FEDERAL GRID COMPANY UES GROUP

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

(UNAUDITED)

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Introduction

1. We have reviewed the accompanying consolidated interim statement of financial position of OJSC FGC UES and its subsidiaries (the "Group") as at 30 June 2011 and the related consolidated statements of comprehensive income, cash flows and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

2. 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 statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2011, and its financial performance and its cash flows for the six months then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Emphasis of Matter

4. Without qualifying our conclusion, we draw attention to Notes 1 and 5 to the accompanying 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

17 October 2011

Moscow, Russian Federation

ZAO PricewaterhouseCoopers Audit, White Square Office Center, 10 Butyrsky Val, Moscow, Russia, 125047
T:+7 (495) 967 6000, F: +7 (495) 967 6001, www.pwc.ru

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Consolidated Interim Statement of Financial Position as at 30 June 2011
(Unaudited)
(in millions of Russian Roubles)

	Notes	30 June 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	6	907,301	851,228
Intangible assets	7	6,153	6,189
Investments in associated companies	8	824	348
Available-for-sale investments	9	77,670	9,531
Long-term promissory notes	10	11,720	11,046
Other non-current assets	11	1,323	2,507
Total non-current assets		**1,004,991**	**880,849**
Current assets			
Cash and cash equivalents	12	16,467	13,573
Bank deposits	13	4,869	4,606
Short-term promissory notes	10	5,197	43,156
Loans given		427	18
Accounts receivable and prepayments	14	36,330	32,654
Profit tax prepayments		2,101	581
Inventories	15	7,009	5,602
		72,400	**100,190**
Non-current assets held for sale	16	-	90,609
Total current assets		**72,400**	**190,799**
TOTAL ASSETS		**1,077,391**	**1,071,648**
EQUITY AND LIABILITIES			
Equity			
Share capital: Ordinary shares	17	627,974	616,781
Treasury shares	17	(5,984)	(6,864)
Share premium	17	10,501	10,501
Reserves	17	311,385	361,267
Accumulated deficit		(55,736)	(108,525)
Equity attributable to the shareholders of FGC UES		**888,140**	**873,160**
Non-controlling interest		675	944
Total equity		**888,815**	**874,104**
Non-current liabilities			
Deferred profit tax liabilities	18	79,063	83,657
Non-current debt	19	50,815	50,000
Retirement benefit obligations	20	4,769	4,318
Total non-current liabilities		**134,647**	**137,975**
Current liabilities			
Accounts payable to the shareholders of FGC UES	17	2,625	11,240
Current debt and current portion of non-current debt	21	7,552	7,497
Accounts payable and accrued charges	22	41,976	39,601
Other taxes payable	23	1,776	1,231
Total current liabilities		**53,929**	**59,569**
Total liabilities		**188,576**	**197,544**
TOTAL EQUITY AND LIABILITIES		**1,077,391**	**1,071,648**

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

17 October 2011

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

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

FGC UES Group

Consolidated Interim Statement of Comprehensive Income for the six months ended 30 June 2011 (Unaudited)
(in millions of Russian Roubles)

	Notes	The six months ended 30 June 2011	The six months ended 30 June 2010
Revenues	24	71,217	56,565
Other operating income	24	1,587	1,765
Operating expenses	25	(45,657)	(44,346)
Gain on disposal of available-for-sale investments	16	31,115	-
Loss on re-measurement of assets held for sale	16	(4,718)	-
Impairment of property, plant and equipment and intangible assets	6, 7	-	(1,100)
Operating profit		**53,544**	**12,884**
Finance income	26	2,200	3,131
Finance costs	27	(103)	(50)
Share of result of associates	8	(1)	525
Profit before profit tax		**55,640**	**16,490**
Profit tax	18	(11,712)	(3,854)
Profit for the period		**43,928**	**12,636**
Other comprehensive income			
Accumulated gain on available-for-sale investments recycled to profit and loss	16	(31,115)	-
Change in fair value of available-for-sale investments	9	(17,261)	6,535
Foreign currency translation difference	8	(11)	(32)
Share of other comprehensive income of associates	8	-	7
Profit tax recorded directly in other comprehensive income	18	9,675	(1,308)
Other comprehensive income / (loss) for the period, net of profit tax		**(38,712)**	**5,202**
Total comprehensive income for the period		**5,216**	**17,838**
Profit attributable to:			
Shareholders of JSC "FGC UES"	28	44,197	13,026
Non-controlling interest		(269)	(390)
Total comprehensive income attributable to:			
Shareholders of JSC "FGC UES"		5,485	18,228
Non-controlling interest		(269)	(390)
Earning per ordinary share for profit attributable to the shareholders of JSC "FGC UES" – basic and diluted (in Russian Roubles)	28	**0.04**	**0.01**

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

17 October 2011

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

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

The accompanying notes on pages 8 to 49 are an integral part of these consolidated interim financial statements

Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2011 (Unaudited)
(in millions of Russian Roubles)

	Notes	The six months ended 30 June 2011	The six months ended 30 June 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before profit tax		**55,640**	**16,490**
Adjustments to reconcile profit before profit tax to net cash provided by operations			
Depreciation of property, plant and equipment	25	15,652	14,962
Loss on disposal of property, plant and equipment	25	392	145
Amortisation of intangible assets	25	461	447
Impairment of property, plant and equipment and intangible assets	6, 7	-	1,100
Gain on disposal of available-for-sale investments	9	(31,115)	-
Loss on re-measurement of assets held for sale	16	4,718	-
Share of result of associates	8	1	(525)
(Reversal) / accrual of bad debt provision	25	(124)	2,987
Share-based compensation	17	880	-
Finance income	26	(2,200)	(3,131)
Finance costs	27	103	50
Other non-cash operating income		-	(38)
Operating cash flows before working capital changes and profit tax paid		**44,408**	**32,487**
Working capital changes:			
Increase in accounts receivable and prepayments		(1,922)	(7,329)
Increase in inventories		(1,406)	(1,530)
(Increase) / decrease in other non-current assets		(111)	69
Increase in accounts payable and accrued charges		2,461	2,830
Increase in taxes payable, other than profit tax		478	4,555
Increase in retirement benefit obligations		451	297
Profit tax paid		(8,084)	(5,420)
Net cash generated by operating activities		**36,275**	**25,959**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(69,156)	(51,812)
Purchase of intangible assets		(425)	(182)
Purchase of promissory notes		(9,000)	(14,040)
Investment in bank deposits		(2,246)	(1,662)
Redemption of promissory notes		46,623	19,688
Redemption of bank deposits		1,983	7,100
Interest received		942	3,994
Net cash used in investing activities		**(31,279)**	**(36,914)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from current borrowings		-	54
Repayment of debt		-	(7,000)
Interest paid		(2,102)	(506)
Net cash used in financing activities		**(2,102)**	**(7,452)**
Net increase / (decrease) in cash and cash equivalents		**2,894**	**(18,407)**
Cash and cash equivalents at the beginning of the period	12	**13,573**	**33,699**
Cash and cash equivalents at the end of the period	12	**16,467**	**15,292**

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

17 October 2011

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

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

Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2011
(Unaudited)
(in millions of Russian Roubles)

		Attributable to shareholders of FGC UES							
	Note	**Share capital**	**Share premium**	**Treasury shares**	**Reserves (Note 17)**	**Retained earnings**	**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 profit tax									
Change in revaluation reserve for property, plant and equipment		-	-	-	(421)	421	**-**	-	**-**
Change of fair value of available-for-sale investments	17	-	-	-	(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)	16, 17	-	-	-	(10,749)	10,749	**-**	-	**-**
Accumulated gain on available-for-sale investments recycled to profit and loss	16, 17	-	-	-	(24,892)	-	**(24,892)**	-	**(24,892)**
Foreign currency translation difference	8	-	-	-	(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 shareholders of FGC UES recorded directly in equity									
Issue of share capital	17	11,193	-	-	-	-	**11,193**	**-**	**11,193**
Dividends declared	17	-	-	-	-	(2,578)	**(2,578)**	-	**(2,578)**
Share-based compensation	17	-	-	880	-	-	**880**	**-**	**880**
Total transactions with shareholders of 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**

The accompanying notes on pages 8 to 49 are an integral part of these consolidated interim financial statements

Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2011 (Unaudited)
(in millions of Russian Roubles)

	Note	Attributable to shareholders of FGC UES						Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Reserves (Note 17)	Retained earnings	Total		
As at 1 January 2010 (restated)		**576,757**	**10,347**	**(6,864)**	**290,674**	**(71,959)**	**798,955**	**1,570**	**800,525**
Comprehensive income for the period									
Profit / (loss) for the period						13,026	**13,026**	(390)	**12,636**
Other comprehensive income, net of related profit tax									
Change in revaluation reserve for property, plant and equipment					(405)	405	-		-
Share of other comprehensive income of associates	17					6	**6**		**6**
Foreign currency translation difference	8, 17				(32)		**(32)**		**(32)**
Change of fair value of available-for-sale investments	8				5,228		**5,228**		**5,228**
Total other comprehensive income		-	-	-	*4,791*	*411*	*5,202*	-	*5,202*
Total comprehensive income / (loss) for the period		-	-	-	4,791	13,437	**18,228**	(390)	**17,838**
Transactions with shareholders of FGC UES recorded directly in equity									
Issue of share capital	17	40,024	154				**40,178**		**40,178**
Transfer of merger reserve to retained earnings	17				56,891	(56,891)	-		-
Total transactions with shareholders of FGC UES		40,024	154	-	56,891	(56,891)	**40,178**	-	**40,178**
As at 30 June 2010 (restated)		**616,781**	**10,501**	**(6,864)**	**352,356**	**(115,413)**	**857,361**	**1,180**	**858,541**

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

17 October 2011

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

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

The accompanying notes on pages 8 to 49 are an integral part of these consolidated interim financial statements

Note 1. The Group and its operations

Open 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 Open Joint Stock Company for Energy and Electrification United Energy System of Russia ("RAO UES") ultimately controlled by the Government of the Russian Federation.

RAO UES itself was created as the holder of certain significant electricity power generation, transmission and distribution assets during the industry privatization in 1992.

The Company was established in the course of the Russian electric utilities industry restructuring, to maintain and operate the high voltage electricity transmission network, received from RAO UES and its subsidiaries, and to provide electricity transmission services using that network. During 2002-2008 the Group consolidated electricity transmission businesses previously controlled by RAO UES. In 2008 the reorganization 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 2011 the FGC UES Group (the "Group") comprises FGC UES and its subsidiaries presented in Note 4.

The Group's primary activity is the provision of services for the transmission of electric power via the Unified National Electrical Network ("UNEN").

The Company's ordinary registered uncertified shares are traded on the MICEX and RTS exchanges under the trading code "FEES". Starting from March 2011 the Company's Global Depository Receipts (GDRs) are 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. At 30 June 2011, the state owned 79.48 percent of the voting ordinary shares of the Company (at 31 December 2010: 79.48 percent). The Government of the Russian Federation ("RF") is the ultimate controlling party of the Company.

The RF directly affects the Group's operations through regulation by the Federal Tariff Service (FTS).

The investment program of FGC UES is subject to approval by the Ministry of Industry and Electricity and FTS.

As described in the *Operating environment* section below, 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, including relatively high inflation and high interest rates. The 2008 global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated. In 2010, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased liquidity levels in the banking sector. Starting from the second half of 2011 the volatility in the currency and equity markets has increased following the uncertainties in the financial markets. Market quotations may be outdated or reflect distress sales transactions and therefore not represent fair values of financial instruments. Debtors of the Group may also become adversely affected by the financial and economic environment, which could in turn impact their ability to repay the amounts owed or fulfil the obligations taken. Deteriorating economic conditions for customers as well as regulatory uncertainties related to electricity transmission tariff decisions may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. Management is currently considering the effect of these uncertainties that could lead to significant impairment charges for the year ended 31 December 2011.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and frequent changes. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. The Group's receivables are tested for impairment using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

Note 2. Basis of preparation

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 the necessary measures to support the sustainability and development of the Group's business.

