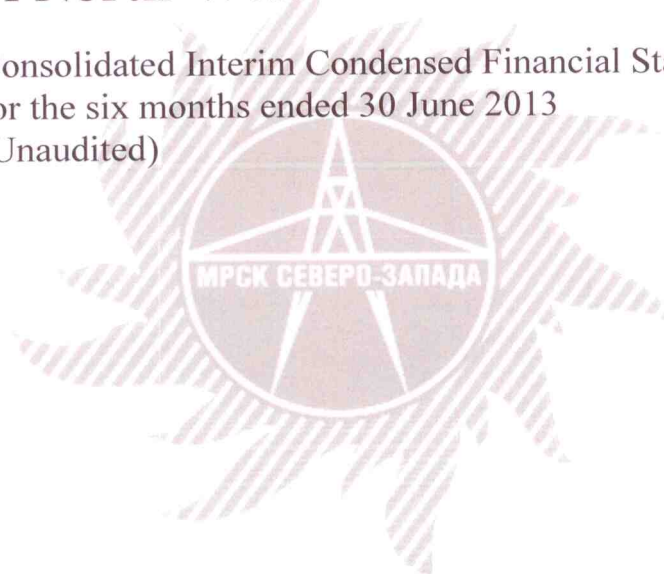
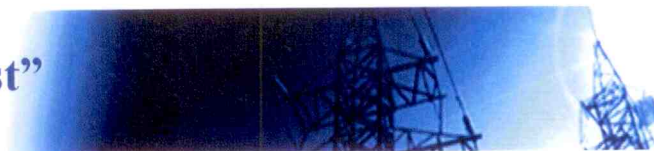




Interregional Distribution Grid (IDG) Company of North-West

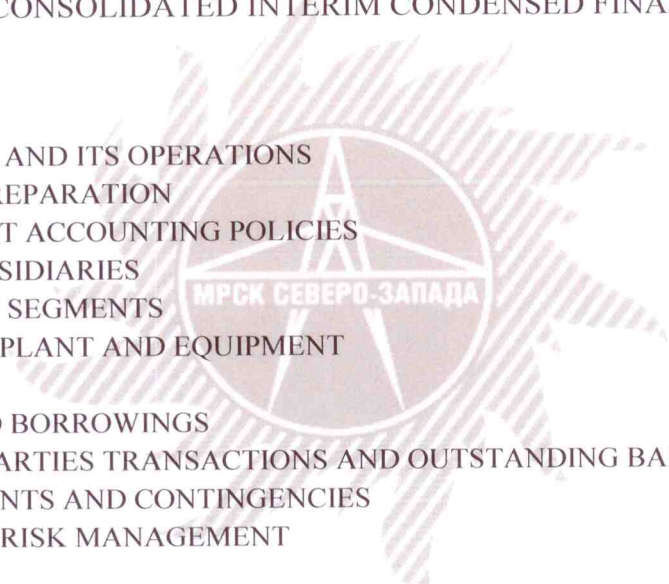
Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2013
(Unaudited)





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OJSC "IDGC of North-West"



Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income for the 6 months ended 30 June 2013 (Unaudited)

(in thousands of Russian roubles, except share and per share data)

	Notes	For the six months ended 30 June	
		2013	2012
Revenue:			
Power transmitting		13,380,922	13,158,438
Sale of electricity		6,783,932	2,577,138
Connection to power network		77,439	499,863
Other revenue		115,804	194,266
Total revenue		20,358,097	16,429,705
Government subsidies received		436	46
Expenses:			
Power transmitting services		(5,215,848)	(4,532,536)
Salaries and other personnel expenses		(4,736,529)	(4,326,449)
Electric power to cover losses		(1,690,587)	(1,541,119)
Depreciation and amortization of non-current assets		(1,737,009)	(1,520,946)
Electric purchases for resale		(3,784,879)	(1,215,570)
Raw materials used		(754,887)	(681,326)
Network and equipment repair services		(269,169)	(219,793)
Taxes other than income tax		(152,572)	(79,540)
Other services		(671,941)	(684,747)
Other operating expenses		(1,245,037)	(834,131)
Total expenses		(20,258,458)	(15,636,157)
Operating result		100,075	793,594
Other non-operating income, net		230,529	125,225
Finance costs, net		(468,643)	(213,225)
Profit before income tax		(138,039)	705,594
Income tax expense		(108,789)	(232,535)
Profit for the period		(246,828)	473,059

The accompanying notes on pages 11 to 23 are an integral part of these consolidated interim condensed financial statements.

