JSC “FGC UES”

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

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

AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2012

(UNAUDITED)

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Report on Review of Condensed Consolidated Interim Financial Statements

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of JSC "FGC UES" and its subsidiaries (the "Group") as at 30 June 2012 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim 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 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 accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Notes 1 and 4 to the accompanying condensed consolidated interim financial statements. The Russian Federation has a controlling interest in the Group and governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

ZAO PricewaterhouseCoopers Audit

15 November 2012

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Condensed Consolidated Interim Statement of Financial Position (Unaudited)
(in millions of Russian Roubles unless noted otherwise)

	Notes	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,022,111	980,677
Intangible assets		7,498	6,973
Investments in associates		1,506	910
Available-for-sale investments	6	56,420	69,979
Long-term promissory notes	7	11,908	14,928
Other non-current assets		993	1,039
Total non-current assets		**1,100,436**	**1,074,506**
Current assets			
Cash and cash equivalents	8	29,953	25,627
Bank deposits		1,035	1,184
Short-term promissory notes	7	15,438	20,737
Loans given		35	448
Accounts receivable and prepayments	9	32,886	32,944
Income tax prepayments		1,384	1,911
Inventories		7,492	6,320
Total current assets		**88,223**	**89,171**
TOTAL ASSETS		**1,188,659**	**1,163,677**
EQUITY AND LIABILITIES			
Equity			
Share capital: Ordinary shares	10	630,193	627,974
Treasury shares	10	(5,161)	(5,522)
Share premium		10,501	10,501
Reserves		313,688	314,323
Accumulated deficit		(45,628)	(49,962)
Equity attributable to the shareholders of JSC "FGC UES"		**903,593**	**897,314**
Non-controlling interest		762	793
Total equity		**904,355**	**898,107**
Non-current liabilities			
Deferred income tax liabilities		78,928	80,572
Non-current debt	12	150,740	130,778
Retirement benefit obligations		4,847	4,686
Total non-current liabilities		**234,515**	**216,036**
Current liabilities			
Accounts payable to the shareholders of JSC "FGC UES"		55	2,275
Current debt and current portion of non-current debt		2,516	2,002
Accounts payable and accrued charges	13	46,915	44,974
Income tax payable		303	283
Total current liabilities		**49,789**	**49,534**
Total liabilities		**284,304**	**265,570**
TOTAL EQUITY AND LIABILITIES		**1,188,659**	**1,163,677**

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

14 November 2012

First Deputy Chairman of the Management Board A.V. Kazachenkov

Head of Accounting and Financial Reporting – Chief Accountant A.P. Noskov

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

Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)
(in millions of Russian Roubles unless noted otherwise)

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011
Revenues	14	66,909	71,217
Other operating income		1,447	1,587
Operating expenses	15	(53,584)	(45,657)
Gain on disposal of available-for-sale investments	6	-	31,115
Loss on re-measurement of assets held for sale	6	-	(4,718)
Reversal of impairment of property, plant and equipment, net	5	267	-
Operating profit		**15,039**	**53,544**
Finance income	16	2,237	2,200
Finance costs	17	(129)	(103)
Impairment of available-for-sale investments	6	(12,895)	-
Reversal of impairment of investments in associates		313	-
Share of result of associates		(1)	(1)
Profit before income tax		**4,564**	**55,640**
Income tax	11	(650)	(11,712)
Profit for the period		**3,914**	**43,928**
Other comprehensive income			
Change in fair value of available-for-sale investments	6	(13,559)	(17,261)
Accumulated gain on available-for-sale investments recycled to profit or loss	6	-	(31,115)
Impairment of available-for-sale investments recycled to profit or loss	6	12,895	-
Change in revaluation reserve for property, plant and equipment in associates		260	-
Foreign currency translation difference		24	(11)
Income tax recorded directly in other comprehensive income		133	9,675
Other comprehensive loss for the period, net of income tax		**(247)**	**(38,712)**
Total comprehensive income for the period		**3,667**	**5,216**
Profit / (loss) attributable to:			
Shareholders of JSC "FGC UES"	18	3,945	44,197
Non-controlling interest		(31)	(269)
Total comprehensive income / (loss) attributable to:			
Shareholders of JSC "FGC UES"		3,698	5,485
Non-controlling interest		(31)	(269)
Earning per ordinary share for profit attributable to the shareholders of JSC "FGC UES" – basic and diluted (in Russian Roubles)	18	**0.003**	**0.036**

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

14 November 2012

First Deputy Chairman of the Management Board — A.V. Kazachenkov

Head of Accounting and Financial Reporting – Chief Accountant — A.P. Noskov

Condensed Consolidated Interim Statement of Cash Flows (Unaudited)
(in millions of Russian Roubles unless noted otherwise)

