

JSC “IDGC of Centre”

**Interim Condensed Consolidated
Financial Statements
for the six months ended 30 June 2014
(unaudited)**

Contents

Interim Condensed Consolidated Statement of Profit or loss and Other Comprehensive Income (unaudited)	3
Interim Condensed Consolidated Statement of Financial Position (unaudited)	4
Interim Condensed Consolidated Statement of Changes in Equity (unaudited)	5
Interim Condensed Consolidated Statement of Cash Flows (unaudited)	6
Notes to the Interim Condensed Consolidated Financial Statements (unaudited)	7

JSC "IDGC of Centre"

Interim Condensed Consolidated Statement of Profit or loss and Other Comprehensive Income for the six months ended 30 June 2014 (unaudited)

Thousands of Russian Roubles, unless otherwise stated

	Note	Six month ended 30 June 2014	Six month ended 30 June 2013 Restated
Revenue	6	47,690,826	41,898,316
Operating expenses	7	(43,177,180)	(40,237,634)
Other income		323,385	393,717
Results from operating activities		4,837,031	2,054,399
Finance income	8	52,982	56,750
Finance costs	8	(1,381,337)	(1,179,534)
Net finance costs		(1,328,355)	(1,122,784)
Profit before income tax		3,508,676	931,615
Income tax expense		(909,502)	(310,512)
Profit for the period		2,599,174	621,103
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		31,463	(22,870)
Income tax on other comprehensive income		(6,293)	4,575
<i>Total items that are or may be reclassified to profit or loss</i>		25,170	(18,295)
Remeasurements of the net defined benefit liability		148,920	87,202
Income tax on other comprehensive income		(11,742)	(3,056)
<i>Total items that will never be reclassified to profit or loss</i>		137,178	84,146
Other comprehensive income for the period, net of income tax		162,348	65,851
Total comprehensive income for the period		2,761,522	686,954
Profit for the period attributable to:			
Owners of the Company		2,579,790	611,169
Non-controlling interests		19,384	9,934
		2,599,174	621,103
Total comprehensive income attributable to:			
Owners of the Company		2,742,138	677,020
Non-controlling interests		19,384	9,934
		2,761,522	686,954
Earnings per share – basic and diluted (in Russian Roubles)	11	0.061	0.014

These interim condensed consolidated financial statements were approved on 26 August 2014:

First Deputy Director General

A.E. Kuranov

Acting Chief Accountant

N.V. Kochetova



3

The interim condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out on pages 7 – 20.

JSC "IDGC of Centre"

Interim Condensed Consolidated Statement of Financial Position as at 30 June 2014 (unaudited)

Thousands of Russian Roubles, unless otherwise stated

	Note	30 June 2014	31 December 2013	31 December 2012 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	9	77,498,719	78,073,742	71,465,522
Intangible assets		612,243	615,921	696,842
Investments and financial assets		584,165	530,888	543,015
Other non-current assets		102,748	118,023	161,954
Total non-current assets		78,797,875	79,338,574	72,867,333
Current assets				
Cash and cash equivalents		366,722	1,114,942	971,592
Trade and other receivables		16,161,865	12,630,352	13,472,357
Income tax receivable		1,292,560	908,125	841,517
Inventories		2,413,068	2,050,637	1,415,449
Other current assets		6,037	3,994	2,810
Total current assets		20,240,252	16,708,050	16,703,725
Total assets		99,038,127	96,046,624	89,571,058
EQUITY AND LIABILITIES				
Equity				
	10			
Share capital		4,221,794	4,221,794	4,221,794
Reserves		(407,560)	(569,908)	(279,037)
Retained earnings		40,539,299	38,035,501	38,664,756
Total equity attributable to equity holders of the Company		44,353,533	41,687,387	42,607,513
Non-controlling interests		85,976	66,592	34,025
Total equity		44,439,509	41,753,979	42,641,538
Non-current liabilities				
Loans and borrowings	12	29,707,688	31,207,688	26,295,744
Finance lease liability		17,307	83,989	141,392
Employee benefits		2,459,846	2,527,351	2,148,822
Deferred tax liabilities		4,624,662	5,032,746	4,342,821
Other non-current liabilities		464,809	577,730	441,277
Total non-current liabilities		37,274,312	39,429,504	33,370,056
Current liabilities				
Loans and borrowings	12	3,863,837	1,911,919	207,002
Finance lease liability		191,791	493,368	400,243
Trade and other payables		10,274,436	10,538,522	11,144,889
Employee payables		1,469,917	779,118	1,054,997
Income tax payable		10,216	9,193	-
Other taxes and contributions payable		1,514,109	1,131,021	752,333
Total current liabilities		17,324,306	14,863,141	13,559,464
Total liabilities		54,598,618	54,292,645	46,929,520
Total equity and liabilities		99,038,127	96,046,624	89,571,058

JSC "IDGC of Centre"
Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2014 (unaudited)
Thousands of Russian Roubles, unless otherwise stated