Statement of compliance. These consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with, and comply with, IAS 34 "Interim Financial Reporting". All information should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2010.

Each enterprise of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAR"). The accompanying Interim Financial Statements are based on the statutory records and adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

Functional and presentation currency. The national currency of the Russian Federation is the Russian Rouble (RR), which is FGC UES's functional currency and the currency in which these Interim Financial Statements are presented. All financial information presented in RR has been rounded to the nearest million, unless otherwise stated.

New accounting developments. These Interim Financial Statements have been prepared by applying the accounting policies and methods of computation consistent with those of the annual financial statements for the year ended 31 December 2010, except for those 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 2011.

(a) Certain new standards and interpretations became effective for the Group from 1 January 2011:

- Amendment to IAS 24 "Related Party Disclosures" (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Group has early adopted this amendment in its 2010 consolidated financial statements.

- "Classification of Rights Issues" – Amendment to IAS 32 (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives.

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt.

- "Prepayments of a Minimum Funding Requirement" – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

- "Limited exemption from comparative IFRS 7 disclosures for first-time adopters" – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 "Financial Instruments: Disclosures." This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7.

- Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required

Note 2. Basis of preparation (continued)

by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose the carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose the fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits.

(b) Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning after reporting period and which the Group has not early adopted:

- IFRS 9 "Financial Instruments Part 1: Classification and Measurement." IFRS 9 was issued in November 2009 and 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. Key features 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 only payments of principal and interest (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 as at fair value through profit or loss in other comprehensive income.

  While adoption of IFRS 9 is mandatory from 1 January 2013, 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.

- "Disclosures – Transfers of Financial Assets" – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011.). 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

Note 2. Basis of preparation (continued)

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.

- "Recovery of Underlying Assets" – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). 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. SIC-21, "Income Taxes" – Recovery of Revalued Non-Depreciable Assets, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, "Property, Plant and Equipment", was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value.
- "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters" – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position. The IASB has also amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004. The second amendment relates to financial assets or liabilities where the fair value is established through valuation techniques at initial recognition and allows the guidance to be applied prospectively from the date of transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter may not need to determine the fair value of certain financial assets and liabilities at initial recognition for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes.
- 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-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 judgements 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 precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- 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 (OCI). The amendments require entities to separate items presented in OCI into two groups, based on whether or not they may be recycled 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'.

Note 2. Basis of preparation (continued)

- Amended IAS 19 "Employee benefits" (issued 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 changes will affect most entities that apply IAS 19 and may significantly change performance indicators and the volume of disclosures.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

Going concern. These Interim Financial Statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

Critical accounting estimates and assumptions. Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these Interim Financial Statements in conformity with IFRS. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in these Interim Financial Statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Investment in JSC "Inter RAO UES". As at 30 June 2011 the Group owns 19.95% of the voting shares of JSC "Inter RAO UES" (Inter RAO UES). Management has assessed the level of influence that the Group has on Inter RAO UES, taking into account its inability to obtain any additional financial information which may be required to execute this influence, and determined that it did not amount to significant influence. Consequently, this investment is classified as available-for-sale investment (Note 9).

Decline on fair value of available-for-sale equity investments (Note 9). The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of changes in technology or deterioration in the financial health of the investee, industry and sector performance, or operational or financing cash flows. Had all declines in fair value below cost been considered significant or prolonged, the Group would suffer an additional loss of RR 5,104 million for the six months ended 30 June 2011 (the six months ended 30 June 2010: nil), being a reclassification from other comprehensive income to profit or loss.

Tax contingencies. Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. Where the Group management believes it is probable that their interpretation of the relevant legislation and the Group's tax positions cannot be sustained, an appropriate amount is accrued in these Interim Financial Statements. The possible tax claims in respect of certain open tax positions of the Group companies are disclosed in Note 29.

Restatement. Prior to 31 December 2010 the Group had not maintained adequate accounting records for IFRS purpose regarding the original cost, revalued amounts, depreciation and impairment provision at the level of individual items of property, plant and equipment. As of the date of preparing the consolidated financial statements for the year ended 31 December 2010 the Group had completed its work on detailed accounting records regarding items of property, plant and equipment. Completion of the preparation of these records resulted in reclassifications of property, plant and equipment groups. Management considers that newly adopted classification is more correct and representative of the structure of the Group's assets. Comparative information for the six months ended 30 June 2010 has been restated in line with the new classification.

As at 30 June 2010:

Property, plant and equipment groups for IFRS purpose	As originally presented	Reclassification	As reclassified at 30 June 2010 (*)
Buildings	21,087	(13,437)	7,650
Power transmission grids	408,923	16,829	425,752
Substations	124,508	(2,395)	122,113
Construction in progress	212,913	(1,333)	211,580
Other	9,541	336	9,877

(*) - The amounts are presented before correction adjustments described below.

Note 2. Basis of preparation (continued)

In addition, the individual items of property, plant and equipment registers identified certain errors regarding the previously recognized revaluation effects in both the consolidated statement of comprehensive income and in the consolidated statement of changes in equity, with the related effects on deferred tax balances. The Group has corrected these errors by adjusting the respective balances as at 1 January 2010 and 30 June 2010 in these Interim Financial Statements. These restatements had the following effect on the previously issued Interim Financial Statements:

As at 1 January 2010:

	As reported	Adjustment	As restated
Property, plant and equipment	740,320	(1,278)	739,042
Total non-current assets	850,303	(1,278)	849,025
Total assets	**976,424**	**(1,278)**	**975,146**
Reserves	267,533	23,141	290,674
Retained earnings	(47,795)	(24,164)	(71,959)
Total equity	**801,548**	**(1,023)**	**800,525**
Deferred profit tax liabilities	83,640	(255)	83,385
Total non-current liabilities	93,079	(255)	92,824
Total liabilities	**174,876**	**(255)**	**174,621**
Total equity and liabilities	**976,424**	**(1,278)**	**975,146**

As at 30 June 2010:

	As reported	Adjustment	As restated
Property, plant and equipment	776,972	(1,278)	775,694
Total non-current assets	893,772	(1,278)	892,494
Total assets	**990,970**	**(1,278)**	**989,692**
Reserves	329,620	22,736	352,356
Retained earnings	(91,654)	(23,759)	(115,413)
Total equity	**859,564**	**(1,023)**	**858,541**
Deferred profit tax liabilities	83,997	(255)	83,742
Total non-current liabilities	93,733	(255)	93,478
Total liabilities	**131,406**	**(255)**	**131,151**
Total equity and liabilities	**990,970**	**(1,278)**	**989,692**

The restatement had no effect on previously issued consolidated interim statement of comprehensive income and consolidated interim statement of cash flows for the six months ended 30 June 2010.

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current period amounts. The effect of reclassifications for presentation purposes was as follows:

As at 31 December 2010: **Consolidated Interim Statement of Financial Position**	As originally presented	Reclassification	As currently presented
Loans given	-	18	18
Accounts receivable and prepayments	32,672	(18)	32,654
Accounts payable to the shareholders of FGC UES	11,193	47	11,240
Current debt and current portion of non-current debt	7,385	112	7,497
Accounts payable and accrued charges	39,760	(159)	39,601

For the six months ended 30 June 2010: **Consolidated Interim Statement of Cash Flows**	As originally presented	Reclassification	As currently presented
Interest income	(3,121)	10	(3,131)
Effect of exchange rate fluctuations on bank deposits denominated in foreign currency	(10)	(10)	-

The reclassifications in the consolidated interim statement of financial position had an impact on information in Notes 5, 11, 14, 18, 19, 21, 22, 30, 32 and had no impact on any other captions in the consolidated interim statement of financial position and related note disclosures.

Note 3. Summary of significant accounting policies

Principles of consolidation. These Interim Financial Statements comprise the financial statements of FGC UES and the financial statements of those entities whose operations are controlled by FGC UES. Control is presumed to exist when FGC UES controls, directly or indirectly, through subsidiaries, more than 50 percent of voting rights. The Group holds 49% of the voting rights in JSC "Kuban Trunk Grids", a fully consolidated subsidiary. The Group has the power to govern the financial and operating policies of this subsidiary on the basis of a significant shareholding combined with other factors which allow the Group to exercise control, most importantly: FGC UES has appointed the majority or of the members of the Board of Directors, FGC UES is the dominant owner and FGC UES has in substance full control of all aspects of the entity's assets and operations.

All inter-company balances and transactions have been eliminated. The non-controlling interest in the Group subsidiaries has been disclosed as part of the Group's equity.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these Interim Financial Statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in the consolidated financial statements as an adjustment to retained earnings within equity.

Associates. Associates are entities over which the Company has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition and is reduced by accumulated impairment losses, if any. The Group discontinues the use of the equity method of accounting from the date when it ceases to have significant influence in the associate.

The Group's share of the post-acquisition profits or losses of associates is recorded in profit or loss, and its share of other comprehensive income of associates is recognised in the Group's other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these Interim Financial Statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Note 3. Summary of significant accounting policies (continued)

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated interim statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

Classification of financial assets. The Group holds financial assets of the following measurement categories: loans and receivables and available-for-sale financial assets.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

All other financial assets are included in the available-for-sale category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Classification of financial liabilities. The Group’s financial liabilities are carried at amortised cost.

Initial recognition of financial instruments. The Group’s financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale investments. The Group classifies investments as available-for-sale at the time of purchase. Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group’s right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the period.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of available-for-sale investments.

A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss– is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through current period’s profit or loss.

Foreign currency. Monetary assets and liabilities, which are held by the Group entities and denominated in foreign currencies at the end of the reporting period, are translated into Russian Roubles at the official exchange rates prevailing at that date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 3. Summary of significant accounting policies (continued)

As at 30 June 2011, the official rate of exchange as determined by the Central Bank of the Russian Federation, between the Russian Rouble and the US Dollar ("US$") was RR 28.08:US$ 1.00 (31 December 2010: RR 30.48:US$ 1.00); between the Russian Rouble and Euro: RR 40.39:Euro 1.00 (31 December 2010: RR 40.33:Euro 1.00).

Property, plant and equipment. Property, plant and equipment are stated at revalued amounts less any subsequent accumulated depreciation and any subsequent accumulated impairment losses, where required.

Property, plant and equipment are subject to revaluation on a regular basis to ensure that the carrying amount does not differ materially from that which is determined using the fair value at the end of the reporting period. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and increase the revaluation reserve in equity; the increase is recognised in current period profits to the extent that it reverses previously recognised impairment loss of the same assets.

Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation reserve in equity; all other decreases are recognised in profit or loss for the period. Any accumulated depreciation at the date of revaluation is eliminated against the gross amount of the assets, and the net amount is restated to the revalued amount of the asset.

The revaluation reserve in respect of an item of property, plant and equipment is transferred directly to retained earnings when the item is derecognised (on the retirement or disposal of the asset).

Renewals and improvements are capitalised and the assets replaced are retired. The cost of minor repair and maintenance are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in profit or loss as incurred.

Depreciation on property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset when it is available for use. The useful lives are reviewed at each financial year end and, if expectations differ from previous estimates, the changes are recognised prospectively.

The useful lives, in years, of assets by type of facility are as follows:

	Useful lives
Buildings	25-60
Electric power transmission grids	30-50
Substations	15-35
Other	5-15

At each reporting date the management assess whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised as current period loss to the extent it exceeds the previous revaluation surplus in equity on the same asset. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Intangible assets. All of the Company's intangible assets have definite useful lives and primarily include capitalised computer software and licences.

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring them to use. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits, are recognised as intangible assets. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets is calculated on a straight-line basis over the useful lives.

At each reporting date the management assesses whether there is any indication of impairment of intangible assets. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less cost to sell.

Note 3. Summary of significant accounting policies (continued)

Research costs are recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure incurred during the development. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The carrying value of development costs is reviewed for impairment annually.

