

OJSC MOESK
Consolidated Interim Condensed Financial
Information for the six months ended
30 June 2012 (unaudited)

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Independent Auditors' Report on review of Consolidated Interim Condensed Financial Information

To the management of OJSC MOESK

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of OJSC MOESK (the "Company") and its subsidiaries (the "Group") as at 30 June 2012, and the related consolidated condensed statements of comprehensive income, changes in equity and cash flows for the six - month period then ended, and notes to the interim financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2012 and for the six- month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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14 September 2012

OJSC MOESK
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2012

	Note	30 June 2012 '000 RUB (unaudited)	31 December 2011 '000 RUB
ASSETS			
Non-current assets			
Property, plant and equipment	9	210 681 180	205 734 239
Intangible assets		451 127	472 638
Long-term investments		591 039	560 737
Other non-current assets		14 607 284	14 008 820
Total non-current assets		226 330 630	220 776 434
Current assets			
Inventories		2 860 111	2 100 004
Income tax receivable		2 309 758	460 565
Trade and other receivables		19 009 008	22 101 928
Short-term investments		251 000	175 000
Cash and cash equivalents		1 883 936	3 944 875
Total current assets		26 313 813	28 782 372
Total assets		252 644 443	249 558 806

OJSC MOESK
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2012

		30 June 2012	31 December 2011
	Note	'000 RUB	'000 RUB
		(unaudited)	
EQUITY AND LIABILITIES			
Equity	10		
Share capital		24 353 546	24 353 546
Additional paid in capital		18 580 888	18 580 888
Retained earnings		87 168 549	79 494 344
Total equity attributable to the shareholders of OJSC MOESK		130 102 983	122 428 778
Non-controlling interest		195 056	484 455
Total equity		130 298 039	122 913 233
Non-current liabilities			
Loans and borrowings	12	40 294 355	39 966 562
Employee benefits		1 318 701	1 356 652
Deferred tax liabilities		10 654 622	7 782 408
Trade and other payables		30 459 231	22 470 975
Total non-current liabilities		82 726 909	71 576 597
Current liabilities			
Loans and borrowings	12	3 689 130	6 509 086
Income tax payable		2 442	-
Other taxes payable		614 635	113 090
Trade and other payables		33 795 538	47 458 435
Provisions		1 517 750	988 365
Total current liabilities		39 619 495	55 068 976
Total equity and liabilities		252 644 443	249 558 806

The consolidated interim condensed financial information was approved on 14 September 2012:

Deputy Director General
on Economics and Finance

A. V. Inozemtsev

Head of Department
on Economics and Finance

V.V. Bragova

OJSC MOESK
Consolidated Interim Condensed Statement of Comprehensive Income
for the six months ended 30 June 2012

		6 months ended 30 June 2012 (unaudited) '000 RUB	6 months ended 30 June 2011 (unaudited) '000 RUB
Revenue	7	57 134 235	62 317 097
Operating expenses	8	(45 858 689)	(49 697 451)
Other operating income		588 757	562 426
Results from operating activities		11 864 303	13 182 072
Finance income		1 016 603	50 711
Finance costs		(1 503 279)	(872 340)
Profit before income tax		11 377 627	12 360 443
Income tax expense		(2 724 144)	(2 975 498)
Profit for the period		8 653 483	9 384 945
Total comprehensive income for the period		8 653 483	9 384 945
Total comprehensive income attributable to:			
Shareholders of OJSC MOESK		8 700 654	9 377 372
Non-controlling interest		(47 171)	7 573
Basic and diluted earnings per ordinary share (in Russian Roubles)		0.1786	0.1925

'000 RUB

	Attributable to shareholders of the Group			Non-controlling interest	Total equity	
	Share capital	Additional paid in capital	Retained earnings			Total
Balance at 1 January 2012	24 353 546	18 580 888	79 494 344	122 428 778	484 455	122 913 233
Total comprehensive income for the period (unaudited)	-	-	8 700 654	8 700 654	(47 171)	8 653 483
Dividends to shareholders (unaudited)	-	-	(1 217 677)	(1 217 677)	-	(1 217 677)
Acquisition of non-controlling interests	-	-	191 228	191 228	(242 228)	(51 000)
Balance at 30 June 2012	24 353 546	18 580 888	87 168 549	130 102 983	195 056	130 298 039
Balance at 1 January 2011	24 353 546	18 580 888	62 746 579	105 681 013	389 661	106 070 674
Total comprehensive income for the period (unaudited)	-	-	9 377 372	9 377 372	7 573	9 384 945
Dividends to shareholders (unaudited)	-	-	(1 200 000)	(1 200 000)	-	(1 200 000)
Balance at 30 June 2011	24 353 546	18 580 888	70 923 951	113 858 385	397 234	114 255 619