	Attributable to shareholders of the Company						Total equity
	Share capital	Fair value reserve for available-for-sale financial assets	Reserve for remeasurements of defined benefit plans	Retained earnings	Total	Non-controlling interests	
Balance at 1 January 2013, as previously reported	4,221,794	-	(356,374)	38,742,093	42,607,513	34,025	42,641,538
Impact of change in accounting policy	-	77,337	-	(77,337)	-	-	-
Balance at 1 January 2013 (restated)	4,221,794	77,337	(356,374)	38,664,756	42,607,513	34,025	42,641,538
Profit for the period	-	-	-	611,169	611,169	9,934	621,103
Net change in fair value of available-for-sale financial assets	-	(22,870)	-	-	(22,870)	-	(22,870)
Remeasurements of the net defined benefit liability	-	-	87,202	-	87,202	-	87,202
Income tax on other comprehensive income	-	4,575	(3,056)	-	1,519	-	1,519
Total comprehensive income for the period	-	(18,295)	84,146	611,169	677,020	9,934	686,954
Transactions with owners, recorded directly in equity	-	-	-	-	(862,935)	-	(862,935)
Dividends	-	-	-	-	-	-	-
Total transactions with owners, recorded directly in equity	-	-	-	(862,935)	(862,935)	-	(862,935)
At 30 June 2013 (restated)	4,221,794	59,042	(272,228)	38,412,990	42,421,598	43,959	42,465,557
Balance at 1 January 2014	4,221,794	59,211	(629,119)	38,035,501	41,687,387	66,592	41,753,979
Profit for the period	-	-	-	2,579,790	2,579,790	19,384	2,599,174
Net change in fair value of available-for-sale financial assets	-	31,463	-	-	31,463	-	31,463
Remeasurements of the net defined benefit liability	-	-	148,920	-	148,920	-	148,920
Income tax on other comprehensive income	-	(6,293)	(11,742)	-	(18,035)	-	(18,035)
Total comprehensive income for the period	-	25,170	137,178	2,579,790	2,742,138	19,384	2,761,522
Transactions with owners, recorded directly in equity	-	-	-	-	(75,992)	-	(75,992)
Dividends	-	-	-	-	-	-	-
Total transactions with owners, recorded directly in equity	-	-	-	(75,992)	(75,992)	-	(75,992)
Balance at 30 June 2014	4,221,794	84,381	(491,941)	40,539,299	44,353,533	85,976	44,439,509

JSC "IDGC of Centre"

Interim Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2014 (unaudited)

Thousands of Russian Roubles, unless otherwise stated

		Six month ended 30 June 2014	Six month ended 30 June 2013 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		2,599,174	621,103
<i>Adjustments for:</i>			
Depreciation and amortisation	7	4,275,203	3,899,616
Allowance for impairment of accounts receivable	7	577,931	4,007,309
Net finance costs	8	1,328,355	1,122,784
Provision for inventory obsolescence		7,001	(36,536)
Loss on disposal of property, plant and equipment and intangible assets		9,445	3,305
Bad debts written-off	7	5,565	2,028
Income tax expense		909,502	310,512
Adjustment for other non-cash transactions		(83,291)	33,064
Cash flows from operating activities before changes in working capital		9,628,885	9,963,185
Change in trade and other receivables		(4,114,972)	(3,924,849)
Change in inventories		(358,775)	(167,677)
Change in other assets		(8,660)	4,626
Change in trade and other payables		(50,080)	63,091
Change in employee payables		690,799	174,205
Change in employee benefits		(18,927)	(51,546)
Change in other liabilities		(111,791)	202,903
Change in other taxes payable		383,088	614,850
Cash flows from operations before income taxes and interest paid		6,039,567	6,878,788
Interest paid		(1,385,559)	(1,225,965)
Income tax paid		(1,719,033)	(88,957)
Cash flows from operating activities		2,934,975	5,563,866
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(3,955,838)	(5,804,922)
Proceeds from disposal of property, plant and equipment and intangible assets		2,328	9,046
Interest received	8	52,982	56,750
Cash flows used in investing activities		(3,900,528)	(5,739,126)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		1,935,844	838,843
Repayment of loans and borrowings		(1,486,126)	(23,625)
Dividends paid		(493)	(442)
Repayment of finance lease liabilities		(231,892)	(178,154)
Cash flows from financing activities		217,333	636,622
Net/increase (decrease) in cash and cash equivalents		(748,220)	461,362
Cash and cash equivalents at beginning of the period		1,114,942	971,592
Cash and cash equivalents at end of the period		366,722	1,432,954

1 BACKGROUND

(a) The Group and its operations

Joint-Stock Company "IDGC of Centre" (hereafter, the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian joint stock companies as defined in the Civil Code of the Russian Federation. The Company was set up on 17 December 2004 based on Resolution no. 154p of 9 December 2004 and pursuant to the Board of Directors' decision (board of directors' meeting minutes no. 178 of 1 October 2004) and Management Board decision (Management Board minute no. 1102 of 15 November 2004) of the Russian Open Joint-Stock Company RAO "United Energy Systems of Russia" (hereafter, "RAO UES").

The Company's registered office is 2nd, Yamskaya, 4, Moscow, 127018, Russia.