Cash and cash equivalents. Cash comprises cash in hand and cash deposited on demand at banks. Cash equivalents comprise short-term highly liquid investments that are readily convertible into cash and have a maturity of three months or less from the date of origination and are subject to insignificant changes in value. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Bank deposits. Bank deposits comprise cash deposited at banks with a maturity date of more than three months from the acquisition date. Bank deposits are carried at amortised cost using the effective interest method.

Promissory notes. Promissory notes are financial assets with fixed or determinable cash flows recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. The Group classifies a promissory note as short-term when it expects to realise it within twelve months after the reporting period. All other promissory notes are classified as long-term.

Trade and other receivables. Trade and other receivables are recorded inclusive of value added tax (VAT). Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset’s carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account in profit or loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

Inventories. Inventories mostly include repair materials and spare parts for transmission assets. Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Note 3. Summary of significant accounting policies (continued)

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Non-current assets classified as held for sale. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Reclassified non-current financial instruments and deferred taxes are not subject to the write down to the lower of their carrying amount and fair value less costs to sell.

Income taxes. Income taxes have been accrued in in these Interim Financial Statements using the weighted average effective tax rate that would be applicable to expected total annual profit or loss.

Trade accounts payable and accrued charges. Trade accounts payable are stated inclusive of value added tax. Trade payables are accrued when the counterparty performed its obligations under the contract. Accounts payable are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Advances received. Advances received are a deferred income for the future connection services and are reflected at not discounted cost.

Debt. Debt is recognised initially at its fair value plus transaction costs that are directly attributable to its issue. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price. In subsequent periods, debt is stated at amortised cost using the effective interest method; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss as an interest expense over the period of the debt obligation.

Borrowing costs are expensed in the period in which they are incurred if not related to purchase or construction of qualifying assets. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Pension and post-employment benefits. In the normal course of business the Group makes mandatory social security contributions to the Russian Federation state pension scheme on behalf of its employees. These contributions are expensed when incurred and included in employee benefit expenses and payroll taxes in profit or loss.

Note 3. Summary of significant accounting policies (continued)

In addition, the Group maintains a number of post-employment and other long-term benefit plans which are defined benefit in nature. These plans include life pension, lump sum upon retirement, financial support after retirement, jubilee and death benefits and cover majority of the Group's employees. Under the pension plan amount of pension benefits that an employee will receive after retirement dependents on his date of birth, number of years of service, position, salary and presence of awards. The Group settles its liability to provide life pension through a non-state pension fund. However, the assets held in the non-state pension fund do not meet definition of plan assets in accordance with IAS 19. These assets are accounted for as other non-current assets. Other benefits, apart from life pension payable via the non-state pension fund, are provided when they are due directly by the Group.

The liability recognised in the Statement of Financial Position in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognised actuarial gains or losses and past service cost. The defined benefit obligations are calculated using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rate of government bonds that have terms to maturity approximating the terms of the related pension liabilities.

With regard to post-employment benefits, actuarial gains and losses in excess of 10% of the defined benefit obligation are recognised as an expense over the average remaining working life of employees. Past service costs are recognised immediately as an expense in the consolidated statement of comprehensive income to the extent that the benefits have vested, and are otherwise recognised on a straight-line basis over the average period until the benefits vest.

Actuarial gains and losses and past service costs related to other long-term employee benefits are recognised as an expense in the consolidated statement of comprehensive income when they arise.

Share-based compensation. The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments (options) of FGC UES. The fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that employees become unconditionally entitled to the options (vesting period). At the end of each reporting period the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. The impact of the revision to original estimates, if any, is recognised in the profit or loss, with a corresponding adjustment to equity.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risk and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in debts. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Treasury shares. Treasury shares are stated at weighted average cost. Any gains or losses arising on the disposal of treasury shares are recorded directly in shareholders' equity.

Dividends. Dividends are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared (approved by shareholders) before or on the end of the reporting period. Dividends are disclosed when they are declared after the end of the reporting period, but before the financial statements are authorised for issue.

Non-controlling interest. Non-controlling interest represents minority's proportionate share of the equity and comprehensive income of the Group's subsidiaries. This has been calculated based upon the non-controlling interests' ownership percentage of these subsidiaries. Specific rights on liquidation for preference shareholders of subsidiaries are included in the calculation of non-controlling interests. The Group uses the 'economic entity' approach to the recognition of non-controlling interest. Any gains or losses resulting from the purchases and sales of the non-controlling interests are recognised in the statement of changes in equity.

Note 3. Summary of significant accounting policies (continued)

Revenue recognition. Revenue amounts are presented exclusive of value added tax. Revenue from rendering the electricity transmission services is recognised in the period when the services are provided. Revenue from sales of electricity is recognised on the delivery of electricity. Revenue from connection services represents a non-refundable fee for connecting the customer to the electricity grid network and is recognized when the customer is connected to the grid network.

Share capital. Ordinary shares with discretionary dividends are classified as equity upon completion of share issue and registration of the issue in the Federal Financial Markets Service. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting period.

Seasonality. The Group's business is not materially impacted by seasonality factors.

Note 4. Principal subsidiaries

All subsidiaries are incorporated and operate in the Russian Federation.

The principal subsidiaries as at 30 June 2011 and 31 December 2010 are presented below:

	30 June 2011		31 December 2010	
Name	**Ownership, %**	**Voting, %**	**Ownership, %**	**Voting, %**
Transmission companies:				
JSC "The Kuban Trunk Grids"	49.0	49.0	49.0	49.0
JSC "The Tomsk Trunk Grids"	52.0	59.9	52.0	59.9
Other companies				
JSC "Power Industry Research and Development Centre"	100.0	100.0	100.0	100.0
JSC "Energostroisnabkomplekt"	100.0	100.0	100.0	100.0
JSC "Nurenergo"	77.0	77.0	77.0	77.0
JSC "The principle electricity transmission service company of Unified National Electrical Network"	100.0	100.0	100.0	100.0
JSC "Specialized electricity transmission service company of Unified National Electrical Network"	100.0	100.0	100.0	100.0
JSC "Engineering and Construction Management Centre of Unified energy system"	100.0	100.0	100.0	100.0
JSC "DalEnergosetProject"	100.0	100.0	100.0	100.0
JSC "Mobile gas-turbine electricity plants"	100.0	100.0	100.0	100.0
LLC "Index Energetiki – FGC UES"	100.0	100.0	100.0	100.0

Transmission companies. JSC "The Kuban Trunk Grids" and JSC "The Tomsk Trunk Grids" own UNEN grid assets which are maintained and operated by the Company.

JSC "Power Industry Research and Development Centre" is a research and development project institution in the sphere of electric power.

JSC "Energostroisnabkomplekt" organises the supply of goods and services for companies operating in the industry.

JSC "Nurenergo" performs electricity and heat distribution and sale activity in the Republic of Chechnya. Due to the difficult operating environment in the Republic of Chechnya, JSC "Nurenergo" has negative net assets.

JSC "Specialized electricity transmission service company of Unified National Electrical Network". The main activities of this company are technical inspection, maintenance and regular and emergency repairs of power grids and other electric power facilities of UNEN.

JSC "Engineering and Construction Management Centre of Unified energy system". The main activity of this company is functioning as a customer-developer in capital construction projects associated with the reconstruction and technical modernization of electricity supply facilities and infrastructure.

JSC "DalEnergoSetProject" is a grid engineering company.

Note 4. Principal subsidiaries (continued)

JSC "Mobile gas-turbine electricity plants". The primary activity of the company is generating and sale of electricity provided by mobile gas-turbine electricity plants used in power deficient points of the power system or in peak periods as temporary source of additional capacity.

LLC "Index Energetiki – FGC UES" ("Index Energetiki") owns minority shares in JSC "Inter RAO UES" and JSC "IDGC Holding" (in 2010 owned minority shares in electricity industry entities, former subsidiaries of RAO UES).

Note 5. Balances and transactions with related parties

State controlled entities

In the normal course of business the Group enters into transactions with entities under Government control. Large portion of the Group's primary activity - transmission services are rendered to entities controlled by Government of the Russian Federation at the regulated tariffs. The Group borrows funds from banks under Government control at the prevailing market rates. Taxes are accrued and settled in accordance with Russian tax legislation.

During the six months ended 30 June 2011 and 2010 the Group had the following significant transactions with state controlled entities:

	The six months ended 30 June 2011	The six months ended 30 June 2010
Transmission revenue	61,097	50,495
Electricity sales	584	861
Connection services	235	-

Significant balances with state controlled entities are presented below:

	30 June 2011	31 December 2010
Cash and cash equivalents	6,155	6,725
Bank deposits	175	618
Long-term promissory notes (Note 10)	1,679	1,599
Short-term promissory notes (Note 10)	110	19,478
Loans given	409	-
Trade receivables (Net of allowance for doubtful debtors of RR 2,557 million as at 30 June 2011 and 375 million as at 31 December 2010)	14,139	8,655
Accounts payable to the shareholders of FGC UES (Note 17)	(2,625)	(11,240)
Accounts payable and accrued charges	(14,119)	(14,580)
Current debt	(505)	(505)

Tax balances and charges are disclosed in Notes 18, 22 and 25. Tax transactions are disclosed in the consolidated interim statement of comprehensive income.

Directors' compensation. Compensation is paid to members of the Management Board for their services in full time management positions. The compensation is made up of a contractual salary, non-cash benefits, and a performance bonus depending on results for the period according to Russian statutory financial statements. Also, additional medical coverage is provided to the members of Management Board and their close family members.

Fees, compensation or allowances to the members of the Board of Directors for their services in that capacity and for attending Board meetings are paid depending on results for the year. Fees, compensation or allowances, are not paid to the members of the Board of Directors who are government employees.

Note 5. Balances and transactions with related parties (continued)

Total remuneration in the form of salary, bonuses and non-cash benefits provided to the members of the Board of Directors and Management Board for the six months ended 30 June 2011 and 2010 was as follows:

	The six months ended 30 June 2011		The six months ended 30 June 2010	
	Expense	**Accrued liability**	**Expense**	**Accrued liability**
Short-term compensation, including salary and bonuses	209	-	56	3
Remuneration for serving on the Board of Directors	7	-	3	-
Post-employment benefits	14	86	10	68
Share-based compensation	396	396	-	-
Total	**626**	**482**	**69**	**71**

The amount of the short-term compensation to members of the Management Board represents remuneration accrued during the respective year, including bonuses based on the results of the preceding financial year.

Note 6. Property, plant and equipment

	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
Including PPE under finance lease	-	-	2,273	-	914	3,187
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)
Including PPE under finance lease	-	-	(1,021)	-	(32)	(1,053)
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

Note 6. Property, plant and equipment (continued)

	Buildings	Power transmission grids	Substations	Construction in progress	Other	Total
Appraisal value or cost						
Opening balance as at 1 January 2010 (restated)	7,719	430,039	120,602	171,095	9,587	739,042
Additions	65	137	1,277	50,786	851	53,116
Transfers	168	3,643	6,334	(10,689)	544	-
Disposals	(196)	(147)	(261)	(34)	(30)	(668)
Closing balance as at 30 June 2010 (restated)	7,756	433,672	127,952	211,158	10,952	791,490
Including PPE under finance lease	-	-	2,273	-	-	2,273
Accumulated depreciation and impairment						
Opening balance as at 1 January 2010 *	-	-	-	-	-	-
Charge for the period	(107)	(7,921)	(5,861)	-	(1,073)	(14,962)
Impairment loss	-	-	-	(856)	(4)	(860)
Disposals	1	1	22	-	2	26
Closing balance as at 30 June 2010 (restated)	(106)	(7,920)	(5,839)	(856)	(1,075)	(15,796)
Including PPE under finance lease	-	-	(194)	-	-	(194)
Net book value as at 1 January 2010 (restated)	7,719	430,039	120,602	171,095	9,587	739,042
Net book value as at 30 June 2010 (restated)	7,650	425,752	122,113	210,302	9,877	775,694

* Accumulated depreciation was eliminated against the gross carrying amount of the assets before the revaluation as at 31 December 2009 was recorded.