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**4,564**	**55,640**
Adjustments to reconcile profit before income tax to net cash provided by operations			
Depreciation of property, plant and equipment	15	20,186	15,652
Loss on disposal of property, plant and equipment		279	392
Amortisation of intangible assets		278	461
Reversal of impairment of property, plant and equipment, net	5	(267)	-
Impairment of available-for-sale investments	6	12,895	-
Reversal of impairment of investments in associates		(313)	-
Gain on disposal of available-for-sale investments	6	-	(31,115)
Loss on re-measurement of assets held for sale	6	-	4,718
Share of result of associates		1	1
Accrual / (reversal) of allowance for doubtful debtors	15	1,933	(124)
Share-based compensation		361	880
Finance income	16	(2,237)	(2,200)
Finance costs	17	129	103
Other non-cash operating expense		7	-
Operating cash flows before working capital changes and income tax paid		**37,816**	**44,408**
Working capital changes:			
Increase in accounts receivable and prepayments		(2,145)	(1,922)
Increase in inventories		(1,177)	(1,406)
Decrease / (increase) in other non-current assets		46	(111)
Increase in accounts payable and accrued charges		4,364	2,939
Increase in retirement benefit obligations		162	451
Income tax paid		(1,613)	(8,084)
Net cash generated by operating activities		**37,453**	**36,275**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(58,882)	(69,614)
Proceeds from disposal of property, plant and equipment		341	458
Purchase of intangible assets		(803)	(425)
Purchase of promissory notes		(35,000)	(9,000)
Investment in bank deposits		(1,897)	(2,246)
Redemption of promissory notes		45,027	46,623
Redemption of bank deposits		2,046	1,983
Interest received		1,169	942
Net cash used in investing activities		**(47,999)**	**(31,279)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from non-current borrowings		20,000	-
Repayment of current borrowings		(59)	-
Repayment of lease		(75)	-
Interest paid		(4,994)	(2,102)
Net cash generated by / (used in) financing activities		**14,872**	**(2,102)**
Net increase in cash and cash equivalents		**4,326**	**2,894**
Cash and cash equivalents at the beginning of the period	8	**25,627**	**13,573**
Cash and cash equivalents at the end of the period	8	**29,953**	**16,467**

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

14 November 2012

First Deputy Chairman of the Management Board A.V. Kazachenkov

Head of Accounting and Financial Reporting – Chief Accountant A.P. Noskov

Condensed Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)
(in millions of Russian Roubles unless noted otherwise)

		Attributable to the shareholders of JSC "FGC UES"							
	Notes	Share capital	Share premium	Treasury shares	Reserves	Accumu-lated deficit	Total	Non-controlling interest	Total equity
As at 1 January 2012		**627,974**	**10,501**	**(5,522)**	**314,323**	**(49,962)**	**897,314**	**793**	**898,107**
Comprehensive income for the period									
Profit / (loss) for the period		-	-	-	-	3,945	**3,945**	(31)	**3,914**
Other comprehensive income, net of related income tax									
Change in revaluation reserve for property, plant and equipment		-	-	-	(388)	388	-	-	-
Change in revaluation reserve for property, plant and equipment of associates		-	-	-	260	-	**260**	-	**260**
Change in fair value of available-for-sale investments	6	-	-	-	(10,846)	-	**(10,846)**	-	**(10,846)**
Impairment on available-for-sale investments recycled to profit or loss	6	-	-	-	10,315	-	**10,315**	-	**10,315**
Foreign currency translation difference		-	-	-	24	-	**24**	-	**24**
Total other comprehensive income / (loss)		-	-	-	*(635)*	*388*	*(247)*	-	*(247)*
Total comprehensive income / (loss) for the period		-	-	-	(635)	4,333	**3,698**	(31)	**3,667**
Transactions with the shareholders of JSC "FGC UES" recorded directly in equity									
Issue of share capital	10	2,219	-	-	-	-	**2,219**	-	**2,219**
Recover of unclaimed dividends		-	-	-	-	1	**1**	-	**1**
Share-based compensation		-	-	361	-	-	**361**	-	**361**
Total transactions with the shareholders of JSC "FGC UES"		2,219	-	361	-	1	**2,581**	-	**2,581**
As at 30 June 2012		**630,193**	**10,501**	**(5,161)**	**313,688**	**(45,628)**	**903,593**	**762**	**904,355**

Condensed Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)
(in millions of Russian Roubles unless noted otherwise)