OJSC "IDGC of North-West"



Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income for the 6 months ended 30 June 2013 (Unaudited)

(in thousands of Russian roubles, except share and per share data)

	Notes	For the six months ended 30 June	
		2013	2012
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of available-for-sale financial assets		(585)	(3,249)
Income tax on items that are or may be reclassified subsequently to profit or loss		69	491
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		(516)	(2,758)
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurements of the defined benefit liability (asset)		29,599	(31,116)
Income tax on items that will never be reclassified to profit or loss		(5,920)	6,223
<i>Total items that will not be reclassified to profit or loss</i>		23,679	(24,893)
Other comprehensive income/(loss) for the period, net of income tax		23,163	(27,651)
Total comprehensive (loss)/income for the period		(223,665)	445,408
(Loss)/profit attributable to:			
Equity holders of the Company		(246,832)	473,052
Non-controlling interests		4	7
(Loss)/profit for the period		(246,828)	473,059
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(223,669)	445,401
Non-controlling interests		4	7
Total comprehensive (loss)/income for the period		(223,665)	445,408
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share (expressed in RUB)		(0.0023)	0.0047
Weighted average number of ordinary shares in issue	7	95,785,923,138	95,785,923,138

General Director

Titov S.G.

Deputy General Director for economy and finance

Guba D.O.

Chief Accountant

Maksimova T. V.

29 August 2013

The accompanying notes on pages 11 to 23 are an integral part of these consolidated interim condensed financial statements.

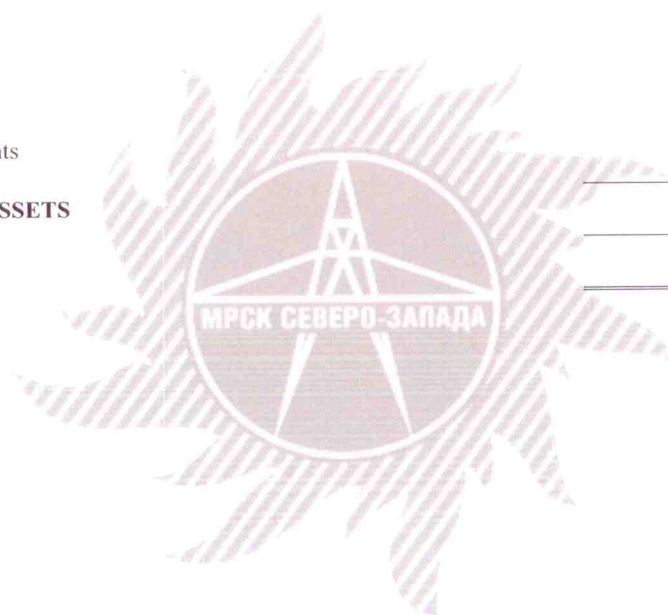
OJSC "IDGC of North-West"



Consolidated Condensed Statement of Financial Position as at 30 June 2013 (Unaudited)

(in thousands of Russian roubles)

	Notes	30 June 2013	31 December 2012
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	33,461,373	33,250,887
Intangible assets		55,001	56,231
Deferred tax assets		4,645	2,238
Investment in securities and other financial assets		141,631	155,645
Other non-current assets		618,654	634,676
TOTAL NON-CURRENT ASSETS		34,281,304	34,099,677
CURRENT ASSETS			
Accounts receivable and prepayments		9,515,076	5,755,100
Income tax receivable		184,115	318,592
Inventories		1,030,554	784,780
Other current assets		696,078	373,256
Cash and cash equivalents		505,137	726,997
TOTAL CURRENT ASSETS		11,930,960	7,958,725
TOTAL ASSETS		46,212,264	42,058,402



The accompanying notes on pages 11 to 23 are an integral part of these consolidated interim condensed financial statements.