Borrowing costs of RR 2,091 million for the six months ended 30 June 2011 are capitalised in additions above (for the six months ended 30 June 2010: RR 445 million). Capitalisation rate of 7.7% for the six months ended 30 June 2011 (for the six months ended 30 June 2010: 5.2%) was used to determine the amount of borrowing costs eligible for capitalisation representing the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period.

Construction in progress is represented by the carrying amount of property, plant and equipment that has not yet been put into operation and advances to construction companies and suppliers of property, plant and equipment. As at 30 June 2011 such advances amounted to RR 88,911 million net of specific impairment of RR 257 million (as at 31 December 2010: RR 84,320 million net of specific impairment RR 297 million).

Other property, plant and equipment include motor vehicles, computer equipment, office fixtures and other equipment.

The Group has the option to purchase land on which electric power transmission lines are located upon application to the state registering body or to formalize the right for rent. According to Russian legislation the expiry date of this option is 1 January 2013. As at 30 June 2011 the Group companies have no intention to purchase this land.

Note 6. Property, plant and equipment (continued)

Revaluation. Property, plant and equipment was revalued at 31 December 2009. The revaluation was performed by independent appraisers on a depreciated replacement cost basis, except for most of administrative buildings which were valued on the basis of recent market transactions involving similar assets on arm's length terms. The replacement cost for most power transmission lines, substations and construction in progress is based on their technical capabilities, construction costs and construction cost estimates. The cost to replace the majority of the Group's equipment is measured on the basis of purchase agreements and manufacturers' and selling companies' price-lists. The depreciated replacement cost was tested for impairment using a profitability test with respect to each cash generating unit. The Group's transmission segment (Note 32) was considered as a single cash generating unit.

The Group assessed the recoverable amount for transmission business as at 31 December 2010.

For each class of property, plant and equipment stated at revalued amount in these Interim Financial Statements, the carrying amount that would have been recognized had the assets been carried under the historical cost basis is as follows:

	Buildings	Power transmission grids	Substations	Construction in progress	Other	Total
Net book value as at 30 June 2011	5,875	127,486	119,772	407,381	15,200	675,714
Net book value as at 31 December 2010	4,519	118,145	106,065	373,238	11,816	613,783
Net book value as at 31 December 2009	4,288	117,611	92,070	266,034	9,442	489,445

Leased property, plant and equipment. Subsequent to the latest revaluation the Group leased certain equipment under a number of finance lease agreements. At 30 June 2011 the net book value of leased property, plant and equipment was RR 2,134 million (as at 31 December 2010: RR 1,282 million). The leased equipment is pledged as security for the lease obligations.

Operating leases. The Group leases a number of land areas owned by the local government under operating lease. The expected lease payments due are determined based on the lease agreements and payable as follows:

	30 June 2011	31 December 2010
Under one year	385	340
Between two and five years	1,092	1,212
Over five years	8,116	6,356
Total	**9,593**	**7,908**

The above lease agreements are usually signed for period of 1 to 49 years and may be extended for a longer period. The lease payments are subject to review on a regular basis to reflect market rent prices.

As at 30 June 2011 the carrying value of property, plant and equipment leased out under operating lease is RR 1,813 million (as at 31 December 2010: RR 1,808 million).

Note 7. Intangible assets

	Corporate system of managing geographically dispersed resources	Corporate information management system (SAP R/3)	Other software	Total
Cost at 1 January 2010	1,707	4,498	2,539	8,744
Accumulated amortisation	(532)	(692)	(662)	(1,886)
Accumulated impairment	-	(466)	-	(466)
Carrying value at 1 January 2010	1,175	3,340	1,877	6,392
Additions	-	134	60	194
Disposals - cost	-	(64)	(20)	(84)
Disposals - accumulated amortisation	-	-	13	13
Amortisation charge	(86)	(165)	(196)	(447)
Impairment loss	-	(240)	-	(240)
Carrying value at 30 June 2010	1,089	3,005	1,734	5,828
Cost at 30 June 2010	1,707	4,568	2,579	8,854
Accumulated amortisation	(618)	(857)	(845)	(2,320)
Accumulated impairment	-	(706)	-	(706)
Carrying value at 30 June 2010	1,089	3,005	1,734	5,828
Cost at 1 January 2011	1,707	4,722	3,163	9,592
Accumulated amortisation	(703)	(1,021)	(1,018)	(2,742)
Accumulated impairment	-	(661)	-	(661)
Carrying value at 1 January 2011	1,004	3,040	2,145	6,189
Additions	-	91	380	471
Disposals - cost	-	-	(81)	(81)
Disposals - accumulated amortisation	-	-	35	35
Amortisation charge	(86)	(160)	(215)	(461)
Carrying value at 30 June 2011	918	2,971	2,264	6,153
Cost at 30 June 2011	1,707	4,813	3,462	9,982
Accumulated amortisation	(789)	(1,181)	(1,198)	(3,168)
Accumulated impairment	-	(661)	-	(661)
Carrying value at 30 June 2011	918	2,971	2,264	6,153

The Corporate system of managing geographically dispersed resources is a software system for gathering, processing and storing information on conditions in the transmission network, which is required for effective maintenance of UNEN. The Corporate system of managing geographically dispersed resources is amortised during 5 years. The Corporate system of managing geographically dispersed resources includes the development cost of RR 847 million at 30 June 2011 and at 31 December 2010.

The Corporate information management system (SAP R/3) consists of several modules (parts) and related licences. As at 30 June 2011 only certain modules (parts) were placed in operation and are subject to amortisation. These modules are amortised during 5 years, on a straight-line basis. The Corporate information management system (SAP R/3) includes the development cost of RR 2,496 million as at 30 June 2011 (as at 31 December 2010: RR 2,399 million).

Note 7. Intangible assets (continued)

Other software includes capitalised software development costs that meet the definition of an intangible asset of RR 1,636 million as at 30 June 2011 (as at 31 December 2010: RR 1,570 million).

Note 8. Investments in associated companies

The movements in the carrying value of investments in associates are as follows:

	The six months ended 30 June 2011	The six months ended 30 June 2010
Carrying value at 1 January	348	58,451
Share of result of associates	(1)	525
Transfer from non-current assets held for sale	488	-
Translation difference	(11)	(32)
Share of other comprehensive income of associates	-	7
Carrying value at 30 June	**824**	**58,951**

The carrying value of investments in associates is as follows:

	30 June 2011	31 December 2010
JSC “UES “GruzRosEnergo”	477	561
JSC “WGC-1”	-	27,559
JSC “Volzhskaya TGC”	-	16,268
JSC “TGC-6”	-	5,438
JSC “TGC-11”	-	3,401
Other associates	347	348
Less: transfer to non-current assets held for sale	-	(53,227)
Total	**824**	**348**

Transfer to non-current assets held for sale. As at 31 December 2010 the investments in JSC “WGC-1”, JSC “TGC-6”, JSC “TGC-11”, JSC “Volzhskaya TGC” and JSC “UES “GruzRosEnergo”, in the total amount of RR 53,227 million, were classified as held for sale under IFRS 5 “Non-current assets held for sale and discontinued operations”. In March 2011, all the above-mentioned investments, except for that in JSC “UES “GruzRosEnergo”, were transferred to Inter RAO UES in exchange for its additionally issued ordinary shares (Note 16). The investment in JSC “UES “GruzRosEnergo” was reclassified back from non-current assets held for sale to investments in associates.

Note 9. Available-for-sale investments

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

	1 January 2010	Additions	Change in fair value*	30 June 2010
JSC "Bashkirenergo"	7,699	-	2,088	9,787
JSC "RusHydro"	5,337	3	1,783	7,123
JSC "Mosenergo"	5,878	-	(674)	5,204
JSC "IDGC Holding"	4,247	-	61	4,308
JSC "WGC-6"	2,899	-	1,339	4,238
JSC "WGC-4"	2,261	1	1,124	3,386
JSC "Inter RAO UES"	2,668	-	(139)	2,529
JSC "WGC-2"	626	-	392	1,018
JSC "TGC-1"	857	-	109	966
JSC "WGC-3"	818	-	121	939
JSC "RAO ES Vostoka"	487	-	119	606
JSC "Sangtudinskaya GES-1"	555	-	-	555
JSC "TGC-9"	282	-	129	411
JSC "Kuzbassenergo"	255	-	60	315
JSC "TGC-13"	210	-	32	242
JSC "TGC-11 Holding"	150	-	-	150
Total	**35,229**	**4**	**6,544**	**41,777**

* - Change in fair value of available-for-sale investments is recognised in other comprehensive income.

Available-for-sale investments valuation

The fair value of the available-for-sale financial instruments was determined based on the quoted market prices.

Most of the available-for-sale investments held by the Group in 2010 were reclassified to non-current assets held for sale as at 31 December 2010. In March and May 2011 those investments as well as investments in associated companies were transferred to Inter RAO UES (Note 16) in exchange for its ordinary shares valued at RR 79,387 million at the relevant dates of the transaction. The Group continues to classify its investment in Inter RAO UES as available for sale.

During the six months ended 30 June 2011 the fair value of shares in Inter RAO UES has declined below cost. The Group considers these equity investments are not impaired as at 30 June 2011 (Note 2). Therefore the cumulative loss on revaluation of available-for-sale investments of RR 1,742 million is recognized in other comprehensive income (Note 17). Subsequent to 30 June 2011, the fair value of available-for-sale investments has fluctuated and as of the date of preparation of these Interim Financial Statements has declined relative to 30 June 2011. If the reduction in market value continues, the Group may re-assess whether such a decline represents an impairment of the available-for-sale investments.

Note 10. Promissory notes

	Rating	Rating agency	Effective interest rate, %	Due	30 June 2011	31 December 2010
Long-term promissory notes						
LLC “Energo Finance”		Not available	9.1%-10.1%	2014	8,788	8,466
JSC “System Operator UES”*		Not available	7.0%-11.1%	2012-2013	1,524	1,461
JSC “Alfa-Bank”	BB-	Standard & Poor's	8.1%-12.6%	2013-2015	598	371
JSC “ROSBANK”	BB+	Standard & Poor's	12.00%	2015	307	274
JSC “Evrofinance Mosnarbank”	Ba3	Moody’s	12.60%	2014	260	214
JSC “IDGC of Centre and Volga region”*		Not available	12.60%	2012-2020	138	138
Other long-term promissory notes			11.1%-15.5%	2012-2038	105	122
Total long-term promissory notes					**11,720**	**11,046**
Short-term promissory notes						
JSC Bank “ROSSIYA”	B	Standard & Poor's	4.00%	2011	4,002	4,076
JSC “International Financial Club”		Not available	4.00%	2011	1,001	2,002
JSC “VTB Bank”*	BBB	Fitch Ratings	1.5%-8.5%	2011	-	19,232
JSC “Alfa-Bank”	BB+	Fitch Ratings	2.6%-13.1%	2011	-	14,431
JSC “Promsvyazbank”	BB-	Fitch Ratings	4.9%-5.4%	2011	-	3,002
Other short-term promissory notes			11.1%-12.6%	2011-2012	194	413
Total short-term promissory notes					**5,197**	**43,156**

Companies marked with * above are state-controlled entities (Note 5).

As at 30 June 2011 and 31 December 2010 the promissory notes of LLC “Energo Finance” were impaired (Note 30). The notes are not overdue as were previously restructured.

All promissory notes are denominated in Russian roubles. As at 30 June 2011 and 31 December 2010 the fair value of promissory notes, determined using valuation technique, was RR 16,863 million and RR 54,384 million respectively. The valuation was mainly based on discounting of the future expected cash flows at the current market interest rate available for debtors with similar level of credit risk.