		Attributable to the shareholders of JSC "FGC UES"							
	Notes	Share capital	Share premium	Treasury shares	Reserves	Accumu-lated deficit	Total	Non-controlling interest	Total equity
As at 1 January 2011		**616,781**	**10,501**	**(6,864)**	**361,267**	**(108,525)**	**873,160**	**944**	**874,104**
Comprehensive income for the period									
Profit / (loss) for the period		-	-	-	-	44,197	**44,197**	(269)	**43,928**
Other comprehensive income, net of related income tax									
Change in revaluation reserve for property, plant and equipment		-	-	-	(421)	421	-	-	-
Change in fair value of available-for-sale investments	6	-	-	-	(13,809)	-	**(13,809)**	-	**(13,809)**
Change in revaluation reserve for property, plant and equipment of associates (previously classified as non-current assets held for sale)		-	-	-	(10,749)	10,749	-	-	-
Accumulated gain on available-for-sale investments recycled to profit or loss	6	-	-	-	(24,892)	-	**(24,892)**	-	**(24,892)**
Foreign currency translation difference		-	-	-	(11)	-	**(11)**	-	**(11)**
Total other comprehensive income / (loss)		-	-	-	***(49,882)***	***11,170***	***(38,712)***	-	***(38,712)***
Total comprehensive income / (loss) for the period		-	-	-	(49,882)	55,367	**5,485**	(269)	**5,216**
Transactions with the shareholders of JSC "FGC UES" recorded directly in equity									
Issue of share capital		11,193	-	-	-	-	**11,193**	-	**11,193**
Dividends declared		-	-	-	-	(2,578)	**(2,578)**	-	**(2,578)**
Share-based compensation		-	-	880	-	-	**880**	-	**880**
Total transactions with the shareholders of JSC "FGC UES"		11,193	-	880	-	(2,578)	**9,495**	-	**9,495**
As at 30 June 2011		**627,974**	**10,501**	**(5,984)**	**311,385**	**(55,736)**	**888,140**	**675**	**888,815**

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

14 November 2012

First Deputy Chairman of the Management Board A.V. Kazachenkov

Head of Accounting and Financial Reporting – Chief Accountant A.P. Noskov

Note 1. The Group and its operations

Joint-Stock Company “Federal Grid Company of Unified Energy System” (“FGC UES” or the “Company”) was established on 25 June 2002 as a wholly-owned subsidiary of the Russian Joint-Stock Company for Energy and Electrification United Energy System of Russia (“RAO UES”).

In 2008 the reorganisation of RAO UES was completed and RAO UES ceased to exist as a legal entity. FGC UES is RAO UES’s legal successor.

As at 30 June 2012 the FGC UES Group (the “Group”) comprises FGC UES and its subsidiaries. The Group’s primary activity is the provision of services for the transmission of electric power via the Unified National Electric Grid (“UNEG”). The Government of the Russian Federation (the “RF”) is the ultimate controlling party of the Group.

The Company’s ordinary registered uncertified shares are traded on the MICEX-RTS exchange under the trading code “FEES”. Starting from March 2011 the Company’s Global Depository Receipts (GDRs) have been listed on the Main Market of the London Stock Exchange.

The registered office of the Company is located at 5a, Academician Chelomey Str., 117630, Moscow, Russian Federation.

Relations with the state. As at 30 June 2012, the RF owned 79.55 percent of the voting ordinary shares of the Company (as at 31 December 2011: 79.48 percent).

The RF directly affects the Group’s operations through regulation by the Federal Tariff Service (the “FTS”). The investment program of FGC UES is subject to approval by the Ministry of Energy and the FTS. A number of the Group’s customers are controlled by, or related to the Government of the RF.

The Government’s economic, social and other policies could have material effects on the operations of the Group.

Operating environment. The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the RF (Note 19). The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management is unable to predict all developments in the economic environment which could have an impact on the Group’s operations and consequently what effect, if any, they could have on the financial position of the Group. Management believes it is taking all necessary measures to support the sustainability and development of the Group’s business in the current business and economic environment.

During the six months ended 30 June 2012 there were no substantial changes to the rules regulating the Group’s operations and mechanisms of setting prices for its services.

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

Note 2. Basis of preparation

Statement of compliance. These Condensed Consolidated Interim Financial Statements have been prepared in accordance with, and comply with, IAS 34 “Interim Financial Reporting” as adopted by the European Union (the “EU”). All information should be read in conjunction with the Group’s audited consolidated financial statements as at and for the year ended 31 December 2011 prepared in accordance with International Financial Reporting Standards (IFRS).

Until 31 December 2011 the Group prepared its consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board (the “IASB”). For the reporting periods beginning on or after 1 January 2012, the Group will also prepare the consolidated financial statements in accordance with IFRS as adopted by the EU for filing with EU regulatory organisations. Any differences between IFRS as issued by the IASB and IFRS as adopted by the EU do not have material effect on the Group’s consolidated financial statements, therefore the consolidated financial statements prepared in accordance with IFRS as adopted by the EU is a continuation of the consolidated financial statements prepared in accordance with IFRS as issued by the IASB; IFRS 1 “First time adoption of IFRS” is not applicable.

Note 2. Basis of preparation (continued)

Certain reclassifications have been made to prior year data to conform to the current year presentation. These reclassifications are not material.

***New accounting developments*.** These Condensed Consolidated Interim Financial Statements have been prepared by applying the accounting policies and methods of computation consistent with those of the consolidated financial statements as at and for the year ended 31 December 2011, except for income tax, which is accrued in the interim periods using the tax rate that would be applicable to expected total annual profit or loss and for those other policies which were changed to comply with the new or amended standards and interpretations that are in force for the financial periods beginning on 1 January 2012 and adopted by the EU.

