580 419	580 419
Moscow	-	-	455 442	455 442
Moscow Region	-	-	124 977	124 977

<b>Reportable segment profit/(loss) before income tax</b>	9 026 764	4 603 185	103 053	13 733 002
Moscow	5 370 231	3 086 179	112 690	8 569 100
Moscow Region	3 656 533	1 517 006	(9 637)	5 163 902

The segment revenue and profit/(loss) before income tax for the six months ended 30 June 2012 are as follows (unaudited):

'000 RUB (as previously reported)	<u>Electricity transmission</u>	<u>Connection services</u>	<u>Other</u>	<u>Total</u>
<b>Revenues</b>				
External revenues	48 679 716	6 329 396	936 622	55 945 734
Moscow	23 872 230	4 333 227	850 251	29 055 708
Moscow Region	24 807 486	1 996 169	86 371	26 890 026
<b>Inter-segment revenue</b>	-	-	830 818	830 818
Moscow	-	-	786 347	786 347
Moscow Region	-	-	44 471	44 471
<b>Reportable segment profit/(loss) before income tax</b>	7 550 870	4 579 664	78 501	12 209 035
Moscow	5 070 146	3 048 442	104 747	8 223 335
Moscow Region	2 480 724	1 531 222	(26 246)	3 985 700
'000 RUB (after the change in composition of operating segments)	<u>Electricity transmission</u>	<u>Connection services</u>	<u>Other</u>	<u>Total</u>
<b>Revenues</b>				
External revenues	48 679 716	6 329 396	936 622	55 945 734
Moscow	24 388 349	4 333 227	850 251	29 571 827
Moscow Region	24 291 367	1 996 169	86 371	26 373 907
<b>Inter-segment revenue</b>	-	-	830 818	830 818
Moscow	-	-	786 347	786 347
Moscow Region	-	-	44 471	44 471
<b>Reportable segment profit/(loss) before income tax</b>	7 550 870	4 579 664	78 501	12 209 035
Moscow	5 123 314	3 048 442	104 747	8 276 503
Moscow Region	2 427 556	1 531 222	(26 246)	3 932 532

Segment assets are presented in the table below:

'000 RUB	<u>Electricity transmission</u>	<u>Connection services</u>	<u>Other</u>	<u>Unallocated</u>	<u>Total</u>
<b>30 June 2013 (unaudited)</b>					
<b>Total assets</b>	<b>240 865 915</b>	<b>26 173 167</b>	<b>3 151 220</b>	<b>26 339 193</b>	<b>296 529 495</b>
Moscow	161 776 511	16 490 724	2 609 070	-	180 876 305
Moscow Region	79 089 404	9 682 443	542 150	-	89 313 997
Unallocated	-	-	-	26 339 193	26 339 193
<b>31 December 2012</b>					
<b>Total assets</b>	<b>239 613 393</b>	<b>31 139 311</b>	<b>3 407 159</b>	<b>24 950 777</b>	<b>299 110 640</b>
Moscow	155 230 650	21 424 141	2 802 857	-	179 457 648
Moscow Region	84 382 743	9 715 170	604 302	-	94 702 215
Unallocated	-	-	-	24 950 777	24 950 777

Segment liabilities are presented in the table below:

'000 RUB	<u>Electricity transmission</u>	<u>Connection services</u>	<u>Other</u>	<u>Unallocated</u>	<u>Total</u>
<b>30 June 2013 (unaudited)</b>					
<b>Total liabilities</b>	<b>55 132 369</b>	<b>46 758 371</b>	<b>961 199</b>	<b>11 532 853</b>	<b>114 384 792</b>
Moscow	53 095 823	27 951 935	714 294	-	81 762 052
Moscow Region	2 036 546	18 806 436	246 905	-	21 089 887
Unallocated	-	-	-	11 532 853	11 532 853
<b>31 December 2012</b>					
<b>Total liabilities</b>	<b>60 467 706</b>	<b>48 397 324</b>	<b>1 544 009</b>	<b>12 759 130</b>	<b>123 168 169</b>
Moscow	58 496 585	29 308 221	1 327 256	-	89 132 062
Moscow Region	1 971 121	19 089 103	216 753	-	21 276 977
Unallocated	-	-	-	12 759 130	12 759 130



Reconciliation of reportable segment profit:

'000 RUB	6 months ended 30 June 2013 (unaudited)	6 months ended 30 June 2012 (unaudited)
Reportable segment profit	13 629 949	12 130 534
Other profit or loss	103 053	78 501
Unallocated	(4 950 402)	(1 377 298)
<b>Total profit before income tax per Russian Accounting Standards</b>	<b>8 782 600</b>	<b>10 831 737</b>
Adjustments associated with leased property, plant and equipment	1 065 955	(267 874)
Borrowing costs capitalized	71 976	811 554
Depreciation and amortisation	772 581	-
Impairment loss on property, plant and equipment	(318 906)	-
Loss on disposal of property, plant and equipment	(217 333)	(121 636)
Reversal of expenses on connection services	1 878	247 401
(Allowance) for impairment of accounts receivable	(289 185)	(84 811)
Provision for legal claims	158 768	-
Provision for unused vacations and bonuses	(633 847)	-
Effect of loan discounting	(31 793)	-
Accrued employee benefits plan liabilities	(378 288)	-
Other items	(103 404)	(105 145)
<b>Consolidated profit before income tax per IFRS</b>	<b>8 881 002</b>	<b>11 311 226</b>

The segment disclosure was prepared in accordance with 2012 year segment disclosure.

Segment operating results that are reported to the Group's chief operating decision maker are determined based on the income and expenses calculated in accordance with Russian Accounting Standards. Segment operating results represent the profit earned by each segment without allocation of finance income and expenses, other income and expenses which are included in "unallocated" component.

## 7 Revenue

During the six months ended 30 June 2013 revenue amounted to RUB 61 231 364 thousand (six months ended 30 June 2012: RUB 57 134 235 thousand) and included revenue from electricity transmission services in the amount of RUB 54 222 717 thousand (six months ended 30 June 2012: RUB 48 679 716 thousand) and revenue from technological connection services in the amount of RUB 6 551 304 thousand (six months ended 30 June 2012: RUB 7 513 802 thousand).

## 8 Operating expenses

During the six months ended 30 June 2013 operating expenses amounted to RUB 51 555 113 thousand (six months ended 30 June 2012: RUB 45 921 521 thousand (restated)) and included expenses relating to electricity transmission in the amount of RUB 17 223 881 thousand (six months ended 30 June 2012: RUB 16 402 996 thousand), purchased electricity for compensation of technological losses in the amount of RUB 5 789 005 thousand (six months ended 30 June 2012: RUB 5 262 804 thousand), employee benefits in the amount of RUB 8 584 734 thousand (six months ended 30 June 2012: RUB 7 358 914 thousand (restated)) and depreciation and amortisation expense in the amount of RUB 8 586 262 thousand (six months ended 30 June 2012: RUB 9 814 191 thousand).