The Company's de facto address is 2nd, Yamskaya, 4, Moscow, 127018, Russia.

The Group's principal activity is the transmission of electricity and the connection of customers to the electricity grid. In 2013 the Group started to purchase and sell electricity in several regions it operates (Note 6).

The Group consists of JSC "IDGC of Centre" and its subsidiaries, presented in Note 4.

As at 30 June 2014 and 31 December 2013, the Government of the Russian Federation owned 85.31% shares of JSC Russian Grids (formerly JSC "IDGC Holding"), which in turn owned 50.23% of the Company. JSC "IDGC Holding" was renamed JSC "Russian Grids" following the decision made on 23 March 2013 at an Extraordinary General Meeting of Shareholders of JSC IDGC Holding.

The Government of the Russian Federation influences the Group's activities through setting transmission tariffs.

(b) Russian business environment

The Group's operations are 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 interim condensed 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

These interim condensed consolidated financial statements (hereinafter "Financial Statements") have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Financial Statements include selected notes, explaining significant events and transactions, necessary for understanding of changes in the Group's financial position and results of operations that occurred after the annual reporting period ended 31 December 2013. These interim condensed consolidated financial statements do not contain all the information required to be disclosed for annual financial statements prepared in accordance with IFRSs.

(b) Use of estimates and judgements

The preparation of interim condensed consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

In preparing these interim condensed consolidated financial statements, management has used professional judgment in the same areas of applying the accounting policies of the Group as for the preparation of the consolidated financial statements for 2013. Key sources of estimation uncertainty were also identical to those identified in the preparation of the consolidated financial statements for 2013.

JSC "IDGC of Centre"

Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014

(unaudited)

Thousands of Russian Roubles, unless otherwise stated

(c) Changes in accounting policies and data presentation

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements. When necessary, comparative information for prior periods has been restated to conform to the accounting policies. The quantitative impact of changes in accounting policies on comparative information specified in the financial statements for the six months ended 30 June 2013 is set out below.

Consolidated Statement of Financial Position:

<i>31 December 2012</i>	<i>As previously reported</i>	<i>Effect of change in accounting policies</i>	<i>As restated</i>
Property, plant and equipment	71,360,324	105,198	71,465,522
Inventories	1,520,647	(105,198)	1,415,449
Total assets:	89,571,058	-	89,571,058
Additional paid-in capital	88,660	(88,660)	-
Reserves	(356,374)	77,337	(279,037)
Retained earnings	38,653,433	11,323	38,664,756
Total equity:	42,641,538	-	42,641,538
<i>30 June 2013</i>	<i>As previously reported</i>	<i>Effect of change in accounting policies</i>	<i>As restated</i>
Property, plant and equipment	71,350,506	85,303	71,435,809
Inventories	2,269,960	(85,303)	2,184,657
Total assets:	90,104,870	-	90,104,870
Additional paid-in capital	88,660	(88,660)	-
Reserves	(272,228)	59,042	(213,186)
Retained earnings	38,383,372	29,618	38,412,990
Total equity:	42,465,557	-	42,465,557

Consolidated Statement of Profit or loss and Other Comprehensive Income:

<i>For the six months ended 30 June 2013</i>	<i>As previously reported</i>	<i>Effect of change in accounting policies</i>	<i>As restated</i>
Operating expenses	(40,237,188)	(446)	(40,237,634)
Finance costs	(1,202,850)	23,316	(1,179,534)
Income tax expense	(305,937)	(4,575)	(310,512)
Profit for the period	602,808	18,295	621,103
Net change in fair value of available-for-sale financial assets	-	(22,870)	(22,870)
Income tax on other comprehensive income	-	4,575	4,575
Other comprehensive income for the period, net of income tax	-	(18,295)	(18,295)
Total comprehensive income for the period	686,954	-	686,954

3 SIGNIFICANT ACCOUNTING POLICIES

In preparing these interim condensed consolidated financial statements the Group applied the same accounting policies as for the preparation of consolidated financial statements for the year ended 31 December 2013. According to the accounting policies, the Group presents interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* which provides a lower level of detail and scope of the disclosure as compared with the annual consolidated financial statements.

4 SUBSIDIARIES

(a) List of subsidiaries

	Country of incorporation	30 June 2014 Ownership/voting, %	31 December 2013 Ownership/voting, %
OJSC "Energetic"	Russian Federation	100	100
OJCS "Yaroslavskaya Setevaya Company"	Russian Federation	51	51
OJSC "Yargorelectroset"	Russian Federation	100	100
OJSC "Energy Service Company"	Russian Federation	100	100
CJSC "Innovation and energy efficiency center"	Russian Federation	51	51

5 OPERATING SEGMENTS

The Group has eleven reportable segments representing branches of the Company, as described below. These are the Group's strategic business units and are the Company's branches. The strategic business units offer similar services representing transmission of electric power and connection services and are managed separately. In addition, in the first half of 2013 and 2014 five divisions (Bryanskenergo, Kurskenergo, Oryolenergo, Tverenergo and Smolenskenergo) performed electricity supplier functions (see Note 6). For each of the strategic business units, the Management Board, the Group's operating decision making body, reviews internal management reports on at least a quarterly basis.