The Group has adopted all new standards and interpretations that were effective from 1 January 2012. The impact of the adoption of these new standards and interpretations has not been significant with respect to these Condensed Consolidated Interim Financial Statements.

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the consolidated financial statements as at and for the year ended 31 December 2011, have been issued but are not effective for the financial year beginning on 1 January 2012 and which the Group has not early adopted.

(a) Certain new standards and interpretations as adopted by the EU became effective for the Group from 1 January 2012:

- *Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued by the IASB in October 2010 and effective for annual periods beginning on or after 1 July 2011 with the same effective date as endorsed by the EU).* The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

  The Group considered the implications of these accounting pronouncements and their impact on the Group. The changes do not significantly impact on the consolidated financial statements of the Group.

(b) Certain new standards and interpretations have been issued by the IASB and endorsed by the EU with the same effective date, that are mandatory for the annual periods beginning on 1 January 2013, and which the Group has not early adopted:

- *Amendments to IAS 1 "Presentation of Financial Statements" (issued June 2011, effective for annual periods beginning on or after 1 July 2012),* changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'.

- *Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013),* makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

(c) Certain new standards and interpretations have been issued by the IASB and not yet endorsed by the EU and which the Group has not adopted:

- *Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012, earlier application is permitted).* The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment superseded SIC Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets".

Note 2. Basis of preparation (continued)

- *IFRS 9 “Financial Instruments: Classification and Measurement"*. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

  • Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  • An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity’s business model is to hold the asset to collect the contractual cash flows, and (ii) the asset’s contractual cash flows represent payments of principal and interest only (that is, it has only “basic loan features”). All other debt instruments are to be measured at fair value through profit or loss.

  • All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

  • Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

  While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- *IFRS 10 “Consolidated Financial Statements” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)*, replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC Interpretation 12 “Consolidation – Special Purpose Entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

- *IFRS 11 “Joint Arrangements” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)*, replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Ventures”. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

- *IFRS 12 “Disclosure of Interest in Other Entities” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)*, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

- *IFRS 13 “Fair value measurement” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)*, aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

Note 2. Basis of preparation (continued)

- *IAS 27 “Separate Financial Statements” (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)*, was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 “Consolidated Financial Statements”.

- *IAS 28 “Investments in Associates and Joint Ventures” (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013).* The amendment of IAS 28 resulted from the Board’s project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

- *Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013).* The amendment requires disclosures that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

- *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).* The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement.

- *Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013).* The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 “Borrowing costs” retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

- *Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013).* The amendments clarify the transition guidance in IFRS 10 “Consolidated Financial Statements”. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities” by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

- *Other revised standards and interpretations:* The amendments to IFRS 1 “First-time adoption of IFRS”, relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, and IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”, which considers when and how to account for the benefits arising from the stripping activity in mining industry.

Unless otherwise described above, the new standards and interpretations are not expected to have any significant effect on the Group’s consolidated financial statements.

(in millions of Russian Roubles unless noted otherwise)

Note 2. Basis of preparation (continued)

Critical accounting estimates and assumptions. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011 with the exception of changes in estimates that are required in determining the provision for income taxes.

Note 3. Summary of significant accounting policies

These Condensed Consolidated Interim Financial Statements are unaudited and do not contain certain information and disclosures required in IFRS consolidated financial statements.

The accounting policies followed in the preparation of these Condensed Consolidated Interim Financial Statements are consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2011 except for income tax which is accrued in the interim periods using the tax rate that would be applicable to expected total annual profit or loss.

Note 4. Balances and transactions with related parties

Government-related entities. During the six months ended 30 June 2012 and 30 June 2011 the Group had the following significant transactions with government-related entities:

	Six months ended 30 June 2012	**Six months ended 30 June 2011**
Transmission revenue	60,136	61,097
Electricity sales	266	584
Connection services	99	235

Significant balances with government-related entities are presented below:

	30 June 2012	**31 December 2011**
Cash and cash equivalents	15,386	20,464
Long-term promissory notes	426	3,836
Short-term promissory notes	9,978	14,680
Trade receivables		
(Net of allowance for doubtful debtors of RR 5,723 million as at 30 June 2012 and RR 3,931 million as at 31 December 2011)	13,184	10,161
Non-current debt	(35,740)	(25,778)
Accounts payable and accrued charges	(12,293)	(10,976)

As at 30 June 2012 the Group had long-term undrawn committed financing facilities with government-related banks of RR 70,000 million (as at 31 December 2011: RR 60,000 million) (Note 12). There were no short-term undrawn committed financing facilities with government-related banks as at 30 June 2012 (as at 31 December 2011: RR 15,000 million).