Note 11. Other non-current assets

	30 June 2011	31 December 2010
Long-term accounts receivable (Net of allowance for doubtful debtors of RR 44 million as at 30 June 2011 and RR 224 million as at 31 December 2010)	366	1,411
Long-term loans given	-	296
Total financial assets	**366**	**1,707**
VAT recoverable	225	253
Long-term advances to suppliers	64	-
Other non-current assets	668	547
Total	**1,323**	**2,507**

Note 12. Cash and cash equivalents

	30 June 2011	31 December 2010
Cash at bank and in hand	16,442	13,373
Cash equivalents	25	200
Total	**16,467**	**13,573**

Cash at bank	Rating	Rating agency	30 June 2011	31 December 2010
JSC "Alfa-Bank"	BB-	Standard & Poor's	10,035	6,434
JSB "Sberbank"	Baa1	Moody's	6,155	6,725
JSB "Gazprombank"	BB+	Standard & Poor's	200	58
Other			52	156
Total cash at bank			**16,442**	**13,373**

Note 13. Bank deposits

Bank deposits	Interest rate	Rating	Rating agency	30 June 2011	31 December 2010
JSB "Gazprombank"	4.30%	BB+	Standard & Poor's	3,000	-
OJSC "Alfa-Bank"	3.8%-5.4%	BB-	Standard & Poor's	1,694	988
JSB "Sberbank"	3.1%-3.8%	Baa1	Moody's	175	-
OJSC "Nomos-bank"	6.50%	Ba3	Moody's	-	3,000
JSB "VTB bank"	12.2%-13.8%	BBB	Standard & Poor's	-	618
Total bank deposits				**4,869**	**4,606**

Carrying amount of bank deposits approximates its' fair value.

As at 30 June 2011 bank deposits include deposits denominated in foreign currency in the amount of RR 81 million (as at 31 December 2010: RR 88 million).

Note 14. Accounts receivable and prepayments

	30 June 2011	31 December 2010
Trade receivables (Net of allowance for doubtful debtors of RR 2,891 million as at 30 June 2011 and RR 2,900 million as at 31 December 2010)	16,044	10,605
Other receivables (Net of allowance for doubtful debtors of RR 304 million as at 30 June 2011 and RR 695 million as at 31 December 2010)	667	741
Total financial assets	**16,711**	**11,346**
Advances to suppliers and prepayments (Net of allowance for doubtful debtors of RR 1,732 million as at 30 June 2011 and 1,874 million as at 31 December 2010)	3,994	1,646
VAT recoverable	9,986	9,199
Tax prepayments	3,549	8,454
VAT related to advances received	2,090	2,009
Total	**36,330**	**32,654**

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

Tax prepayments will be settled against future tax liabilities.

Management has determined the provision for doubtful debtors based on specific customer identification, customer payment trends, subsequent receipts and settlements and analyses of expected future cash flows. The effects of discounting are reflected in the doubtful debtor allowance and expense. The management of the Group believes that Group entities will be able to realise the net receivable amount through direct collections and other non-cash settlements, and that therefore the recorded value approximates their fair value.

Note 14. Accounts receivable and prepayments (continued)

The movement of the provision for doubtful debts is shown below:

The six months ended 30 June 2011	Trade receivables	Other receivables	Advances to suppliers and prepayments	Long-term accounts receivable	Total
As at 1 January	**2,900**	**695**	**1,874**	**224**	**5,693**
Provision reversal	(330)	(427)	(222)	(180)	(1,159)
Debt written-off	-	(1)	-	-	(1)
Provision accrual	321	37	80	-	438
As at 30 June	**2,891**	**304**	**1,732**	**44**	**4,971**

The six months ended 30 June 2010	Trade receivables	Other receivables	Advances to suppliers and prepayments	Long-term accounts receivable	Total
As at 1 January	**4,862**	**992**	**2,162**	**24**	**8,040**
Provision reversal	(366)	(169)	(2)	(24)	(561)
Debt written-off	(2)	-	-	-	(2)
Provision accrual	3,047	190	287	-	3,524
As at 30 June	**7,541**	**1,013**	**2,447**	**-**	**11,001**

As at 30 June 2011 the overdue receivables for which the provision had not been recorded amounted to RR 4,355 million (at 31 December 2010: RR 4,043 million). The ageing analysis is shown below:

	At 30 June 2011	At 31 December 2010
Less than 3 months	2,253	2,432
3 to 6 months	1,153	1,270
6 to 12 months	36	14
1 year to 5 years	913	327
Total	**4,355**	**4,043**

The analysis of overdue accounts receivables for which the provision had been recorded as at 30 June 2011 is shown below, gross of allowance for doubtful accounts:

	At 30 June 2011	At 31 December 2010
Less than 3 months	112	189
3 to 6 months	424	705
6 to 12 months	-	233
1 year to 5 years	2,143	2,200
Total	**2,679**	**3,327**

Note 15. Inventories

	At 30 June 2011	31 December 2010
Repair materials	4,052	3,501
Spare parts	2,280	1,669
Other inventories	677	432
Total	**7,009**	**5,602**

The cost of inventories is shown net of an obsolescence provision for RR 22 million as at 30 June 2011 (as at 31 December 2010: RR 38 million). At 30 June 2011 and 31 December 2010 the Group had no inventories pledged as security under loan and other agreements.

Note 16. Non-current assets held for sale

	30 June 2011	31 December 2010
JSC “WGC-1”	-	27,559
JSC “Volzhskaya TGC”	-	16,268
JSC “Bashkirenergo”	-	15,551
JSC “RusHydro”	-	7,738
JSC “Mosenergo”	-	5,782
JSC “WGC-6”	-	5,600
JSC “TGC-6”	-	5,438
JSC “WGC-4”	-	4,140
JSC “TGC-11”	-	3,401
JSC “WGC-2”	-	1,222
JSC “TGC-1”	-	1,117
JSC “WGC-3”	-	969
JSC “UES “GruzRosEnergo”	-	561
JSC “RAO ES Vostoka”	-	555
JSC “TGC-9”	-	429
JSC “Kuzbassenergo”	-	385
JSC “Sangtudinskaya GES-1”	-	320
JSC “TGC-13”	-	307
JSC “TGC-11 Holding”	-	163
Total	**-**	**97,505**
Loss on re-measurement	-	(6,896)
Total non-current assets held for sale	**-**	**90,609**

Non-current assets held for sale were included into Transmission segment (Note 32).

As at 31 December 2010 all available-for-sale investments, except for shares of JSC “IDGC Holding” and JSC “Inter RAO UES”, in the total amount of RR 44,278 million and most of investments in associates, such as JSC “WGC-1”, JSC “TGC-6”, JSC “TGC-11”, JSC “Volzhskaya TGC” and JSC “UES “GruzRosEnergo” in the total amount of RR 53,227 million were reclassified as held for sale under IFRS 5 “Non-current assets held for sale and discontinued operations” as the management of the Company had committed to a plan to transfer these assets during 2011 year to Inter RAO UES in exchange for ordinary shares of JSC “Inter RAO UES” (Note 8, 9).

Cumulative income recognized by 31 December 2010 in other comprehensive income relating to non-current assets held for sale (Note 17):

	31 December 2010
Revaluation reserve for property, plant and equipment of associates	10,749
Foreign currency translation reserve	34
Revaluation reserve for available-for-sale investments	29,702
Total	**40,485**

In March and May 2011 all above-mentioned investments, except for JSC “UES “GruzRosEnergo”, were transferred to Inter RAO UES in exchange for its 1,883,043,160,666 shares.

In accordance with provisions of IFRS 5, non-current assets held for sale were re-measured at the date of de-recognition (transfer) to reflect the decrease in fair value less costs to sell. Loss on re-measurement of investments in associated companies classified as held for sale was recognised in profit and loss in the amount of RR 4,718 million, with corresponding deferred tax in the amount of RR 944 million. Decline in fair value of available-for-sale investments classified as held for sale 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 in associates and available-for-sale investments. Corresponding tax in the amount of RR 6,223 million was recognised in tax charge for the period.

Note 16. Non-current assets held for sale (continued)

	Dates of disposal
Available-for-sale investments classified as held for sale	(38,222)
Investments in associates classified as held for sale	(41,165)
Fair value of consideration received	79,387
Accumulated gain on available-for-sale investments recycled to profit and loss (related deferred tax liability of RR 6,223 million)	31,115
Gain on disposal of investments in associates and available-for-sale investments	**31,115**

Note 17. Equity

Share capital

	Number of shares issued and fully paid			
	30 June 2011	**31 December 2010**	**30 June 2011**	**31 December 2010**
Ordinary shares	1,255,948,128,393	1,233,561,333,552	627,974	616,781

As at 30 June 2011 the authorised share capital comprised 1,346,805,824 thousand ordinary shares with a nominal value of RR 0.5 per share.

Additional issue of shares. In January 2010 FGC UES completed and registered the additional share issue. As a result of this issue, the share capital was increased to RR 616,781 million and additional share premium recognised in the amount of RR 154 million.

In March 2011, FGC UES completed and registered the additional share issue. The amount of RR 11,193 million received for shares issue as of 31 December 2010 was included as accounts payable to shareholders of FGC UES. Upon completion and registration of this issue, the share capital was increased to RR 627,974 million.

On 29 July 2011, the Board of Directors of FGC UES authorised additional issue of 10,321,601,853 ordinary shares with the nominal value of RR 0.5 per share and total amount of RR 5,161 million (Note 33).

Treasury shares. Treasury shares represent 13,727,165 thousand of ordinary shares in the amount of RR 5,984 million as at 30 June 2011 and of RR 6,864 million at 31 December 2010.

Treasury shares were received by the Group during the reorganisation process in the form of a legal merger with RAO UES in 2008. The Company's shares are held by its subsidiary, LLC "Index Energetiki – FGC UES". Treasury shares received during 2008 are accounted for at their nominal value of RR 0.5 per share.

In 2011, treasury shares decreased by RR 880 million with the corresponding accrual of liability relating to share-based compensation (see below), since management plans to use treasury shares for the share option plan.

Reserves. Reserves include Revaluation reserve for property, plant and equipment and available-for-sale investments and Foreign currency translation reserve.

The Foreign currency translation reserve, relating to the exchange differences arising on translation of the net assets of foreign associate, as at 31 December 2010 was credit of RR 34 million and was included in other reserves.

Reserves comprise the following:

	30 June 2011	**31 December 2010**
Revaluation reserve, net of tax, for:		
- property, plant and equipment (Note 6)	313,104	313,525
- available-for-sale investments (Note 9)	(1,742)	7,257
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale (Note 16)	-	40,485
Foreign currency translation reserve	23	-
Total	**311,385**	**361,267**

Note 17. Equity (continued)

Reserves for the six months ended 30 June 2011 (net of tax):

	Revaluation reserve for:				
	property, plant and equipment (Note 6, 8)	**available-for-sale investments (Note 9)**	**Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale**	**Foreign currency translation reserve**	**Total reserves**
As at 1 January 2011	**313,525**	**7,257**	**40,485**	**-**	**361,267**
Change in revaluation reserve for property, plant and equipment	(421)	-	-	-	**(421)**
Change of fair value of available-for-sale investments	-	(8,999)	(4,810)	-	**(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 and loss	-	-	(24,892)	-	**(24,892)**
Amounts relating to available-for-sale investments previously classified as non-current assets held for sale	-	-	(34)	34	**-**
Foreign currency translation difference (Note 8)	-	-	-	(11)	**(11)**
As at 30 June 2011	**313,104**	**(1,742)**	**-**	**23**	**311,385**

Reserves for the six months ended 30 June 2010 (net of tax):

	Revaluation reserve for:				
	property, plant and equipment (Note 6, 8)	**available-for-sale investments (Note 9)**	**Merger reserve**	**Foreign currency translation reserve**	**Total reserves**
As at 1 January 2010	**325,590**	**21,919**	**(56,891)**	**56**	**290,674**
Transfer of merger reserve to retained earnings	-	-	56,891	-	**56,891**
Change in revaluation reserve for property, plant and equipment	(405)				**(405)**
Foreign currency translation difference (Note 8)	-	-	-	(32)	**(32)**
Gain on change of fair value of available-for-sale investments	-	5,237	-	-	**5,237**
Realised revaluation reserve for available-for-sale investments	-	(9)	-	-	**(9)**
As at 30 June 2010	**325,185**	**27,147**	**-**	**24**	**352,356**

Note 17. Equity (continued)

Dividends. The annual statutory accounts of the parent company, FGC UES, form the basis for the annual profit distribution and other appropriations. The specific Russian legislation identifies the basis of distribution as the net profit. For the year ended 31 December 2010, the statutory net profit of the parent company, FGC UES, as reported in the published statutory financial statements for the year ended 31 December 2010, was RR 58,088 million (for the year ended 31 December 2009 the net loss was RR 59,866 million). At the Annual General Meeting in June 2011 the decision was approved to declare dividends for the year ended 31 December 2010 in the total amount of RR 2,578 million (RR 0.0020523650155 per share).