"Others" include operations of subsidiaries and the head office branch. None of them meets any of the quantitative thresholds for determining reportable segments in the six months ended 30 June 2014 or six months ended 30 June 2013.

Information regarding the results of each reportable segment is included below. Since 2013 performance is measured based on segment earnings before interest income/expense, income tax and depreciation and amortisation – EBITDA (previously – profit before income tax), as included in the internal management reports that are reviewed by the Management Board.

Segment reports are based on the information reported in statutory accounts, which differ significantly from the interim condensed consolidated financial statements prepared under IFRSs. The reconciliation of items measured as reported to the Management Board with similar items in these Financial Statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRSs.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

JSC "IDGC of Centre"
Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014 (unaudited)
Thousands of Russian Roubles, unless otherwise stated

(i) Information about reportable segments

For the six months ended 30 June 2014:

	Belgorod- energo	Bryansk- energo	Voronzh- energo	Kostroma- energo	Kurskenergo	Lipetsk- energo	Orelenergo	Smolensk- energo	Tambov- energo	Tverenergo	Yarenergo	Others	Total
Revenue from electricity transmission	6,050,850	2,942,550	5,122,765	1,973,910	3,243,528	4,287,171	1,766,005	2,781,412	2,222,467	4,260,160	3,604,676	-	38,255,494
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	1,742	492,559	494,301
Revenue from connection services	45,413	16,523	180,518	29,905	165,043	26,452	4,816	11,879	12,527	195,139	55,252	32,466	775,933
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	262	-	262
Revenue from the resale of electricity and capacity	-	2,403,161	-	-	1,085,336	-	200,262	2,443,669	-	2,045,660	-	-	8,178,088
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	97,118	16,949	41,879	16,254	11,510	13,391	24,008	153,367	10,426	17,548	17,534	56,252	476,236
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	394	13,666	14,060
Total revenues	6,193,381	5,379,183	5,345,162	2,020,069	4,505,417	4,327,014	1,995,091	5,390,327	2,245,420	6,518,507	3,679,860	594,943	48,194,374
Results from operating activities *	608,450	319,292	644,804	299,533	34,089	599,339	162,147	406,655	260,343	807,152	161,173	100,154	4,403,131
Finance income	10,975	7,724	9,545	3,165	1,733	5,524	2,045	4,228	3,389	5,164	8,430	1,815	63,737
Finance costs	(227,162)	(54,012)	(61,766)	(60,348)	(71,204)	(95,970)	(62,749)	(134,521)	(126,038)	(193,403)	(128,137)	(18,349)	(1,233,659)
Reportable segment profit/(loss) before income tax	392,263	273,004	592,583	242,350	(35,382)	508,893	101,443	276,362	137,694	618,913	41,466	83,620	3,233,209
Depreciation and amortisation	1,200,307	202,123	384,762	230,447	339,566	482,963	164,974	372,647	173,564	284,740	329,918	75,138	4,241,149
EBITDA	1,808,757	521,415	1,029,566	529,980	373,655	1,082,302	327,121	779,302	433,907	1,091,892	491,091	175,292	8,644,280
Capital expenditure	779,803	116,610	413,743	152,267	271,663	443,866	99,216	388,904	85,147	297,143	281,477	37,912	3,367,751
As at 30 June 2014													
Reportable segment assets	23,945,936	6,447,693	10,775,769	5,307,303	7,782,654	14,398,284	3,557,630	7,443,901	4,465,044	12,279,313	8,588,520	5,648,472	110,640,519
Property, plant and equipment	21,124,115	4,261,510	9,548,230	4,693,641	6,542,875	12,574,145	2,946,553	5,680,761	3,698,160	6,660,865	6,910,820	1,897,223	86,538,898
Reportable segment liabilities	3,041,345	885,925	1,565,217	802,326	1,044,376	1,266,313	631,818	1,356,243	645,739	3,385,452	1,217,205	38,517,525	54,359,484

* Results from operating activities include other income and expense of reportable segment

JSC "IDGC of Centre"
Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014 (unaudited)
Thousands of Russian Roubles, unless otherwise stated

For the six months ended 30 June 2013:

	Belgorod- energo	Bryansk- energo	Voronezh- energo	Kostroma- energo	Kurskenergo	Lipetskenergo	Orelenergo	Smolensk- energo	Tambov- energo	Tverenergo	Yarenergo	Others	Total
Revenue from electricity transmission	6,433,811	2,842,583	4,333,830	1,829,349	2,977,056	3,829,497	1,735,014	2,626,254	1,740,193	4,011,451	3,673,550	-	36,032,588
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	440,186	440,186
Revenue from connection services	27,159	26,257	25,561	16,661	33,308	20,301	3,754	40,132	10,641	32,741	34,968	37,496	308,979
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	312	-	312
Revenue from the resale of electricity and capacity	-	1,870,875	-	-	1,585,174	-	788,994	-	-	850,048	-	-	5,095,091
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	96,223	14,802	47,903	14,946	11,821	13,639	7,553	120,801	10,637	10,699	16,430	37,712	403,166
Inter-segment revenue	-	-	-	148	-	-	-	-	-	-	30	115,872	116,050
Total revenues	6,557,193	4,754,517	4,407,294	1,861,104	4,607,359	3,863,437	2,535,315	2,787,187	1,761,471	4,904,939	3,725,290	631,266	42,396,372
Results from operating activities	1,607,399	(491,720)	(476,354)	211,134	(65,482)	1,961,913	237,595	(160,369)	(121,362)	780,106	(419,980)	(46,423)	3,016,457
Finance income	3,842	-	4,291	6,085	5,411	4,221	31,106	4,137	3,355	557	3,881	710	67,596
Finance costs	(241,352)	(32,310)	(20,505)	(51,641)	(64,034)	(92,763)	(65,286)	(95,630)	(108,601)	(130,689)	(121,927)	(20,278)	(1,045,016)
Reportable segment profit/(loss) before income tax	1,369,889	(524,030)	(492,568)	165,578	(124,105)	1,873,371	203,415	(251,862)	(226,608)	649,974	(538,026)	(65,991)	2,039,037
Depreciation and amortisation	1,113,437	177,946	340,633	213,838	317,163	410,707	137,406	303,410	154,737	241,504	288,167	68,046	3,766,994
EBITDA	2,720,836	(313,774)	(135,721)	424,972	251,681	2,372,620	375,001	143,041	33,375	1,021,610	(131,813)	21,623	6,783,451
Capital expenditure	807,727	249,696	427,273	188,709	363,256	593,704	168,182	426,023	81,479	365,611	535,682	61,629	4,268,971
As at 31 December 2013:													
Reportable segment assets	23,490,650	6,235,170	10,166,994	5,340,945	8,075,676	14,363,746	3,626,848	6,769,693	4,467,368	10,187,361	8,618,981	6,004,550	107,347,982
Property, plant and equipment	21,553,163	4,325,643	9,534,278	4,750,248	6,560,293	12,585,415	2,981,048	5,645,603	3,764,463	6,571,882	6,961,355	1,915,810	87,149,201
Reportable segment liabilities	2,747,322	842,349	1,716,731	795,769	1,174,199	1,264,617	543,841	1,049,910	540,450	3,011,582	1,279,640	38,100,227	53,066,637

* Results from operating activities include other income and expense of reportable segment

JSC "IDGC of Centre"*Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014**(unaudited)**Thousands of Russian Roubles, unless otherwise stated***(ii) Reconciliations of reportable segment EBITDA**

Reconciliation of EBITDA as reported to the Management Board with similar item in these Consolidated Financial Statements is presented below:

	Six month ended 30 June 2014	Six month ended 30 June 2013
EBITDA for the reportable segments	8,644,280	6,783,451
Adjustments for of property, plant and equipment	(5,699)	9,128
Recognition of financial assets related to employee benefit fund	21,853	10,554
Recognition of employee benefit obligations	18,927	51,546
Adjustment for finance lease	289,836	278,016
Adjustment for allowance for impairment of account receivables	18,290	(200)
Provision for inventory obsolescence	(4,030)	(3,838)
Amortisation of intangible assets	146,561	157,307
Adjustment for litigation provision	-	(1,357,262)
Other adjustments	(17,784)	25,313
Consolidated earnings before interest, tax and depreciation and amortisation (EBITDA)	9,112,234	5,954,015
Depreciation and amortization	(4,275,203)	(3,899,616)
Interest expenses	(1,222,605)	(1,033,311)
Interest on finance lease liabilities	(58,390)	(71,767)
Interest expense on employee benefit obligations	(100,342)	(74,456)
Interest income	52,982	56,750
Income tax expense	(909,502)	(310,512)
Profit for the period per Consolidated Statement of Profit or Loss and Other Comprehensive Income	2,599,174	621,103

6 REVENUE

	Six month ended 30 June 2014	Six month ended 30 June 2013
Electricity transmission	31,540,920	31,281,268
Revenue from the resale of electricity and capacity	14,892,662	9,846,411
Connection services	775,933	308,979
Repairs and maintenance	214,851	197,104
Rent	29,301	26,513
Other	237,159	238,041
	47,690,826	41,898,316

Revenue from connection services represents a non-refundable fee for connecting the customer to the electricity grid network.

In 2013 pursuant to orders of the Russian Ministry of Energy, "On the transfer of the functions of electricity supplier" the Company started to perform the functions of electricity supplier in Bryansk, Oryol, Kursk, Tver and Smolensk regions. Hence, in addition to performing power transmission services, some divisions of the Company

JSC "IDGC of Centre"**Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014****(unaudited)***Thousands of Russian Roubles, unless otherwise stated*

commenced performing power distribution services, including purchasing electricity on the wholesale market and selling it on the retail market, and entering into power purchase agreements with all customers, including householders. The period within which the functions of electricity supplier are to be performed was established prior to the effective date of the decision to provide the tender winner with the electricity supplier status in the abovementioned operating areas, but not more than 12 months. In the first half of 2014 following the decision of the Russian Ministry of Energy function of electricity supplier in Bryansk, Orel, Kursk, Tver and Smolensk regions was transferred from the Company to OJSC "AtomEnergoSbyt", LLC "TEK-Energo" and the subsidiary of OJSC "Inter RAO UES". Since February 2014 the Company started performing the function of electricity supplier in the area of LLC "Tveroblenergosbyt" in Tver region.