Consolidated Condensed Statement of Financial Position as at 30 June 2013 (Unaudited)

(in thousands of Russian roubles)

	Notes	30 June 2013	31 December 2012
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	7	9,578,592	9,578,592
Retained earnings		1,158,697	1,420,990
Merger reserve	7	10,457,284	10,457,284
Other reserves		532,382	509,219
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		21,726,955	21,966,085
Non – controlling interests		281	277
TOTAL EQUITY		21,727,236	21,966,362
NON-CURRENT LIABILITIES			
Long-term loans and borrowings	8	10,928,960	10,629,252
Retirement benefit obligations		1,373,046	1,391,400
Deferred tax liabilities		1,909,781	1,962,665
Other non-current liabilities		312,081	402,841
TOTAL NON-CURRENT LIABILITIES		14,523,868	14,386,158
CURRENT LIABILITIES			
Accounts payable and advances received		6,918,326	4,991,706
Current taxes payable		989,538	337,424
Income tax payable		3,646	134
Current loans and borrowings	8	1,789,943	19,021
Current provisions		259,707	357,597
TOTAL CURRENT LIABILITIES		9,961,160	5,705,882
TOTAL LIABILITIES		24,485,028	20,092,040
TOTAL EQUITY AND LIABILITIES		46,212,264	42,058,402

General Director

Deputy General Director for economy and finance

Chief Accountant

29 August 2013

Titov S.G.

Guba D.O.

Maksimova T. V.

The accompanying notes on pages 11 to 23 are an integral part of these consolidated interim condensed financial statements.

OJSC "IDGC of North-West"

Consolidated Condensed Statement of Changes in Equity for the six months ended 30 June 2013 (Unaudited)

(in thousand of Russian roubles)

	Attributable to equity holders of the Company						
	Share capital	Retained earnings	Merger reserve	Other reserves	Total	Non-controlling interests	Total equity
Balance at 01 January 2012	9,578,592	1,183,604	10,457,284	607,852	21,827,332	260	21,827,592
Total comprehensive income for the period	-	473,052	-	-	473,052	7	473,059
Profit for the period	-	-	-	-	(27,651)	-	(27,651)
Other comprehensive loss for the period	-	473,052	-	(27,651)	445,401	7	445,408
Total comprehensive income/(loss) for the period	-	473,052	-	(27,651)	445,401	7	445,408
Balance at 30 June 2012	9,578,592	1,656,656	10,457,284	580,201	22,272,733	267	22,273,000

OJSC "IDGC of North-West"



Consolidated Condensed Statement of Changes in Equity for the six months ended 30 June 2013 (Unaudited)

(in thousand of Russian roubles)

Attributable to equity holders of the Company

	Share capital	Retained earnings	Merger reserve	Other reserves	Total	Non-controlling interests	Total equity
Balance at 01 January 2013	9,578,592	1,420,990	10,457,284	509,219	21,966,085	277	21,966,362
Total comprehensive income for the period	-	(246,832)	-	-	(246,832)	4	(246,828)
Profit/(loss) for the period	-	-	-	23,163	23,163	-	23,163
Other comprehensive income	-	(246,832)	-	-	(246,832)	4	(223,665)
Total comprehensive income/(loss) for the period	-	(246,832)	-	23,163	(223,669)	4	(223,665)
Transactions with owners, recorded directly in equity	-	(15,461)	-	-	-	-	(15,461)
Dividends to equity holders	-	-	-	-	-	-	-
Balance at 30 June 2013	9,578,592	1,158,697	10,457,284	532,382	21,726,955	281	21,727,236

General Director

Titov S.G.

Deputy General Director for economy and finance

Guba D.O.

Chief Accountant

Maksimova T. V.