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

Directors' compensation. Total remuneration in the form of salary, bonuses and non-cash benefits provided to the members of the Management Board for the six months ended 30 June 2012 and 30 June 2011 was as follows:

	Six months ended 30 June 2012	**Six months ended 30 June 2011**
Short-term compensation, including salary and bonuses	168	209
Post-employment benefits and other long-term benefits	11	14
Share-based compensation	227	396
Total	**406**	**619**

No remuneration was provided to the members of the Board of Directors for the six months ended 30 June 2012 (for the six months ended 30 June 2011: RR 7 million).

(in millions of Russian Roubles unless noted otherwise)

Note 5. Property, plant and equipment

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

	Buildings	Power transmission grids	Substations	Construction in progress	Other	Total
Appraisal value or cost						
Opening balance as at 1 January 2011	8,257	437,535	134,401	289,934	13,171	883,298
Additions	135	27	249	69,561	2,602	72,574
Transfers	958	9,382	14,316	(26,076)	1,420	-
Disposals	(2)	(35)	(649)	(201)	(94)	(981)
Closing balance as at 30 June 2011	9,348	446,909	148,317	333,218	17,099	954,891
Accumulated depreciation and impairment						
Opening balance as at 1 January 2011	(213)	(16,151)	(13,256)	(332)	(2,118)	(32,070)
Charge for the period	(117)	(8,204)	(6,221)	-	(1,110)	(15,652)
Disposals	2	3	105	-	22	132
Closing balance as at 30 June 2011	(328)	(24,352)	(19,372)	(332)	(3,206)	(47,590)
Net book value as at 1 January 2011	8,044	421,384	121,145	289,602	11,053	851,228
Net book value as at 30 June 2011	9,020	422,557	128,945	332,886	13,893	907,301

(in millions of Russian Roubles unless noted otherwise)

Note 6. Available-for-sale investments

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

	1 January 2011	Additions	Change in fair value*	Impairment charge	30 June 2011
OJSC "INTER RAO UES"	2,674	79,387	(9,090)	-	72,971
OJSC "IDGC Holding"	6,857	-	(2,158)	-	4,699
Total	**9,531**	**79,387**	**(11,248)**	**-**	**77,670**

* For the six months ended 30 June 2012 change in fair value of these available-for-sale investments in the total amount of RR 13,559 million was recognised in other comprehensive income (for the six months ended 30 June 2011: RR 11,248 million). The amount of RR 12,895 million was reclassified from other comprehensive income to profit or loss for the six months ended 30 June 2012.

Impairment of investment in OJSC "INTER RAO UES". During the six months ended 30 June 2012 the fair value of shares in OJSC "INTER RAO UES" ("INTER RAO") continued to decline below cost. The Group assessed these investments for impairment as at 30 June 2012 and concluded that there was evidence of a significant and prolonged decline in the fair value of equity investments below their cost. The fall in fair value of these investments during the reporting period amounted to RR 12,895 million, and the impairment recognised in other comprehensive income was recycled from equity to profit or loss.

During the six months ended 30 June 2011 previously held investments in such companies as OJSC "WGC-1", OJSC "TGC-6", OJSC "TGC-11", OJSC "Volzhskaya TGC" and other certain energy companies, accounted as non-current assets held for sale as at 31 December 2010, were transferred to INTER RAO in exchange of its shares. Due the provisions of IFRS 5 these investments were remeasured at the date of derecognition (transfer) to reflect the decrease in fair value less cost to sell. A loss of RR 4,718 million and corresponded deferred tax of RR 944 million was recognised in profit or loss in respect of re-measurement of investments in associates classified as held for sale. Decline in fair value of these investments was recognised in other comprehensive income in the amount of RR 4,810 million net of corresponding deferred tax in the amount of RR 1,203 million.

At the dates of the transaction, cumulative income recognised in other comprehensive income and related to the disposed assets held for sale amounting to RR 31,115 million was transferred to profit and loss as gain on sale of investments. Corresponding tax in the amount of RR 6,223 million was recognised in tax change for the period.

Note 7. Promissory notes

	Effective interest rate, %	Due	30 June 2012	31 December 2011
Long-term promissory notes				
Bank promissory notes	7.5%-12.6%	2013-2015	1,755	1,794
Non-bank promissory notes	9.1%-12.6%	2012-2038	10,153	13,134
Total long-term promissory notes			**11,908**	**14,928**
Short-term promissory notes				
Bank promissory notes	6.1%-8.5%	2012-2013	10,436	20,071
Non-bank promissory notes	8.9%-12.6%	2012-2013	5,002	666
Total short-term promissory notes			**15,438**	**20,737**

The currency of all promissory notes is Russian Roubles. Included in long-term non-bank promissory notes are promissory notes of LLC "ENERGO-finance" with the carrying value of RR 9,622 million (as at 31 December 2011: RR 9,197 million). As at 30 June 2012 and 31 December 2011 these promissory notes were impaired. The notes are not overdue as they were restructured in 2010. The amount of impairment provision was RR 2,400 million as at 30 June 2012 (as at 31 December 2011: RR 2,825 million).