Revenue from the resale of electricity and capacity for the six months ended 30 June 2014 includes the part of revenue of RUB 6,714,574 thousand related to transmission of electricity which is sold under power supply contracts (for the six months ended 30 June 2013: RUB 4,751,320 thousand). Tariff for sale of electricity under power supply contracts is calculated taking into account transmission fee.

7 OPERATING EXPENSES

	Six month ended 30 June 2014	Six month ended 30 June 2013
Electricity transmission	13,309,165	12,535,554
Personnel costs	8,489,006	7,389,330
Electricity for resale	7,453,986	4,539,520
Purchased electricity	4,877,352	4,549,050
Depreciation and amortisation	4,275,203	3,899,616
Raw materials and supplies	1,059,038	1,033,595
Allowance for impairment of accounts receivable	577,931	4,007,309
Taxes other than income tax	421,160	309,764
Provisions	266,714	-
Rent	241,510	314,437
Electricity for own needs	200,544	200,550
Repairs, maintenance and installation services	191,067	238,894
Security	156,498	145,490
Information services	135,287	112,082
Insurance	59,319	64,889
Consulting, legal and audit services	58,955	9,241
Telecommunication services	24,233	25,538
Membership fee	7,294	2,332
Provision for inventory obsolescence	7,001	-
Bad debt written-off	5,565	2,028
Transportation costs	1,947	3,594
Other	1,358,405	854,821
	43,177,180	40,237,634

Out of total amount of allowance for impairment of accounts receivable recognized in the reporting period RUB 211,551 thousand relate to impairment of trade receivables from regional distribution entities which lost status of electricity supplier resulted in cease of their operating activity and insolvency.

JSC "IDGC of Centre"

Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014

(unaudited)

Thousands of Russian Roubles, unless otherwise stated

8 FINANCE INCOME AND COSTS

	Six month ended 30 June 2014	Six month ended 30 June 2013
Finance income		
Interest income	52,982	56,750
	52,982	56,750
Finance costs		
Interest expense	1,222,605	1,033,311
Interest on finance lease liabilities	58,390	71,767
Interest expense on employee benefits obligation	100,342	74,456
	1,381,337	1,179,534

9 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Transmission networks	Equipment for electricity transformation	Other	Construction in progress	Total
<i>Deemed cost</i>						
Balance at 1 January 2013	19,913,660	38,405,697	21,902,107	12,497,684	6,529,229	99,248,377
Additions	5,168	11,530	4,853	-	4,306,121	4,327,672
Transfers	630,209	1,817,656	962,056	686,647	(4,096,568)	-
Disposals	(4,053)	(14,323)	(5,338)	(35,850)	(604,588)	(664,152)
Balance at 30 June 2013	20,544,984	40,220,560	22,863,678	13,148,481	6,134,194	102,911,897
Balance at 1 January 2014	24,509,284	44,507,969	25,253,138	14,698,795	4,358,006	113,327,192
Additions	2,010	91,159	9,749	280	3,552,930	3,656,128
Transfers	422,915	1,671,185	591,641	91,419	(2,777,160)	-
Disposals	(1,421)	(14,626)	(8,245)	(162,124)	(14,046)	(200,462)
Balance at 30 June 2014	24,932,788	46,255,687	25,846,283	14,628,370	5,119,730	116,782,858
<i>Accumulated depreciation</i>						
Balance at 1 January 2013	(3,889,748)	(13,709,273)	(5,376,048)	(4,807,786)	-	(27,782,855)
Depreciation for the period	(687,794)	(1,342,986)	(763,311)	(945,334)	-	(3,739,425)
Disposals	3,163	9,269	2,980	30,780	-	46,192
Balance at 30 June 2013	(4,574,379)	(15,042,990)	(6,136,379)	(5,722,340)	-	(31,476,088)
Balance at 1 January 2014	(5,280,452)	(16,443,278)	(6,843,569)	(6,686,151)	-	(35,253,450)
Depreciation for the period	(745,515)	(1,561,878)	(818,213)	(998,808)	-	(4,124,414)
Disposals	515	9,551	4,272	79,387	-	93,725
Balance at 30 June 2014	(6,025,452)	(17,995,605)	(7,657,510)	(7,605,572)	-	(39,284,139)
<i>Net book value</i>						
At 1 January 2013	16,023,912	24,696,424	16,526,059	7,689,898	6,529,229	71,465,522
At 30 June 2013	15,970,605	25,177,570	16,727,299	7,426,141	6,134,194	71,435,809
At 1 January 2014	19,228,832	28,064,691	18,409,569	8,012,644	4,358,006	78,073,742
At 30 June 2014	18,907,336	28,260,082	18,188,773	7,022,798	5,119,730	77,498,719

JSC "IDGC of Centre"

Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014

(unaudited)

Thousands of Russian Roubles, unless otherwise stated

10 EQUITY

(a) Share capital

	Ordinary shares	
	30 June 2014	31 December 2013
Issued shares, fully paid	42,217,941,468	42,217,941,468
Par value (in RUB)	0.10	0.10

(b) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of accumulated 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 15 June 2012 the decision was made to distribute the Company's profit for the year 2011 to dividends in the amount of RUB 422,179 thousand and to pay dividends for the year 2011 in the amount of RUB 0.01 per ordinary share of the Company in cash.