## 9 Property, plant and equipment

'000 RUB	Land and buildings	Transmis- sion networks	Transform- ers and transformer substations	Other	Construc- tion in progress	Total
Balance at 1 January 2012	25 604 988	109 527 632	41 630 144	47 330 906	42 594 231	266 687 901
Additions (unaudited)	2 226 148	-	3 880	92 172	12 526 331	14 848 531
Transfer (unaudited)	77 133	3 300 193	1 458 785	680 778	(5 516 889)	-
Disposals (unaudited)	-	(176 930)	(34 403)	(37 834)	(22 473)	(271 640)
Balance at 30 June 2012 (unaudited)	<b>27 908 269</b>	<b>112 650 895</b>	<b>43 058 406</b>	<b>48 066 022</b>	<b>49 581 200</b>	<b>281 264 792</b>
<b>Depreciation</b>						
Balance at 1 January 2012	(4 593 874)	(25 219 168)	(9 602 489)	(21 011 940)	(526 191)	(60 953 662)
Depreciation charge (unaudited)	(607 691)	(3 200 711)	(1 544 651)	(4 396 307)	-	(9 749 360)
Disposals (unaudited)	-	63 774	27 714	27 917	5	119 410
Balance at 30 June 2012 (unaudited)	<b>(5 201 565)</b>	<b>(28 356 105)</b>	<b>(11 119 426)</b>	<b>(25 380 330)</b>	<b>(526 186)</b>	<b>(70 583 612)</b>
<b>Net book value</b>						
At 1 January 2012	<b>21 011 114</b>	<b>84 308 464</b>	<b>32 027 655</b>	<b>26 318 966</b>	<b>42 068 040</b>	<b>205 734 239</b>
At 30 June 2012 (unaudited)	<b>22 706 704</b>	<b>84 294 790</b>	<b>31 938 980</b>	<b>22 685 692</b>	<b>49 055 014</b>	<b>210 681 180</b>
<b>Balance at 1 January 2013</b>	<b>28 991 195</b>	<b>134 207 718</b>	<b>48 376 241</b>	<b>57 769 094</b>	<b>35 586 201</b>	<b>304 930 449</b>
Additions (unaudited)	140 075	668 210	151 755	581 776	11 391 163	12 932 979
Transfer (unaudited)	516 963	4 078 255	1 677 701	1 557 861	(7 830 780)	-
Disposals (unaudited)	(3 374)	(175 889)	(16 895)	(18 077)	(183 185)	(397 420)
Balance at 30 June 2013 (unaudited)	<b>29 644 859</b>	<b>138 778 294</b>	<b>50 188 802</b>	<b>59 890 654</b>	<b>38 963 399</b>	<b>317 466 008</b>
<b>Depreciation</b>						
Balance at 1 January 2013	(5 547 189)	(31 415 817)	(11 943 529)	(28 601 839)	(774 936)	(78 283 310)
Depreciation charge (unaudited)	(481 022)	(3 475 489)	(1 676 386)	(2 870 137)	-	(8 503 034)
Impairment losses (unaudited)	-	-	-	-	(318 906)	(318 906)
Disposals (unaudited)	1 026	62 418	5 926	14 204	89	83 663
Balance at 30 June 2013 (unaudited)	<b>(6 027 185)</b>	<b>(34 828 888)</b>	<b>(13 613 989)</b>	<b>(31 457 772)</b>	<b>(1 093 753)</b>	<b>(87 021 587)</b>
<b>Net book value</b>						
At 1 January 2013	<b>23 444 006</b>	<b>102 791 901</b>	<b>36 432 712</b>	<b>29 167 255</b>	<b>34 811 265</b>	<b>226 647 139</b>
At 30 June 2013 (unaudited)	<b>23 617 674</b>	<b>103 949 406</b>	<b>36 574 813</b>	<b>28 432 882</b>	<b>37 869 646</b>	<b>230 444 421</b>

## 10 Equity

### (a) Share capital

<i>Share capital</i>	<b>Ordinary shares</b> <b>30 June 2013</b>	<b>Ordinary shares</b> <b>31 December 2012</b>
Issued shares, fully paid	48 707 091 574	48 707 091 574
Par value (in RUB)	RUB 0.50	RUB 0.50

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders.

### (b) Treasury shares

As at 30 June 2013 and 31 December 2012 the Group did not hold any of its own shares.

### (c) Dividends

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

At the annual shareholders meeting held on 26 June 2013 the decision was made to declare dividends for the year 2012 for ordinary shares in the amount of RUB 4 296 014 thousand (RUB 0.088 per share).

At the annual shareholders meeting held on 28 June 2012 the decision was made to declare dividends for the year 2011 for ordinary shares in the amount of RUB 1 217 677 thousand (RUB 0.025 per share).

### (d) Acquisition of non-controlling interests

On 15 February 2012, the Group acquired an additional 9 999 shares of OJSC Energocentr a subsidiary of the Group, for a cash consideration of RUB 51 000 thousand, increasing its ownership interest in OJSC Energocentr from 50% to 75% minus one share. The carrying amount of OJSC Energocentr net assets in the Group's financial statements on the date of the acquisition was RUB 982 002 thousand. As the result of this transaction the Group recognised a decrease in non-controlling interests of RUB 242 228 thousand, an increase in retained earnings of RUB 191 228 thousand.

The following table summarises the effect of changes in the Company's ownership interest in OJSC Energocentr for six-months ended 2012.

<b>'000 RUB</b>	
Company's ownership interest at 1 January 2012	497 547
Effect of increase in Company's ownership interest	242 228
Share of comprehensive income	(141 512)
<b>Company's ownership interest at 30 June 2012</b>	<b>598 263</b>

## 11 Earnings per share

The calculation of earnings per share is based upon the profit for the period and the average number of ordinary shares outstanding during the period, calculated as shown below. The Company has no dilutive potential ordinary shares.