(in millions of Russian Roubles unless noted otherwise)

Note 8. Cash and cash equivalents

	30 June 2012	31 December 2011
Cash at bank and in hand	24,459	18,925
Cash equivalents	5,494	6,702
Total cash and cash equivalents	**29,953**	**25,627**

Cash equivalents include short-term investments in certificates of deposit with original maturities of three months or less and contractual interest rate of 6.2-7.4% as at 30 June 2012 and 4.5-8.5% as at 31 December 2011. There were no certificates of deposit denominated in foreign currency included in cash equivalents as at 30 June 2012 and 31 December 2011.

Note 9. Accounts receivable and prepayments

	30 June 2012	31 December 2011
Trade receivables		
(Net of allowance for doubtful debtors of RR 8,565 million as at 30 June 2012 and RR 6,570 million as at 31 December 2011)	14,960	12,036
Other receivables		
(Net of allowance for doubtful debtors of RR 812 million as at 30 June 2012 and RR 908 million as at 31 December 2011)	1,139	932
VAT recoverable	13,138	16,597
Advances to suppliers		
(Net of allowance for doubtful debtors of RR 2,026 million as at 30 June 2012 and RR 2,033 million as at 31 December 2011)	2,846	2,764
Tax prepayments	803	615
Total accounts receivable and prepayments	**32,886**	**32,944**

Trade and other receivables are not interest-bearing and are largely due in 30 to 90 days as at 30 June 2012 and 31 December 2011. Given the short period of the trade and other receivables repayment, the fair value of such receivables approximates their book value.

Note 10. Equity

Share capital

	Number of shares issued and fully paid			
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Ordinary shares	1,260,386,658,740	1,255,948,128,393	630,193	627,974

Additional issue of shares. In March 2012, FGC UES completed and registered an additional share issue. The amount of RR 2,219 million received for shares to be issued was included in the Consolidated Statement of Financial Position as accounts payable to the shareholders of FGC UES as at 31 December 2011. As a result of this issue, the share capital was increased to RR 630,193 million.

Treasury shares. Treasury shares represent 13,727,165 thousand of ordinary shares in the amount of RR 5,161 million as at 30 June 2012 and of RR 5,522 million as at 31 December 2011.

In 2012, treasury shares amount decreased by RR 361 million with the corresponding recognition of expense relating to share-based compensation, since management plans to use treasury shares for the share option plan.

Dividends. At the Annual General Meeting in June 2012 the decision was approved not to declare dividends for the year ended 31 December 2011. For the six months ended 30 June 2012 dividends were not declared.

Note 11. Income tax

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The tax effect of the exceptional or one-off items has not been included in the estimation of the weighted average annual income tax rate. The estimated average annual effective income tax rate used for the six months ended 30 June 2012 was 14 percent (for the six months ended 30 June 2011: 21 percent). The decrease is mainly attributable to the recognition of previously unrecognised deferred tax assets related to the Group's subsidiaries which are currently profitable and are expected to be profitable in the foreseeable future.

(in millions of Russian Roubles unless noted otherwise)

Note 11. Income tax (continued)

Income tax expense comprises the following:

	Six months ended 30 June 2012	Six months ended 30 June 2011
Current income tax charge	(2,161)	(6,631)
Deferred income tax credit / (charge)	1,511	(5,081)
Total income tax expense	**(650)**	**(11,712)**

During the six months ended 30 June 2012 and 30 June 2011 most entities of the Group were subject to tax rates of 20 percent on taxable profit.

Note 12. Non-current debt

	Currency	Effective interest rate	Due date	Option date	30 June 2012	31 December 2011
Certified interest-bearing non-convertible bearer bonds:						
Series 19	RR	7.95%	06.07.2023	18.07.2018	20,710	20,710
Series 18	RR	8.50%	27.11.2023	17.06.2014	15,066	15,066
Series 13	RR	8.50%	22.06.2021	-	10,417	9,993
Series 10	RR	7.75%	15.09.2020	24.09.2015	10,202	10,202
Series 06	RR	7.15%	15.09.2020	26.09.2013	10,186	10,186
Series 08	RR	7.15%	15.09.2020	26.09.2013	10,186	10,186
Series 15	RR	8.75%	12.10.2023	28.10.2014	10,156	10,156
Series 12	RR	8.10%	19.04.2019	28.04.2016	10,142	-
Series 11	RR	7.99%	16.10.2020	24.10.2017	10,140	10,140
Series 09	RR	7.99%	16.10.2020	24.10.2017	5,070	5,070
Series 07	RR	7.50%	16.10.2020	27.10.2015	5,066	5,066
Bank loans:						
OJSC "Gazprombank"	RR	9.50%	13.10.2014	-	15,000	15,000
OJSC "Gazprombank"	RR	9.50%	21.11.2014	-	10,000	10,000
OJSC "Gazprombank"	RR	9.75%	13.06.2017	-	10,000	-
Finance lease:						
Finance lease liabilities	RR	9.50%	23.03.2018	-	815	849
Total non-current debt					**153,156**	**132,624**
Less: current portion of non-current bonds					(2,341)	(1,775)
Less: current portion of finance lease liabilities					(75)	(71)
Non-current debt					**150,740**	**130,778**

In April 2012, the Group issued certified interest-bearing non-convertible bearer bonds of Series 12 with an interest rate fixed for the first 8 coupons and maturity date 19 April 2019. The interest rate for other coupons will be determined before the end of the previous coupon period.