OJSC MOESK
Consolidated Interim Condensed Statement of Cash Flows
for the six months ended 30 June 2012

	6 months ended 30 June 2012 (unaudited) '000 RUB	6 months ended 30 June 2011 (unaudited) '000 RUB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	11 377 627	12 360 443
<i>Adjustments for:</i>		
Depreciation and amortization	9 814 191	8 013 812
Loss/(gain) on disposal of property, plant and equipment	54 414	(5 394)
Provisions	529 385	270 501
Finance income	(1 016 603)	(50 711)
Finance costs	1 503 279	872 340
Allowance for impairment of accounts receivable	153 460	109 512
Gain on disposal of inventory	(52 506)	(27 466)
Other non-cash items	(14 808)	(38 194)
Operating profit before changes in working capital	22 348 439	21 504 843
Change in inventories	(708 939)	(442 746)
Change in trade and other receivables, non-current advances given for connection services	2 135 499	(1 751 271)
Change in retirement benefit obligations and related assets	(14 166)	30 914
Change in trade and other payables	(3 518 304)	(3 850 858)
Change in taxes payable, other than income tax	501 544	717 387
Cash flows from operations before income taxes	20 744 073	16 208 269
Income taxes paid	(1 698 681)	(2 307 630)
Net cash from operating activities	19 045 392	13 900 639
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	2 421	1 780
Acquisition of property, plant and equipment	(17 234 726)	(10 284 966)
Interest received	144 646	14 758
Acquisition of intangible assets	(21 760)	(68 120)
Purchase of investments	(251 000)	-
Proceeds from disposal of Investments	175 000	1 187
Net cash used in investing activities	(17 185 419)	(10 335 361)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	6 942 833	19 850 778
Repayment of borrowings	(6 836 043)	(21 419 668)
Payment of finance lease liabilities	(1 484 893)	(2 304 609)
Interest paid	(2 491 809)	(1 285 740)
Acquisition of non-controlling interests	(51 000)	-
Net cash used in financing activities	(3 920 912)	(5 159 239)
Net decrease in cash and cash equivalents	(2 060 939)	(1 593 961)
Cash and cash equivalents at beginning of period	3 944 875	2 931 237
Effect of exchange rate fluctuations on cash and cash equivalents	-	(35)
Cash and cash equivalents at end of period	1 883 936	1 337 241

1 Background

(a) Organisation and operations

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

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

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

As at 30 June 2012 the Russian Government owned 55.95% of the voting ordinary shares and 7.01% of the preference shares of OJSC MRSK Holding, which in turn owned 50.9% of OJSC MOESK.

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

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

(b) Russian business environment

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

2 Basis of preparation

(a) Statement of compliance

This consolidated interim condensed financial information has been prepared in accordance with International Financial Reporting Standard (“IFRS”) IAS 34 *Interim Financial Reporting*. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of judgements, estimates and assumptions

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

The judgements, estimates and assumptions applied by the Group in this consolidated interim condensed financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in this consolidated interim condensed financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

4 Determination of fair values

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

5 Financial risk management

During the period the Company had exposure to the same risks as those which existed as at, and during, the year ended 31 December 2011.

6 Operating segments

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

Management has determined the following as reportable segments:

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

Other activities mainly represent rental income, installation services, repair and technical maintenance of electrical equipment, which have been included in the “other”. None of these items meets any of the quantitative thresholds for determining reportable segments in the six months ended 30 June 2012 or the six months ended 30 June 2011.