At the annual shareholders meeting held on 14 June 2013 the decision was made to distribute the Company's profit for the year 2012 to dividends in the amount of RUB 862,935 thousand and to pay dividends for the year 2012 in the amount of RUB 0.02044 per ordinary share of the Company in cash.

At the annual shareholders meeting held on 26 June 2014 the decision was made to distribute the Company's profit for the year 2013 to dividends in the amount of RUB 75,992 thousand and to pay dividends for the year 2013 in the amount of RUB 0.0018 per ordinary share of the Company in cash.

11 EARNINGS PER SHARE

The calculation of earnings per share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period. The Company has no dilutive potential ordinary shares.

Number of shares unless otherwise stated

	Ordinary shares	Ordinary shares
	Six month ended 30 June 2014	Six month ended 30 June 2013
Authorised shares	42,217,941,468	42,217,941,468
Par value (in RUB)	0.10	0.10
Weighted average number of shares	42,217,941,468	42,217,941,468
Profit for the period attributable to shareholders	2,579,790	611,169
Earning per share (in RUB): basic and diluted	0.061	0.014

JSC "IDGC of Centre"
Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014 (unaudited)
Thousands of Russian Roubles, unless otherwise stated

12 LOANS AND BORROWINGS

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

Long-term loans and borrowings

Name of lender		Effective interest rate 30 June 2014	Effective interest rate 31 December 2013	Maturity	Par value		Carrying value	
					30 June 2014	31 December 2013	30 June 2014	31 December 2013
OJSC "Alfa-Bank"	Unsecured	8.25%	8.25%	2017	2,002,260	2,002,712	2,002,260	2,002,712
OJSC "Bank VTB"	Unsecured	8.1175-8.75%	8.1175-8.75%	2017-2019	8,320,000	8,320,000	8,320,000	8,320,000
OJSC "Rosbank"	Unsecured	7.85%	8.00%	2015	3,800,000	3,800,000	3,800,000	3,800,000
OJSC "Sberbank"	Unsecured	7.524-8.4%	7.524-10.44%	2014-2025	14,400,421	14,853,827	14,400,421	14,853,827
CJSC "Transcapitalbank"	Unsecured	13.50%	13.50%	2015	81,319	76,447	81,319	76,447
Unsecured bond issues	Unsecured	9.044%	9.044%	2015	4,073,560	4,074,560	4,067,496	4,066,338
					32,677,560	33,127,546	32,671,496	33,119,324
Less: current portion								
OJSC "Alfa-Bank"	Unsecured	8.25%	8.25%		2,260	2,712	2,260	2,712
OJSC "Bank VTB"	Unsecured	8.1175-8.75%	8.1175-8.75%		-	-	-	-
OJSC "Rosbank"	Unsecured	7.85%	8.00%		1,500,000	-	1,500,000	-
OJSC "Sberbank"	Unsecured	7.524-8.4%	7.524-10.44%		1,300,421	1,753,827	1,300,421	1,753,827
CJSC "Transcapitalbank"	Unsecured	13.50%	13.50%		81,319	76,447	81,319	76,447
Unsecured bond issues	Unsecured	9.044%	9.044%		73,560	74,560	79,808	78,650
					2,957,560	1,907,546	2,963,808	1,911,636
Total long-term borrowings					29,720,000	31,220,000	29,707,688	31,207,688

JSC "IDGC of Centre"
Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014 (unaudited)
 Thousands of Russian Rubles, unless otherwise stated

Current borrowings and current portion of long-term borrowings

Name of lender	Effective interest rate	Effective interest rate	Par value		Carrying value	
			30 June 2014	31 December 2013	30 June 2014	31 December 2013
OJSC "Alfa-Bank"	Unsecured	8.25%	2,260	2,712	2,260	2,712
OJSC "Bank VTB"	Unsecured	8.1175-8.75%	-	-	-	-
OJSC "Gazprombank"	Unsecured	9.50%	900,000	-	900,000	-
OJSC "Rosbank"	Unsecured	7.85%	1,500,000	-	1,500,000	-
OJSC "Sberbank"	Unsecured	7.524-8.4%	1,300,421	1,753,827	1,300,421	1,753,827
OJSC "SGB"	Unsecured	10.00%	29	283	29	283
CJSC "Transcapitalbank"	Unsecured	13.50%	81,319	76,447	81,319	76,447
Unsecured bond issues	Unsecured	9.044%	73,560	74,560	79,808	78,650
			3,857,589	1,907,829	3,863,837	1,911,919