The bondholders have the option to redeem the bonds for cash instead of accepting the revised terms. The interest is payable every six months during the terms of the bonds.

As at 30 June 2012 the estimated fair value of total non-current debt (including the current portion) was RR 148,235 million (as at 31 December 2011: RR 129,200 million), which was estimated using the market prices for quoted FGC UES bonds as at 30 June 2012.

As at 30 June 2012 the Group had long-term undrawn committed financing facilities of RR 112,500 million (as at 31 December 2011: RR 102,500 million) which could be used for the general purposes of the Group.

(in millions of Russian Roubles unless noted otherwise)

Note 13. Accounts payable and accrued charges

	30 June 2012	31 December 2011
Accounts payable to construction companies and suppliers of property, plant and equipment	14,231	16,699
Advances received	13,903	11,013
Trade payables	12,504	12,374
Accounts payable to employees	1,907	1,172
Taxes other than on income payable	1,869	1,707
Other creditors and accrued liabilities	2,501	2,009
Total accounts payable and accrued charges	**46,915**	**44,974**

Note 14. Revenue

	Six months ended 30 June 2012	Six months ended 30 June 2011
Transmission fee	65,342	69,382
Electricity sales	912	1,082
Connection services	504	601
Grids repair and maintenance services	151	152
Total revenues	**66,909**	**71,217**

Note 15. Operating expenses

	Six months ended 30 June 2012	Six months ended 30 June 2011
Depreciation of property, plant and equipment	20,186	15,652
Employee benefit expenses and payroll taxes	13,033	12,850
Purchased electricity	6,432	6,750
Accrual / (reversal) of allowance for doubtful debtors	1,933	(124)
Repairs and maintenance of equipment (by contractors)	1,567	1,511
Business trips and transportation expenses	950	836
Security services	894	788
Materials for repair	872	744
Rent	850	687
Other materials	837	698
Electricity transit via foreign countries	811	657
Taxes, other than on income	792	529
Other	4,427	4,079
Total operating expenses	**53,584**	**45,657**

Note 16. Finance income

	Six months ended 30 June 2012	Six months ended 30 June 2011
Interest income	1,875	2,177
Foreign currency exchange differences	58	11
Reversal of impairment of promissory notes	303	-
Other finance income	1	12
Total finance income	**2,237**	**2,200**

(in millions of Russian Roubles unless noted otherwise)

Note 17. Finance costs

	Six months ended 30 June 2012	Six months ended 30 June 2011
Interest expense	5,603	2,110
Foreign currency exchange differences	43	15
Other finance costs	43	69
Total finance cost	**5,689**	**2,194**
Less: capitalised interest expenses	(5,560)	(2,091)
Total finance cost recognised in profit or loss	**129**	**103**

Note 18. Earnings per ordinary share for profit attributable to the shareholders of JSC “FGC UES”

	Six months ended 30 June 2012	Six months ended 30 June 2011
Weighted average number of ordinary shares (millions of shares)	1,246,659	1,242,221
Profit attributable to the shareholders of JSC “FGC UES” (millions of RR)	3,945	44,197
Weighted average earning per share – basic and diluted (in RR)	**0.003**	**0.036**

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

Note 19. Contingencies, commitments, operating and financial risks

There have been no changes in political environment, insurance policies and environmental matters during the six months ended 30 June 2012 in comparison with those described in the Group’s consolidated financial statements for the year ended 31 December 2011 as well as there have been no changes in operating and financial risk management policies since year end.

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

As at 30 June 2012 the Group's subsidiary, OJSC ”Nurenergo” was engaged in a number of litigations involving claims amounting in total to RR 6,569 million (as at 31 December 2011: RR 4,947 million), for collection of amounts payable for electricity purchased by OJSC ”Nurenergo”. The amount is recorded within accounts payable. No additional provision has been made as the Group's management believes that these claims are unlikely to result in any further liabilities. All the above listed litigations were suspended after the end of the period (Note 21).

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

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group’s transfer prices on financial results and/or the overall operations of the Group for the six months ended 30 June 2012 cannot be reliably estimated.

(in millions of Russian Roubles unless noted otherwise)

Note 19. Contingencies, commitments, operating and financial risks (continued)

In addition, tax and other legislation do not address all the specific aspects of the Group’s reorganisation related to reforming of the electric utilities industry. As such there may be tax and legal challenges to the various interpretations, transactions and resolutions that were a part of the reorganisation and reform process.