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

'000 RUB	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	48 679 716	6 329 396	936 622	55 945 734
Moscow	23 872 230	4 333 227	850 251	29 055 708
Moscow Region	24 807 486	1 996 169	86 371	26 890 026
Inter-segment revenue	-	-	830 818	830 818
Moscow	-	-	786 347	786 347
Moscow Region	-	-	44 471	44 471
Reportable segment profit/(loss) before income tax				
Moscow	7 550 870	4 579 664	78 501	12 209 035
Moscow Region	5 070 146	3 048 442	104 747	8 223 335
Moscow Region	2 480 724	1 531 222	(26 246)	3 985 700

OJSC MOESK
Notes to the Consolidated Interim Condensed Financial Information
for the six months ended 30 June 2012
(unaudited)

Comparative segment revenue and profit/(loss) before income tax for the six months ended 30 June 2011 are as follows (unaudited):

'000 RUB	Electricity transmission	Connection services	Other	Total
Revenues				
External revenues	54 732 741	6 600 885	648 937	61 982 563
Moscow	29 950 908	4 279 358	618 853	34 849 119
Moscow Region	24 781 833	2 321 527	30 084	27 133 444
Inter-segment revenue	-	-	417 426	417 426
Moscow	-	-	326 400	326 400
Moscow Region	-	-	91 026	91 026
Reportable segment profit/(loss) before income tax				
Moscow	7 116 486	4 852 345	73 799	12 042 630
Moscow Region	6 585 267	2 870 112	84 520	9 539 899
Moscow Region	531 219	1 982 233	(10 721)	2 502 731

Segment assets are presented in the table below:

'000 RUB	<u>Electricity transmission</u>	<u>Connection services</u>	<u>Other</u>	<u>Unallocated</u>	<u>Total</u>
30 June 2012 (unaudited)					
Total assets	223 933 386	38 947 998	4 023 317	15 490 530	282 395 231
Moscow	151 789 153	28 501 239	3 454 809	-	183 745 201
Moscow Region	72 144 233	10 446 759	568 508	-	83 159 500
Unallocated	-	-	-	15 490 530	15 490 530
31 December 2011					
Total assets	220 616 761	37 245 921	3 647 206	16 870 696	278 380 584
Moscow	150 235 049	26 340 455	3 080 947	-	179 656 451
Moscow Region	70 381 712	10 905 466	566 259	-	81 853 437
Unallocated	-	-	-	16 870 696	16 870 696

Segment liabilities are presented in the table below:

'000 RUB	<u>Electricity transmission</u>	<u>Connection services</u>	<u>Other</u>	<u>Unallocated</u>	<u>Total</u>
30 June 2012 (unaudited)					
Total liabilities	48 289 576	53 938 902	2 316 241	7 015 473	111 560 192
Moscow	46 588 382	34 204 100	2 105 980	-	82 898 462
Moscow Region	1 701 194	19 734 802	210 261	-	21 646 257
Unallocated	-	-	-	7 015 473	7 015 473
31 December 2011					
Total liabilities	52 180 495	55 627 690	1 971 206	8 631 132	118 410 523
Moscow	49 193 725	35 852 162	1 822 477	-	86 868 364
Moscow Region	2 986 770	19 775 528	148 729	-	22 911 027
Unallocated	-	-	-	8 631 132	8 631 132

Reconciliation of reportable segment profit:

'000 RUB	6 months ended 30 June 2012 (unaudited)	6 months ended 30 June 2011 (unaudited)
Reportable segment profit	12 130 534	11 968 831
Other profit or loss	78 501	73 799
Unallocated	(1 377 298)	(1 886 641)
Total profit before income tax per Russian Accounting Standards	10 831 737	10 155 989
Adjustments for property, plant and equipment	(267 874)	798 696
Borrowing costs capitalized	811 554	1 053 593
Gain on disposal of property, plant and equipment	(121 636)	(11 594)
Reversal accrued on connection services	247 401	106 046
(Allowance)/reversal for impairment of accounts receivable	(84 811)	36 617
Other items	(38 744)	221 096
Consolidated profit before income tax per IFRS	11 377 627	12 360 443

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

7 Revenue

During the six months ended 30 June 2012 revenue amounted to RUB 57 134 235 thousand (six months ended 30 June 2011: RUB 62 317 097 thousand) and included revenue from electricity transmission services in the amount of RUB 48 679 716 thousand (six months ended 30 June 2011: RUB 54 732 742 thousand) and revenue from technological connection services in the amount of RUB 7 513 802 thousand (six months ended 30 June 2011: RUB 6 925 231 thousand).