All the Group's borrowings are denominated in RUB and bear a fixed interest rate. The effective interest rate is the market interest rate applicable to the loan on the date of its receipt. The carrying value of borrowings approximates their fair value. As at 30 June 2014 and 31 December 2013 no bank loans are secured over bank guarantees received. For the six months ended 30 June 2014 and 30 June 2013 the Group repaid the following significant principal amounts of loans and borrowings:

	Six month ended 30 June 2014	Six month ended 30 June 2013
Loans and borrowings received from government-related entities	1,450,000	-
Other loans and borrowings	36,126	23,625

13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Objectives and policies of the Group in respect of the financial risk management are consistent with those that were disclosed in the consolidated financial statements for the year ended 31 December 2013.

As at 30 June 2014 the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

As at 30 June 2014 the Group's unused portion of long-term and short-term credit line facilities amounted to RUB 6,100,000 thousand (31 December 2013: RUB 8,800,000 thousand).

14 COMMITMENTS

The Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 6,213,333 thousand as at 30 June 2014 (as at 31 December 2013: RUB 4,426,215 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 has full insurance coverage for its production facilities and third party liability in respect of property, health and environmental damage arising from operation of dangerous production units. The Group has no insurance coverage against losses caused by business interruption.

(b) Litigation

The Group is a 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 financial position and operating results.

(c) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes, 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 Financial Statements, if the authorities were successful in enforcing their interpretations, could be significant.

(d) Environmental matters

The Company and its predecessors have operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. Management periodically evaluates its 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.

JSC "IDGC of Centre"*Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014**(unaudited)**Thousands of Russian Roubles, unless otherwise stated***(e) Other contingencies**

The Group believes that the electricity services provided are in compliance with the Russian legislation regulating electric power transmission. However, based on the lack of elaboration of legislation that regulates the lease of Unified National (All-Russia) Electricity Network property ("last-mile"), as at 31 December 2012 the Company was a party in litigation relating to a claim submitted to the court by OJSC Novolipetsk Steel complex regarding the legitimacy of the revenue recognition from the transmission of electricity via "last-mile" grids in the period from July 2008 to September 2011 in the amount of RUB 5,122,123 thousand.

On 04 July 2013 the Federal Arbitration Court of Moscow District issued the final resolution in favour of the Company.

(f) Guarantees

As at 30 June 2014 and 31 December 2013 the Group has no issued financial guarantees for loans.

16 RELATED PARTY TRANSACTIONS**(a) Control relationships**

The Company's parent as at 30 June 2014 and 31 December 2013 was JSC Russian Grids. The party with the ultimate control over the Company is the Government of the Russian Federation, which held the majority of the voting rights of JSC Russian Grids.

(b) Transactions with parent company and other related parties

	Transaction value		Outstanding balance	
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	As at 30 June 2014	As at 31 December 2013
Sale of goods and services:	1,764	1,003	8,132	25,255
Parent company	390	-	-	-
Fellow subsidiaries	1,374	1,003	8,132	25,255
Purchase of goods and services:	7,937,509	7,080,434	2,396,419	1,198,280
Parent company	185,987	-	21,051	20,201
Fellow subsidiaries	7,751,522	7,080,434	2,375,368	1,178,079
Advances given:	-	-	106,528	114,810
Fellow subsidiaries	-	-	106,528	114,810
Advances received:	-	-	167,010	167,015
Fellow subsidiaries	-	-	167,010	167,015

(c) Management compensation

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

Total remuneration paid to key management, Board of Directors and Management Board members for the six months ended 30 June 2014 and included into personnel costs was:

JSC "IDGC of Centre"

**Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014
(unaudited)**

Thousands of Russian Roubles, unless otherwise stated

	<u>Six month ended 30 June 2014</u>	<u>Six month ended 30 June 2013</u>
Salary and bonuses	<u>209,648</u>	<u>85,994</u>

(d) Transactions with government-related entities

The Group applies the exemption in IAS 24 Related party disclosures that allows to present reduced related party disclosures regarding transactions with government-related entities.

In the course of business, the Group makes a significant number of transactions with companies that are government-related. These operations are carried out under the regulated tariffs, or in accordance with market prices.

Revenues from government-related entities accounts for 11% of total revenue for the six months ended 30 June 2014 (for the six months ended 30 June 2013: 3%), including 15% of the proceeds from the transfer of electricity (for the six months ended 30 June 2013: 3%).

Costs of electricity transmission for government-related entities account for 5% of the total cost of the electricity transmission for the six months ended 30 June 2014 (for the six months ended 30 June 2013: 57%).

Since 14 June 2013 operations with JSC "FGC UES" were disclosed as operations with fellow subsidiaries due to the fact that on that date the state-owned shares (79.64%) of this entity were handed over from the Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo) to JSC "Russian Grids". The share of the cost of electricity transmission to government-related entities decreased.

(e) Pricing policy

Transactions with related parties for the transmission of electricity are carried out at the tariffs set by the state.