Share-based compensation. In February 2011, the Board of Directors authorised the issuance of 13,508,081,514 options to members of the Management Board and other employees to purchase the Company's ordinary shares. Options granted vest over the period of three years and are exercisable during two years from the grant date. There are no performance conditions other than service with the Group.

All options were granted with an exercise price of RR 0.4065 per share. The total grant date fair value of stock options granted was RR 2,492 million.

The Black-Scholes option valuation model is used for estimating the fair value of options. The significant inputs into the option valuation model were as follows.

	Awards granted during the six months ended 30 June	
	2011	**2010**
Share price	0.412	-
Expected volatility	45%	-
Risk-free interest rate	7.12%	-
Option life (expected)	5 years	-

Accounts payable to the shareholders of FGC UES. Accounts payable to the shareholders of FGC UES include dividends payable and payables for shares issued:

	At 30 June 2011	**31 December 2010**
Dividends payable	2,625	47
Accounts payable for shares issued	-	11,193
Total	**2,625**	**11,240**

Note 18. Profit tax

Profit tax expense comprises the following:

	The six months ended 30 June 2011	**The six months ended 30 June 2010**
Current profit tax charge	(6,631)	(4,805)
Deferred profit tax (charge) / credit	(5,081)	951
Total profit tax charge	**(11,712)**	**(3,854)**

During the six months ended 30 June 2011 and 2010 most entities of the Group were subject to tax rates of 20 percent on taxable profit.

In accordance with Russian tax legislation, tax losses in different Group companies may not be offset against taxable profits of other Group companies. Accordingly, tax may be accrued even where there is a net consolidated tax loss.

The rate of 20 percent has been used for the calculation of the deferred tax assets and liabilities as at 30 June 2011 and 31 December 2010. Net profit before profit tax for financial reporting purposes is reconciled to profit tax expenses as follows:

	The six months ended 30 June 2011	**The six months ended 30 June 2010**
Profit before profit tax	**55,640**	**16,490**
Theoretical profit tax charge at statutory tax rate of 20 percent	(11,128)	(3,298)
Tax effect of items which are not deductible for taxation purposes	(85)	(185)
Non-recognised deferred tax asset	(499)	(371)
Total profit tax	**(11,712)**	**(3,854)**

Note 18. Profit tax (continued)

Deferred profit tax. Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred profit tax assets and liabilities are measured at 20 percent at 30 June 2011 and 31 December 2010, the rates expected to be applicable when the asset or liability will reverse.

Deferred profit tax assets and liabilities for the six months ended 30 June 2011:

		Movements for the period		
	30 June 2011	Recognised in profit or loss	Recognised in other comprehensive income	1 January 2011
Deferred profit tax liabilities				
Property, plant and equipment	69,731	292	-	69,439
Investments in associates	69	(1)	-	70
Available-for-sale investments	11,597	13,340	(2,249)	506
Accounts receivable and prepayments	512	271	-	241
Non-current assets held for sale	-	(8,139)	(7,426)	15,565
Other deferred tax liabilities	70	38	-	32
Total deferred profit tax liabilities	**81,979**	**5,801**	**(9,675)**	**85,853**
Deferred profit tax assets				
Property, plant and equipment	(1,728)	(178)	-	(1,550)
Intangible assets	(406)	(275)	-	(131)
Long-term promissory notes	(1,418)	154	-	(1,572)
Accounts receivable and prepayments	(799)	29	-	(828)
Retirement benefit obligation	(447)	(57)	-	(390)
Current and non-current debt	(176)	(176)	-	-
Accounts payable and accruals	(676)	(441)	-	(235)
Other deferred tax assets	(147)	47	-	(194)
Tax losses	(1,955)	(322)	-	(1,633)
Unrecognised deferred tax assets	4,836	499	-	4,337
Total deferred profit tax assets	**(2,916)**	**(720)**	**-**	**(2,196)**
Deferred profit tax liabilities, net	**79,063**	**5,081**	**(9,675)**	**83,657**

Current portion of net deferred tax liabilities equals a debit of RR 1,040 million and represent the amount of deferred tax assets to be recovered during the twelve months ended 30 June 2012 (as at 31 December 2010: RR 14,122 million of net deferred tax liabilities).

Unrecognised deferred tax assets include tax losses carried forward in amount of RR 1,955 million and deferred profit tax assets on temporary differences arising in respective loss-making subsidiaries. These deferred tax assets are not recognised because it is not probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised.

The Group has not recognised deferred tax assets as at 30 June 2011 in respect of tax losses carried forward of RR 9,773 million (as at 31 December 2010: RR 8,165 million) at companies in the table below.

	30 June 2011	31 December 2010
JSC “Nurenergo”	6,385	5,098
JSC “Mobile gas-turbine electricity plants”	2,664	2,300
JSC “The principle electricity transmission service company of Unified National Electrical Network”	330	259
JSC “Specialized electricity transmission service company of Unified National Electrical Network”	30	170
Others	364	338
Total tax losses carried forward	**9,773**	**8,165**

The tax losses expire 10 years after their origination. These tax losses expire mostly during 2012-2020, none expire during the year 2011, RR 1,743 million with terms from 2 to 5 years (during 2012-2015) and RR 8,030 million with term over 5 years (during 2016-2020).

Note 18. Profit tax (continued)

Deferred profit tax assets and liabilities for the six months ended 30 June 2010:

	30 June 2010 (restated)	Movements for the period: Recognised in profit or loss	Movements for the period: Recognised in other comprehensive income	1 January 2010 (restated)
Deferred profit tax liabilities				
Property, plant and equipment	69,814	(551)	-	70,365
Investments in associates	11,619	105	1	11,513
Available-for-sale investments	4,575	5	1,307	3,263
Accounts receivable and prepayments	48	42	-	6
Other deferred tax liabilities	36	5	-	31
Total deferred profit tax liabilities	**86,092**	**(394)**	**1,308**	**85,178**
Deferred profit tax assets				
Property, plant and equipment	(1,229)	(68)	-	(1,161)
Long-term promissory notes	(1,307)	(187)	-	(1,120)
Accounts receivable and prepayments	(1,254)	(302)	-	(952)
Retirement benefit obligation	(346)	(25)	-	(321)
Accounts payable and accruals	(93)	(79)	-	(14)
Other deferred tax assets	(347)	(60)	-	(287)
Tax losses	(1,542)	(207)	-	(1,335)
Unrecognised deferred tax assets	3,768	371	-	3,397
Total deferred profit tax assets	**(2,350)**	**(557)**	**-**	**(1,793)**
Deferred profit tax liabilities, net	**83,742**	**(951)**	**1,308**	**83,385**

Note 19. Non-current debt

	Currency	Effective interest rate	Due	30 June 2011	31 December 2010
Certified interest-bearing non-convertible bearer bonds, Series 10	RR	7.75%	15.09.2020	10,197	10,200
Certified interest-bearing non-convertible bearer bonds, Series 06	RR	7.15%	15.09.2020	10,182	10,184
Certified interest-bearing non-convertible bearer bonds, Series 08	RR	7.15%	15.09.2020	10,182	10,184
Certified interest-bearing non-convertible bearer bonds, Series 11	RR	7.99%	16.10.2020	10,136	10,138
Certified interest-bearing non-convertible bearer bonds, Series 04	RR	7.30%	06.10.2011	6,101	6,102
Certified interest-bearing non-convertible bearer bonds, Series 09	RR	7.99%	16.10.2020	5,068	5,069
Certified interest-bearing non-convertible bearer bonds, Series 07	RR	7.50%	16.10.2020	5,064	5,065
Finance lease liabilities	RR	9.50%	23.03.2018	882	-
Total non-current debt				**57,812**	**56,942**
Less: current portion of non-current bonds				(6,930)	(6,942)
Less: current portion of finance lease liabilities				(67)	-
Non-current debt				**50,815**	**50,000**

In September and October 2010 the Group issued certified interest-bearing non-convertible bearer bonds of series 06-11 with an interest rate fixed for 1st-6th coupons for series 06 and 08, for 1st-10th coupons for series 07 and 10 and for 1st-14th coupons for series 09 and 11. 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 6 months during the terms of the bonds.

Note 19. Non-current debt (continued)

At 30 June 2011 the estimated fair value of total non-current debt (including the current portion) was RR 56,347 million (as at 31 December 2010: RR 56,048 million), which is estimated using the market prices for quoted FGC UES bonds as at 30 June 2011.

As at 30 June 2011the Group has long-term undrawn committed financing facilities of RR 35,000 million (as at 31 December 2010: RR 15,000 million) which may be used for the general purposes of the Group. In May 2011 the Company and JSB "Gazprombank" cancelled the 3-year credit line for RR 15,000 million opened in May 2010 and concluded a new agreement to open a 7-year credit line for RR 25,000 million. Also in May 2011 the Company and JSC "Raiffeisenbank" concluded an agreement to open a 5-year credit line for RR 10,000 million.

Finance lease. Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 1 and 5 years	Due after 5 years	Total
Minimum lease payments at 30 June 2011	**149**	**748**	**383**	**1,280**
Less future finance charges	(82)	(293)	(23)	(398)
Present value of minimum lease payments at 30 June 2011	**67**	**455**	**360**	**882**
Minimum lease payments at 31 December 2010	**-**	**-**	**-**	**-**
Less future finance charges	-	-	-	-
Present value of minimum lease payments at 31 December 2010	**-**	**-**	**-**	**-**

Leased assets with carrying amount disclosed in Note 6 are effectively pledged for finance lease liabilities as the rights to the leased asset revert to the lessor in the event of default.

Note 20. Retirement benefit obligations

	The six months ended 30 June 2011	The six months ended 30 June 2010
Net liability in the consolidated interim statement of financial position as at 1 January	**4,318**	**3,439**
Net periodical cost	630	424
Benefits paid	(179)	(127)
Net liability in the consolidated interim statement of financial position as at 30 June	**4,769**	**3,736**

The Group's post-employment benefits policy includes the employee pension scheme and various post-employment, retirement and jubilee payments. The post-employment and retirement benefit system is a defined benefit program as part of which every participating employee receives benefits calculated in accordance with certain formula or rules. The program's core element is the corporate pension scheme implemented by the Group in cooperation with the Non-State Pension Fund of Electric Power Industry (NPFE).

The Group also pays various long-term post-employment benefits, including lump sum benefits in case of death of employees or former employees receiving pensions, lump sum benefits upon retirement and in connection with jubilees.

Additionally, financial aid in the form of defined benefits is provided to former employees who have state, industry or corporate awards. Such financial aid is provided both to employees entitled and not entitled to non-state pensions.

The most recent actuarial valuation was performed as at 31 December 2010.

The tables below provide information about benefit obligations and actuarial assumptions as at 30 June 2011 and 31 December 2010.