8 Operating expenses

During the six months ended 30 June 2012 operating expenses amounted to RUB 45 858 689 thousand (six months ended 30 June 2011: RUB 49 697 451 thousand) and included expenses relating to electricity transmission in the amount of RUB 21 665 800 thousand (six months ended 30 June 2011: RUB 26 925 605 thousand), employee benefits in the amount of RUB 7 296 082 thousand (six months ended 30 June 2011: RUB 7 599 493 thousand) and depreciation and amortisation expense in the amount of RUB 9 814 191 thousand (six months ended 30 June 2011: RUB 8 013 812 thousand).

9 Property, plant and equipment

'000 RUB	Land and buildings	Transmission networks	Transformers and transformer substations	Other	Construction in progress	Total
Balance at 1 January 2011	22 560 102	96 593 433	34 884 503	38 161 219	42 565 958	234 765 215
Additions (unaudited)	76 634	142 035	90 819	396 081	7 798 614	8 504 183
Transfer (unaudited)	244 912	2 570 345	49 395	2 759 858	(5 624 510)	-
Disposals	(3 690)	(36 045)	(11 159)	(3 513)	(6 113)	(60 520)
Balance at 30 June 2011 (unaudited)	22 877 958	99 269 768	35 013 558	41 313 645	44 733 949	243 208 878
Depreciation						
Balance at 1 January 2011	(3 670 672)	(19 362 862)	(7 443 901)	(13 535 340)	(526 801)	(44 539 576)
Depreciation charge (unaudited)	(457 160)	(2 877 835)	(845 995)	(3 802 844)	-	(7 983 834)
Disposals (unaudited)	819	11 733	4 472	2 413	-	19 437
Balance at 30 June 2011 (unaudited)	(4 127 013)	(22 228 964)	(8 285 424)	(17 335 771)	(526 801)	(52 503 973)
Net book value						
At 1 January 2011	18 889 430	77 230 571	27 440 602	24 625 879	42 039 157	190 225 639
At 30 June 2011 (unaudited)	18 750 945	77 040 804	26 728 134	23 977 874	44 207 148	190 704 905

'000 RUB	Land and buildings	Transmission networks	Transformers and transformer substations	Other	Construction in progress	Total
Balance at 1 January 2012	25 604 988	109 527 632	41 630 144	47 330 906	42 594 231	266 687 901
Additions (unaudited)	2 226 148	-	3 880	92 172	12 526 331	14 848 531
Transfer (unaudited)	77 133	3 300 193	1 458 785	680 778	(5 516 889)	-
Disposals (unaudited)	-	(176 930)	(34 403)	(37 834)	(22 473)	(271 640)
Balance at 30 June 2012 (unaudited)	27 908 269	112 650 895	43 058 406	48 066 022	49 581 200	281 264 792
Depreciation						
Balance at 1 January 2012	(4 593 874)	(25 219 168)	(9 602 489)	(21 011 940)	(526 191)	(60 953 662)
Depreciation charge (unaudited)	(607 691)	(3 200 711)	(1 544 651)	(4 396 307)	-	(9 749 360)
Disposals (unaudited)	-	63 774	27 714	27 917	5	119 410
Balance at 30 June 2012 (unaudited)	(5 201 565)	(28 356 105)	(11 119 426)	(25 380 330)	(526 186)	(70 583 612)
Net book value						
At 1 January 2012	21 011 114	84 308 464	32 027 655	26 318 966	42 068 040	205 734 239
At 30 June 2012 (unaudited)	22 706 704	84 294 790	31 938 980	22 685 692	49 055 014	210 681 180

10 Equity

(a) Share capital

<i>Share capital</i>	Ordinary shares	Ordinary shares
	30 June 2012	31 December 2011
Issued shares, fully paid	48 707 091 574	48 707 091 574
Par value (in RUB)	RUB 0.50	RUB 0.50

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

(b) Treasury shares

As at 30 June 2012 and 31 December 2011 the Group did not hold any of its own shares.

(c) Dividends

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

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

(d) Acquisition of non-controlling interests

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

The following table summarises the effect of changes in the Company's ownership interest in OJSC Energocentr.