	30 June 2013	30 June 2012 (restated)
Number of outstanding shares	48 707 091 574	48 707 091 574
Profit for the period attributable to the shareholders of OJSC MOESK ('000 RUB)	7 248 384	8 647 533
Earnings per share (RUB)	0.1488	0.1775

## 12 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings.

	30 June 2013 '000 RUB	31 December 2012 '000 RUB
<b>Non-current</b>		
Unsecured bank facility	30 285 842	39 266 231
Unsecured bond issues	15 524 973	10 537 553
Finance lease liability	222 111	233 386
<b>Total non-current</b>	<b>46 032 926</b>	<b>50 037 170</b>
<b>Current</b>		
Unsecured bank facility	3 002 146	2 997 905
Current portion of finance lease liability	67 515	693 039
Current portion of bond issues	547 782	348 296
Current portion of unsecured bank facility	26 498	31 299
<b>Total current</b>	<b>3 643 941</b>	<b>4 070 539</b>

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

Amount	Interest rate	Maturity
4 993 893*	8.5%	10.02.2016

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

	Amount
Loans*	2 369 741
Loans	7 500 004

\*- Loans from state-controlled banks.

## **13 Financial risk management**

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2012. Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amount. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the six-months ended 30 June 2013.

## **14 Capital commitments**

Future capital expenditures for which contracts have been signed as at 30 June 2013 amount to RUB 37 970 177 thousand (31 December 2012: RUB 39 689 257 thousand). During the six-month period the Group has not entered into new finance lease agreements for the items of property, plant and equipment. As at 30 June 2013 the capital commitments for current finance lease agreements for the items of property, plant and equipment amount to RUB 1 247 494 thousand (31 December 2012: RUB 1 247 494 thousand).

## **15 Contingencies**

### **(a) Insurance**

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

### **(b) Litigation**

Group is party to certain legal proceedings arising in the ordinary course of business. Management does not believe that these matters will have a material adverse effect on the Group's operating results.

### **(c) Taxation contingencies**

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

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the

effect on these consolidated interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

## **16 Related party transactions**

OJSC MOESK operates in an economic regime dominated by entities directly or indirectly controlled by the Government of the Russian Federation through its government-related entities. OJSC MOESK has transactions with other government-related entities including but not limited to sales and purchases of goods and ancillary materials, rendering and receiving services, leasing of assets, and use of public utilities.

These transactions are conducted in the ordinary course of OJSC MOESK's business on terms comparable to those with other entities that are not government-related. OJSC MOESK has established procurement policies, pricing strategy and approval process for purchases and sales of products and services, which are independent of whether the counterparties are government-related entities or not.

### **(a) Control relationships**

As at 30 June 2013 the Parent of the Group was JSC "Russian Grids", a state controlled entity.

The party with ultimate control over the Group is the Russian Federation, which held the majority of the voting rights of JSC "Russian Grids".

### **(b) Transactions with management and close family members**

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

#### **(i) Management remuneration**

Total remuneration in the form of salary and bonuses to the key management and the members of the Board of Directors during the six months ended 30 June 2013 was RUB 326 797 thousand (six months ended 30 June 2012: RUB 263 232 thousand).

### **(c) Transactions with state-controlled entities**

In the course of its operating activities the Group is also engaged in significant transactions with state-controlled entities. Revenues and purchases from state-controlled entities are measured at regulated tariffs where applicable, in other cases revenues and purchases are measured at normal market prices.

Revenues from state-controlled entities for the six months ended 30 June 2013 constitute 80% (six months ended 30 June 2012: 81%) of total Group revenues, including 89% (six months ended 30 June 2012: 95%) of electricity transmission revenues.

Electricity transmission costs for state-controlled entities for the six months ended 30 June 2013 constitute 71% (the six months ended 30 June 2012: 72%) of total transmission costs.

Significant raised and repaid loans from state-controlled entities are disclosed in Note 12.

**(d) Pricing policies**

Related party revenue for electricity transmission is based on the tariffs determined by the government. Other related party transactions are based on normal market prices.

**17 Events subsequent to the reporting date**

On 15 July 2013 amount RUB 3 000 000 thousand was fully paid in accordance with payment schedule of agreement # 5277 with OJSC “Sberbank”.

On 14 August 2013 amount RUB 211 900 thousand related to coupon income on bond (BO-3) was paid.

On 9 July 2013 bonds of OJSC MOESK in the amount of RUB 50 000 000 thousand, were included in list of securities admitted to trading on MICEX. The coupon rate will be determined in the framework of the procedure of securities placement. Bonds will be repaid within 10 years from the placement date.