Note 20. Retirement benefit obligations (continued)

The amounts recognised in the consolidated interim statement of financial position are determined as follows:

	30 June 2011	31 December 2010
Total present value of defined benefit obligations	5,369	5,148
Net actuarial gains not recognised in the statement of financial position	(141)	(142)
Unrecognised past service cost	(459)	(688)
Liability recognised in the consolidated interim statement of financial position	**4,769**	**4,318**

The amounts recognised in profit or loss are as follows:

	The six months ended 30 June 2011	The six months ended 30 June 2010
Interest cost	231	205
Current service cost	169	141
Recognised past service cost	230	78
Net expense recognised in the consolidated interim statement of comprehensive income	**630**	**424**

Changes in the present value of the Group's retirement benefit obligation are as follows:

	The six months ended 30 June 2010	The six months ended 30 June 2010
Defined benefit obligations at 1 January	**5,148**	**4,544**
Benefits paid by the plan	(179)	(127)
Current service costs	169	141
Interest on obligation	231	205
Present value of defined benefit obligations at 30 June	**5,369**	**4,763**

Principal actuarial assumptions (expressed as weighted averages) are as follows:

(i) Financial assumptions

	30 June 2011	31 December 2010
Discount rate	7.8%	7.8%
Inflation rate	5.7%	5.7%
Future salary increases	6.7%	6.7%
Future pension increase	5.7%	5.7%

(ii) Demographic assumptions

Withdrawal rates assumption is as follows: expected staff turnover rates depends on past service - around 10% for employees with 2 years of service going down to 5% for employees with 10 or more years of service

Retirement ages assumption is as follows: average retirement ages are 60.5 years for men and 56 years for women. Similar retirement age assumption was used at 31 December 2010.

Mortality table: Russian population mortality table 1998.

Note 21. Current debt and current portion of non-current debt

	Effective interest rate	30 June 2011	31 December 2010
JSC "IDGC Holding"	14.1%	505	505
JSC "RusHydro"	17.0%	50	50
Current portion of non-current bonds (Note 19)	7.3%-8.2%	6,930	6,942
Current portion of finance lease liabilities	9.5%	67	-
Total		**7,552**	**7,497**

As at 30 June 2011 and 31 December 2010 the Group has short-term undrawn committed financing facilities of RR 30,000 million which may be used for the general purposes of the Group (Note 19).

Note 22. Accounts payable and accrued charges

	30 June 2011	31 December 2010
Trade payables	14,495	14,499
Accounts payable to construction companies	10,832	10,844
Total financial liabilities	**25,327**	**25,343**
Advances received	12,135	11,744
Accrued liabilities and other creditors	4,275	2,514
Other provisions for liabilities and charges	239	-
Total	**41,976**	**39,601**

Note 23. Other taxes payable

	30 June 2011	31 December 2010
Property tax	691	595
Value added tax	343	47
Employee taxes	297	188
Other taxes	445	401
Total	**1,776**	**1,231**

Note 24. Revenues

	The six months ended 30 June 2011	The six months ended 30 June 2010
Transmission fee	69,382	54,414
Electricity sales	1,082	1,959
Connection services	601	88
Grids repair and maintenance services	152	104
Total revenues	**71,217**	**56,565**

Other operating income primarily includes income from non-core activities.

	The six months ended 30 June 2011	The six months ended 30 June 2010
Design works	385	482
Insurance compensation	200	202
Rental income	194	115
Communication services	190	222
Research and development services	125	203
Other income	493	541
Total other operating income	**1,587**	**1,765**

Note 25. Operating expenses

	The six months ended 30 June 2011	The six months ended 30 June 2010
Depreciation of property, plant and equipment	15,652	14,962
Employee benefit expenses and payroll taxes	12,850	9,957
Purchased electricity	6,750	7,890
Repair and maintenance services	1,786	1,509
Business trips and transportation expenses	815	666
Security services	788	500
Rent	687	666
Electricity transit via foreign countries	657	315
Materials for repair	637	701
Taxes, other than on income	529	376
Insurance	482	474
Amortisation of intangible assets	461	447
Other materials	448	387
Information system maintenance	427	371
Consulting, legal and auditing services	417	321
Loss on disposal of property, plant and equipment	392	145
Communication service	323	262
Fuel	252	227
Research and development	223	89
(Reversal) / accrual of allowance for doubtful debtors	(124)	2,987
Other	1,205	1,094
Total	**45,657**	**44,346**

FGC UES purchases electricity to compensate electricity losses which occur during transmission.

Employee benefit expenses and payroll taxes include expenses on voluntary pension programs, long-term compensation payments and share-based compensation.

	The six months ended 30 June 2011	The six months ended 30 June 2010
Wages and salaries	8,874	7,735
Payroll taxes	2,466	1,798
Pension costs – defined benefit plans (Note 20)	630	424
Share-based compensation	880	-
Total	**12,850**	**9,957**

Rent expense principally represent short-term operating lease, including rent of land (Note 6) and office facilities.

Note 26. Finance income

	The six months ended 30 June 2011	The six months ended 30 June 2010
Interest income	2,177	3,121
Foreign exchange difference	11	10
Other finance income	12	-
Total finance income	**2,200**	**3,131**

Note 27. Finance costs

	The six months ended 30 June 2011	The six months ended 30 June 2010
Interest expense	2,110	495
Foreign currency exchange differences	15	-
Other finance costs	69	-
Total finance cost	**2,194**	**495**
Less capitalised interest expenses on borrowings related to qualifying assets (Note 6)	(2,091)	(445)
Total finance cost recognised in profit or loss	**103**	**50**

Note 28. Earnings per ordinary share for profit attributable to the shareholders of JSC "FGC UES"

	The six months ended 30 June 2011	The six months ended 30 June 2010
Weighted average number of ordinary shares (millions of shares)	1,238,142	1,221,938
Profit attributable to the shareholders of FGC UES (millions of RR)	44,197	13,026
Weighted average earning per share – basic and diluted (in RR)	**0.04**	**0.01**

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

Note 29. Contingencies, commitments and operating risks

Political environment. The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by the political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russian Federation.

Insurance. The Group held limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed to those risks for which it does not have insurance.

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 2011 the Group's subsidiary, JSC "Nurenergo" was engaged in a number of litigations involving claims amounting in total to RR 4,509 million (as at 31 December 2010: RR 3,217 million), for collection of amounts payable for electricity purchased by JSC "Nurenergo" in previous years. 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.

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.

As at 30 June 2011 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 Interim Financial Statements. The Group estimates that possible tax claims in respect of certain open tax positions of the Group companies primarily related to revenue recognition for taxation purposes could amount to as much as RR 1,906 million if the tax positions would be successfully challenged (as at 31 December 2010: RR 5,616 million of the open tax positions primarily related to recoverability of VAT and revenue recognition for taxation purposes).

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.

Note 29. Contingencies, commitments and operating risks (continued)

Environmental matters. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under environmental regulations.

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

Capital commitments related to construction of property, plant and equipment. Future capital expenditures for which contracts have been signed amount to RR 399,665 million as at 30 June 2011 (as at 31 December 2010: RR 389,228 million) including VAT.

Note 30. Financial instruments and financial risks

Financial risk factors. The Group's ordinary financial and business activities expose it to a variety of financial risks, including but not limited to the following: market risk (foreign exchange risk, interest rate risks related to changes in the fair value of the interest rate and the cash flow interest rate, and price risk), credit risk, and liquidity risk. Such risks give rise to the fluctuations of profit, reserves and equity and cash flows from one period to another. The Group's financial management policy aims to minimize or eliminate possible negative consequences of the risks for the financial results of the Group. The Group could use derivative financial instruments from time to time for such purposes as part of its risk management strategy.

Financial instruments by categories:

30 June 2011	Loans and receivables	Investments available for sale	Other financial liabilities	Total
Financial assets				
Available-for-sale investments (Note 9)	-	77,670	-	77,670
Long-term promissory notes (Note 10)	11,720	-	-	11,720
Other non-current assets (Note 11)	366	-	-	366
Cash and cash equivalents (Note 12)	16,467	-	-	16,467
Bank deposits (Note 13)	4,869	-	-	4,869
Short-term promissory notes (Note 10)	5,197	-	-	5,197
Loans given	427	-	-	427
Accounts receivable (Note 14)	16,711	-	-	16,711
Total financial assets	**55,757**	**77,670**	**-**	**133,427**
Financial liabilities				
Non-current debt (Note 19)	-	-	50,815	50,815
Current debt and current portion of non-current debt (Note 21)	-	-	7,552	7,552
Trade payables (Note 22)	-	-	14,495	14,495
Account payable to construction companies (Note 22)	-	-	10,832	10,832
Total financial liabilities	**-**	**-**	**83,694**	**83,694**

Note 30. Financial instruments and financial risks (continued)

31 December 2010	Loans and receivables	Investments available for sale	Other financial liabilities	Total
Financial assets				
Available-for-sale investments (Note 9)	-	9,531	-	9,531
Long-term promissory notes (Note 10)	11,046	-	-	11,046
Other non-current assets (Note 11)	1,707	-	-	1,707
Cash and cash equivalents (Note 12)	13,573	-	-	13,573
Bank deposits (Note 13)	4,606	-	-	4,606
Short-term promissory notes (Note 10)	43,156	-	-	43,156
Loans given	18	-	-	18
Accounts receivable (Note 14)	11,346	-	-	11,346
Non-current assets held for sale (Note 16)	-	44,278	-	44,278
Total financial assets	**85,452**	**53,809**	-	**139,261**
Financial liabilities				
Non-current debt (Note 19)	-	-	50,000	50,000
Current debt and current portion of non-current debt (Note 21)	-	-	7,497	7,497
Trade payables (Note 22)	-	-	14,499	14,499
Account payable to construction companies (Note 22)	-	-	10,844	10,844
Total financial liabilities	-	-	**82,840**	**82,840**

(a) Market risk.

(i) Foreign exchange risk. The Group operates within the Russian Federation. The major part of the Group's purchases is denominated in Russian Roubles. Therefore, the Group's exposure to foreign exchange risk is insignificant.

(ii) Interest rate risk. The Group's operating profits and cash flows from operating activity are not largely dependent on the changes in market interest rates. As at 30 June 2011 the interest rates on the borrowing are fixed.

(iii) Price risk. Equity price risk arises from available-for-sale investments. Management of the Group monitors its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are taken by the management of the Group. The primary goal of the Group's investment strategy is to maximise investment returns in order to meet partially the Group's investment program needs. Transactions in equity products are monitored and authorised by the Group treasury. The total amount of investments available-for-sale exposed to the market risk equals RR 77,670 million. At 30 June 2011, if equity prices at that date had been 10% higher (lower) with all other variables held constant, the Group's comprehensive income and revaluation reserve in equity would increase (decrease) by RR 7,767 million before tax, but profit before tax would not be affected. At 31 December 2010, if equity prices at that date had been 10% higher (lower) with all other variables held constant, the Group's comprehensive income and revaluation reserve in equity would increase (decrease) by RR 5,381 million, but profit before tax would not be affected.

Note 30. Financial instruments and financial risks (continued)

(b) Credit risk.

The amounts exposed to credit risk are as follows:

30 June 2011	Long-term promissory notes (Note 10)	Other non-current assets (Note 11)	Cash and cash equivalents (Note 12)	Bank deposits (Note 13)	Short-term promissory notes (Note 10)	Loans given	Accounts receivable (Note 14)
Not overdue, not impaired	2,932	187	16,467	4,869	5,197	408	12,356
Not overdue, but impaired:	8,788	-	-	-	-	-	-
- gross amount	11,568	3	-	-	-	-	516
- less impairment provision	(2,780)	(3)	-	-	-	-	(516)
Overdue, but not impaired	-	179	-	-	-	19	4,355
Overdue and impaired:	-	-	-	-	-	-	-
- gross amount	-	41	-	-	-	-	2,679
- less impairment provision	-	(41)	-	-	-	-	(2,679)
Total amount	**11,720**	**366**	**16,467**	**4,869**	**5,197**	**427**	**16,711**

31 December 2010	Long-term promissory notes (Note 10)	Other non-current assets (Note 11)	Cash and cash equivalents (Note 12)	Bank deposits (Note 13)	Short-term promissory notes (Note 10)	Loans given	Accounts receivable (Note 14)
Not overdue, not impaired	2,580	675	13,573	4,606	42,198	18	8,335
Not overdue, but impaired:	8,466	-	-	-	-	-	-
- gross amount	*11,568*	*49*	-	-	-	-	*442*
- less impairment provision	*(3,102)*	*(49)*	-	-	-	-	*(442)*
Overdue, but not impaired	-	1,032	-	-	958	-	3,011
Overdue and impaired:	-	-	-	-	-	-	-
- gross amount		*175*	-	-	*47*	-	*3,172*
- less impairment provision		*(175)*	-	-	*(47)*	-	*(3,172)*
Total amount	**11,046**	**1,707**	**13,573**	**4,606**	**43,156**	**18**	**11,346**

As at 30 June 2011 the amount of financial assets, which are exposed to credit risk, is RR 55,757 million (as at 31 December 2010: RR 85,452 million). Although collection of receivables could be influenced by economic factors, management of the Group believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

The Group's trade debtors are quite homogenous as regards their credit quality and concentration of credit risk. They are primarily comprised of large, reputable customers, most of which are controlled by the State. Historical data, including payment histories during the recent credit crisis, would suggest that the risk of default from such customers is very low.