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

11 Earnings per share

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

	<u>30 June 2012</u>	<u>30 June 2011</u>
Number of outstanding shares	48 707 091 574	48 707 091 574
Profit for the year attributable to the shareholders of OJSC "MOESK" ('000 RUB)	8 700 654	9 377 372
Earnings per share (RUB)	<u>0.1786</u>	<u>0.1925</u>

12 Loans and borrowings

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

	<u>30 June 2012</u>	<u>31 December 2011</u>
	<u>'000 RUB</u>	<u>'000 RUB</u>
Non-current		
Unsecured bank facility	40 004 535	39 040 137
Finance lease liability	289 820	926 425
Total non-current	<u>40 294 355</u>	<u>39 966 562</u>
Current		
Promissory notes	623 572	1 254 172
Current portion of finance lease liability	1 489 718	1 994 389
Current portion of bond issues	1 556 076	3 235 489
Current portion of unsecured bank facility	19 764	25 036
Total current	<u>3 689 130</u>	<u>6 509 086</u>

The Group raised the following bank loans during the six months ended 30 June 2012:

<u>Amount</u>	<u>Interest rate</u>	<u>Maturity</u>
2 121 836*	10.5%	29.09.2015
3 000 000*	8.62%	21.06.2014

The Group repaid the following significant bank facilities during the six months ended 30 June 2012:

	<u>Amount</u>
Loans*	6 000 000

*- Loans from state-controlled banks.

OJSC Energocentr

By July 2010 OJSC Energocentr failed to pay the fifth, sixth and part of the fourth semi-annual coupons on its bonds in the amount of RUB 757 317 thousand and failed to repurchase bonds in the amount of RUB 2 478 172 thousand, due to liquidity problems.

On 8 February 2012, the Arbitration court of the Moscow region passed a ruling on the approval of the agreement, concluded between OJSC Energocentr and the representative of the creditors. On 18 April 2012, the ruling was cancelled by the Federal Arbitration court of the Moscow region.

On 30 July 2012, the Arbitration court of the Moscow region iteratively passed a ruling on the approval of the agreement, concluded between OJSC Energocentr and the representative of the creditors. According to the agreement, OJSC Energocentr undertakes to repay debts in accordance with the approved schedule of repayment of the debt. According to the court decision, the bankruptcy proceedings of OJSC Energocentr were terminated.

13 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2011.

14 Capital commitments

Future capital expenditures for which contracts have been signed as at 30 June 2012 amount to RUB 32 694 013 thousand (31 December 2011: RUB 31 716 988 thousand). During the six-month period the Group has not entered into new finance lease agreements for the items of property, plant and equipment. As at 30 June 2012 the capital commitments for current finance lease agreements for the items of property, plant and equipment amount to RUB 1 247 494 thousand (31 December 2011: RUB 2 735 795 thousand).

15 Contingencies

(a) Insurance

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

(b) Litigation

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

(c) Taxation contingencies

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

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

16 Related party transactions

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

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

(a) Control relationships

As at 30 June 2012 the Parent of the Group was OJSC MRSK Holding, a state controlled entity.

The party with ultimate control over the Group is the Russian Federation, which held the majority of the voting rights of OJSC MRSK Holding.

(b) Transactions with management and close family members

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

(i) Management remuneration

Total remuneration in the form of salary and bonuses to the key management and the members of the Board of Directors during the six months ended 30 June 2012 was RUB 263 232 thousand (six months ended 30 June 2011: RUB 100 844 thousand).

(c) Transactions with state-controlled entities

In the course of its operating activities the Group is also engaged in significant transactions with state-controlled entities. Revenues and purchases from state-controlled entities are measured at

regulated tariffs where applicable, in other cases revenues and purchases are measured at normal market prices.

Revenues from state-controlled entities for the six months ended 30 June 2012 constitute 81% (six months ended 30 June 2011: 82%) of total Group revenues, including 95% (six months ended 30 June 2011: 93%) of electricity transmission revenues.

Electricity transmission costs for state-controlled entities for the six months ended 30 June 2012 constitute 72% (the six months ended 30 June 2011: 70%) of total transmission costs.

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

(d) Pricing policies

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

17 Events subsequent to the reporting date

On 11 July 2012 an agreement has been signed between OJSC MRSK Holding and JSC “Federal Grid Company of Unified Energy System»” (JSC “FRG UES”) by which the power of the sole executive body of OJSC MRSK Holding has been transferred to JSC “FRG UES”.