As at 30 June 2012 management believes that its interpretation of the relevant legislation is appropriate and the Group’s tax, currency and customs positions will be sustained, including the uncertainty of deductibility of certain types of costs for taxation purposes.

Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these Condensed Consolidated Interim Financial Statements.

Capital commitments related to construction of property, plant and equipment. Future capital expenditures for which contracts have been signed amount to RR 296,345 million as at 30 June 2012 (as at 31 December 2011: RR 351,189 million) including VAT. These amounts include accounts payable to construction companies and suppliers of property, plant and equipment in the amount of RR 14,231 million as at 30 June 2012 (as at 31 December 2011: RR 16,699 million) (Note 13).

Note 20. Segment information

The Group operates wihin one operating segment. There are no differences from the last annual consolidated financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

The Group has a single primary activity i.e. the provision of electricity transmission services within the Russian Federation. The Board of Directors of the Company as Chief Operating decision maker (CODM) of the Group generally analyses information, which is represented as Transmission segment comprising JSC “FGC UES”, its’ maintenance (service) subsidiaries, LLC “Index Energetiki – FGC UES”, OJSC “The Kuban trunk grids” and OJSC “The Tomsk trunk grids”.

Maintenance (service) subsidiaries – OJSC “The principle electricity transmission service company of UNEG” and OJSC “Specialised electricity transmission service company of UNEG” – are engaged in maintenance services (repair and restoration) for the Unified National Electric Network.

The Board of Directors of the Company does not evaluate financial information of other components of the Group to allocate resources or assess performance and does not determine these components as segments. The same approach was used during previous reporting periods. The key indicator of the transmission segment performance is return on equity ratio (ROE). It is calculated based on statutory financial statements prepared according to RAR as net profit divided by net assets. Accordingly, the measure of transmission segment profit or loss analysed by the CODM is net profit of segment based on the statutory financial statements prepared according to RAR. The other information provided to the CODM is also based on statutory financial statements prepared according to RAR.

	Transmission segment – based on statutory financial statements prepared according to RAR	
	Six months ended 30 June 2012	**Six months ended 30 June 2011**
Revenue from external customers	66,190	70,289
Intercompany revenue	151	171
Total revenue	**66,341**	**70,460**
Segment (loss) / profit for the period	(126)	15,081

	30 June 2012	**31 December 2011**
Total reportable segment assets (RAR)	1,099,157	1,072,677
Total reportable segment liabilities (RAR)	258,205	233,819

(in millions of Russian Roubles unless noted otherwise)

Note 20. Segment information (continued)

A reconciliation of the reportable segment’s revenue to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2012 and 30 June 2011 is presented below:

	Six months ended 30 June 2012	Six months ended 30 June 2011
Total revenue from segment (RAR)	**66,341**	**70,460**
Reclassification between revenue and other income	(285)	(169)
Non-segmental revenue	1,004	1,097
Elimination of intercompany revenue	(151)	(171)
Total revenue (IFRS)	**66,909**	**71,217**

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

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

Note 21. Events after the reporting period

Bonds issue. In August 2012, the Group issued certified interest-bearing non-convertible bearer bonds of Series 22 with a total nominal value of RR 10,000 million, an interest rate fixed for the first 2 coupons at 9 percent and set at a rate linked to the consumer price index for the further 18 coupons, maturity in July 2027, and embedded put option in August 2022.

In October 2012, the Group issued certified interest-bearing non-convertible bearer bonds of Series 25 with a total nominal value of RR 15,000 million, an interest rate fixed for the first 8 coupons at 8.6 percent, maturity in September 2027, and embedded put option in October 2016.

In October 2012, the Group issued certified interest-bearing non-convertible bearer bonds of Series 21 with a total nominal value of RR 10,000 million, an interest rate fixed for the first 9 coupons at 8.75 percent, maturity in October 2027, and embedded put option in April 2017.

In October 2012, the Group issued Stock Exchange authorised certified interest-bearing non-convertible bearer bonds of Series BO-01 with a total nominal value of RR 10,000 million, an interest rate fixed for the first 5 coupons at 8.1 percent, maturity in October 2015, and embedded put option in April 2015.

The interest is payable every six months during the terms of the bonds.

Legal proceedings. In September 2012, the Commercial Court of the Republic of Chechnya commenced the observation procedure in respect of OJSC “Nurenergo”. In accordance with Russian legislation on bankruptcy, all litigations as disclosed in Note 19 must be suspended. The temporary administrator appointed by the Court must perform an analysis of the financial condition of the entity, determine its creditors and call the first meeting of the creditors. The observation procedure will determine the possibility of the financial rehabilitation of the entity or the necessity of the implementation of further bankruptcy proceedings. The Court will consider results of the observation procedure in March 2013. Introduction of observation does not result in a loss of control over the subsidiary by the Group.