Credit risk is managed at the Group level. In most cases the Group does not calculate their customers' credit status but rates their creditworthiness on the basis of the financial position, prior experience and other factors. The cash has been deposited in the financial institutions with no more than minimal exposure to the default risk at the time of account opening. Although some of the banks and companies have no international credit rating, management believes that they are reliable counterparties with a stable position on the Russian market.

The main credit risks of the Group are concentrated within the balances of promissory notes. The detailed information on promissory notes is presented in Note 10.

(c) Liquidity risk. Liquidity risk is managed at the Group level and includes maintaining the appropriate volume of monetary funds, conservative approach to excess liquidity management, and access to financial resources by securing credit facilities and limiting the concentrations of cash in banks. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Note 30. Financial instruments and financial risks (continued)

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
At 30 June 2011					
Non-current and current debt and interest payable	10,452	3,779	11,337	66,059	91,627
Trade payables (Note 22)	14,495	-	-	-	14,495
Account payables to construction companies (Note 22)	10,832	-	-	-	10,832
Total as at 30 June 2011	**35,779**	**3,779**	**11,337**	**66,059**	**116,954**
At 31 December 2010					
Non-current and current debt and interest payable	10,457	3,779	11,336	67,948	93,520
Trade payables (Note 22)	14,499	-	-	-	14,499
Account payables to construction companies (Note 22)	10,844	-	-	-	10,844
Total as at 31 December 2010	**35,800**	**3,779**	**11,336**	**67,948**	**118,863**

(d) Fair value. Management believes that the fair value of financial assets and liabilities is not significantly different from their carrying amounts. The carrying value less provision for doubtful of trade receivables is assumed to approximate their fair value due to the short-term nature of the receivables. The fair value of financial liabilities for disclosure in the financial statements is estimated by discounting future contractual cash flows at the current market interest rate that is available for Group for similar financial instruments.

The financial instruments of the Group carried at fair value represent available-for-sale investments (Note 9). The fair value of the available-for-sale investments is determined by the quoted prices in active markets for identical financial assets.

Note 31. Capital risk management

The Group's management of the capital of its entities aims to comply with the capital requirements established by the legislation of the Russian Federation for joint stock companies, in particular:

- share capital cannot be lower than RR 100 thousand;
- in case the share capital of an entity is greater that statutory net assets of the entity, such entity must reduce its share capital to the value not exceeding its statutory net assets;
- in case the minimum allowed share capital exceeds the entity's statutory net assets, such entity is subject for liquidation.

At 30 June 2011 several companies of the Group namely JSC "Nurenergo", JSC "The Kuban Trunk Grids" and JSC "The Tomsk Trunk Grids" were not in compliance with all requirements mentioned above. Management of the Group is currently implementing measures to ensure compliance with all legislation requirements within a short period.

The Group's capital management objectives are to ensure that its operations be continued at a profit for the shareholders and with benefits for other stakeholders, and to maintain the optimal capital structure with a view to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group can adjust the dividends paid to the shareholders or their contributions to the authorized capital by issuing new shares or by selling assets to reduce debts.

The Group monitors capital ratios, including the gearing ratio, calculated on the basis of figures of financial statements prepared under the RAR. The Group should ensure that its gearing ratio, being the total debt divided by the total equity, does not exceed 0.50. At 30 June 2011 the Company's gearing ratio calculated under RAR was less than 0.07 with the total equity reported under RAR was RR 818,316 million (at 31 December 2010: 0.07 with the total equity reported under RAR was RR 794,448 million).

Note 32. Segment information

Under IFRS 8 operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker (further "the CODM") in deciding how to allocate resources and in assessing performance. The Board of Directors of the Company has been determined as the CODM.

The Group has a single primary activity i.e. the provision of electricity transmission services within the Russian Federation which is represented as Transmission Segment comprising JSC FGC UES, its' maintenance (service) subsidiaries, Index Energetiki, JSC "The Kuban Trunk Grids" and JSC "The Tomsk Trunk Grids".

FGC UES itself maintains the high voltage electricity transmission network.

Maintenance (service) subsidiaries – JSC "The principle electricity transmission service company of UNEN" and JSC "Specialized electricity transmission service company of UNEN" – are engaged in maintenance services (repair and restoration) for the Unified National Electric Network.

Assets and liabilities of Index Energetiki acquired as the result of RAO UES liquidation are held only for the purpose of implementation of FGC UES investment program through sale in the appropriate market situation. As this division of financial assets and liabilities between FGC UES and Index Energetiki is only of a legal nature and the management of the Group analyses information on financial assets of these two entities simultaneously, the operations and balances relating to Index Energetiki are included within the Transmission Segment.

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 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	
	The six months ended 30 June 2011	**The six months ended 30 June 2010**
Revenue from external customers	70,289	55,968
Intercompany revenue	171	97
Total revenue	70,460	56,065
Depreciation and amortization *	19,410	16,118
Interest income	2,103	2,998
Interest expenses	35	531
Current profit tax	6,461	4,801
Profit for the period	15,081	12,950
Capital expenditure	71,594	42,008
	At 30 June 2011	**At 31 December 2010**
Total reportable segment assets	975,751	925,118
Total reportable segment liabilities	157,907	161,535

* Depreciation charge under RAR is based on useful lives determined by statutory regulations.

Note 32. Segment information (continued)

	The six months ended 30 June 2011	The six months ended 30 June 2010
Total revenues from segment (RAR)	**70,460**	**56,065**
Reclassification between revenue and other income	(169)	(416)
Adjustment of revenue incorrectly recognised under RAR	-	(953)
Other adjustments	-	7
Non-segmental revenue	1,097	1,959
Elimination of intercompany revenue	(171)	(97)
Total revenue (IFRS)	**71,217**	**56,565**

	The six months ended 30 June 2011	The six months ended 30 June 2010
Profit for the period (RAR)	**15,081**	**12,950**
Adjustment of bad debts provision under IFRS	(121)	5,208
Depreciation adjustment	3,460	1,572
Impairment of property, plant and equipment not recognized under RAR	(48)	(1,030)
Accrual of unused vacation provision recognised under IFRS	(616)	(289)
Reversal of movements of RAR impairment provision on promissory notes, eliminated on consolidation	9,488	(4,894)
Accrual of expenses concerning accounting period	(1,526)	(266)
Adjustment of revenue incorrectly recognised under RAR	-	(953)
Impairment of advances for construction in progress	39	(142)
Loss on re-measurement of assets held for sale	(4,718)	-
Adjustment of gain on sale of investments	28,927	-
Pension liabilities adjustment	(350)	(325)
Discounting of promissory notes	(193)	(754)
Capitalized interest	-	445
Unrealised profit adjustment	(487)	(318)
Share of result of associates	(2)	525
Deferred tax adjustments	(4,175)	1,350
Other adjustments	409	70
Non-segmental other operating loss	(1,240)	(513)
Profit for the period (IFRS)	**43,928**	**12,636**

Note 32. Segment information (continued)

	30 June 2011	31 December 2010
Total reportable segment assets (RAR)	**975,751**	**925,118**
Adjustment of property, plant and equipment to IFRS cost	340,854	336,944
Reversal of RAR revaluation of property, plant and equipment	(144,780)	(114,216)
Adjustment of VAT recoverable according to IFRS	(9,735)	(8,592)
Write-off of construction in progress	(471)	(423)
Reversal of RAR impairment of investments in subsidiaries	5,580	5,580
Reversal of RAR impairment of investments in associates	-	41,680
Adjustment of investments in associates under equity method of accounting	(148)	(40,699)
Impairment of associates	-	(3,240)
Reversal of impairment of promissory notes and other short-term investments under RAR	13,655	4,167
Deferred tax adjustment	(4,643)	(4,975)
Treasury shares adjustment according to accounting policy	(5,038)	(5,038)
Discounting of promissory notes	(3,479)	(3,103)
Write-off and impairment of accounts receivable	7,810	7,892
Write-off of intangible assets	(1,741)	(1,604)
Interest capitalized	490	1,045
Re-measurement of assets held for sale	-	(6,896)
Adjustment on available-for-sale investments	(32,836)	351
Recognition of assets under finance lease	869	-
Netting of advances and payables to construction companies	(2,969)	-
Other adjustments	757	305
Non-segmental assets	17,048	15,729
Unrealised profit adjustment	(1,279)	(1,201)
Elimination of investments in subsidiaries	(23,462)	(23,462)
Elimination of intercompany balances	(54,842)	(53,714)
Total assets (IFRS)	**1,077,391**	**1,071,648**

	30 June 2011	31 December 2010
Total reportable segment liabilities (RAR)	**157,907**	**161,535**
Pension adjustment	4,559	4,318
Adjustment of VAT recoverable according to IFRS	(9,735)	(8,592)
Expenses accrual	2,130	1,019
Other adjustments	671	(42)
Non-segmental liabilities	18,764	15,685
Netting of advances and payables to construction companies	(2,969)	-
Finance lease liabilities	882	-
Deferred tax adjustments	71,279	77,335
Elimination of intercompany balances	(54,912)	(53,714)
Total liabilities (IFRS)	**188,576**	**197,544**

Note 32. Segment information (continued)

The main differences between financial information prepared in accordance with IFRS and the financial information reported to the chief operating decision-maker related to profit and losses, and assets and liabilities results from the differences in the accounting methods under IFRS and RAR. Financial information on segments reported to the CODM under RAR does not reflect the adjustments made in accordance with IFRS.

Non-segmental revenue, non-segmental other operating loss, non-segmental assets and non-segmental liabilities represent corresponding revenues, profit (loss), assets and liabilities of components (subsidiaries) that are not determined as segments by the CODM.

Information on revenues for separate services and products of the Group is presented in Note 24.The Group performs most of its activities in the Russian Federation and does not have any significant revenues from foreign customers or any non-current assets located in foreign countries.

The major customers of the Group are entities controlled by the Government of the Russian Federation. The amounts of revenues from such entities are disclosed in Note 5. The Group has no other major customers with turnover over 10 percent of the Group revenues.

Note 33. Events after the reporting period

Additional share issue. On 29 July 2011, the Board of Directors of FGC UES authorised an additional issue of 10,321,601,853 ordinary shares, with a nominal value of RR 0.5 per share, for a total amount of RR 5,161 million. All existing shareholders have a pre-emptive right to acquire the new shares in proportion to their existing holdings in the Company. The additional share issue was registered by the Federal Financial Markets Service of the Russian Federation on 8 September 2011. The placement of the share issue started on 27 September 2011. Cash proceeds received from the share issue will be used for financing of the investment program of the Company.

Bonds issue. In April 2011, the Board of Directors of the Company approved the offering document for the placement of corporate bonds on the Russian market. The Group plans to place bonds of Series 12, 13, 14, 15, 16, 17, 18, 19 and 20 with a total nominal value of RR 125,000 million.

In July 2011, the Group placed certified interest-bearing non-convertible bearer bonds, Series 13 with an interest rate fixed for all 20 coupons at 8.5 percent and a total nominal value of RR 10,000 million. Later in July 2011, the Group placed certified interest-bearing non-convertible bearer bonds, Series 19 with an interest rate fixed for the first 14 coupons at 7.95 percent and a total nominal value of RR 20,000 million. The coupon interest is payable every 6 months during the terms of the bonds.

Bonds redemption. In October 2011, the Company redeemed interest-bearing non-convertible bonds, Series 04 (Note 19) with total nominal value of RR 6,000 million.