29 August 2013



Consolidated Condensed Statement of Cash Flows

for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian roubles)

	6 months ended 30 June	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	(246,825)	473,059
<i>Adjustments for non-cash transactions:</i>		
Income tax expense recognised in profit or loss	108,789	232,535
Net finance costs	468,645	164,701
Depreciation and amortisation of non-current assets	1,737,009	1,520,946
Loss/(profit) from disposal of PPE	(11,833)	(10,737)
Provision for inventory obsolescence	740	393
Other non-cash loss	29,362	-
Operating cash flows before changes in working capital and provisions	2,085,887	2,380,897
<i>Working capital changes</i>		
Change in accounts receivable and prepayments	(3,664,225)	(297,885)
Change in inventories	(246,514)	(342,308)
Change in other current assets	(322,821)	86,889
Change in provisions and employee benefits	(28,407)	37,360
Change in accounts payable, advances received and provisions	2,499,638	150,012
Cash generated by operations	323,558	2,014,965
Interest paid	(451,622)	(209,658)
Income tax paid	(31,945)	(73,383)
Net cash generated by operating activities	(160,009)	1,731,924

The accompanying notes on pages 11 to 23 are an integral part of these consolidated interim condensed financial statements.



Consolidated Condensed Statement of Cash Flows

for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian roubles)

	6 months ended 30 June	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant and equipment	49,387	31,869
Purchase of property, plant and equipment and other non-current assets	(2,137,888)	(2,102,270)
Interest received	4,899	15,213
Other investment income received	(45,964)	(2,425)
Net cash used in investing activities	(2,129,566)	(2,057,613)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans and borrowings	6,193,934	695,706
Repayments of loans and borrowings	(4,126,220)	(1,171,716)
Net cash used in financing activities	2,067,714	(476,010)
Net decrease in cash and cash equivalents	(221,861)	(801,699)
Cash and cash equivalents at the beginning of the period	726,997	1,534,693
Cash and cash equivalents at the end of the period	505,137	732,995

General Director

Deputy General Director for economy and finance

Chief Accountant

19 August 2013

Titov S.G.

Guba D.O.

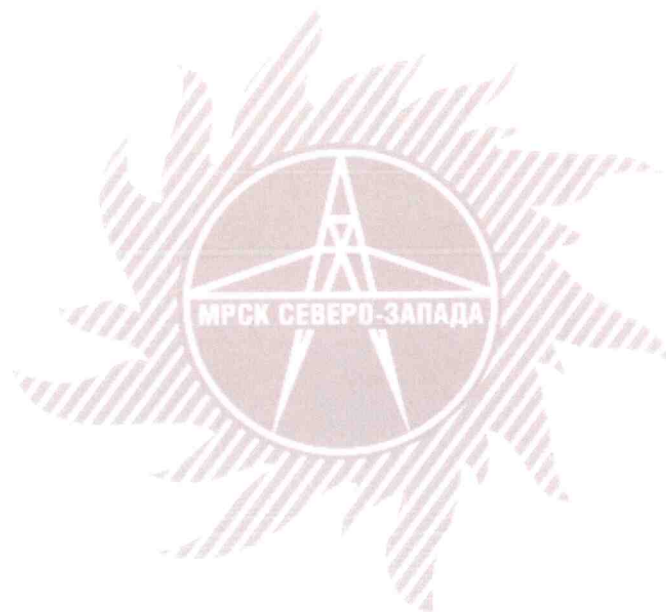
Maksimova T. V.



Notes to the Consolidated Interim Condensed Financial Statements

for the 6 months ended 30 June 2013 (Unaudited)

(in thousands of Russian roubles unless otherwise stated)



OJSC "IDGC of North-West"



1. THE GROUP AND ITS OPERATIONS

Background

Open Joint Stock Company Interregional Distribution Grid Company of North-West ("IDGC of North-West" or the "Company") was established in December 2004 in accordance with the laws of the Russian Federation. The Company was formed during the process of re-organization of JSC "RAO UES of Russia" ("RAO UES") as the owner and operator of the electric power transmission and distribution grid in the North-West Region of Russia.

The registered office of the Company is Sobornaya str. 31, Gatchina, Leningradskaya oblast, 188300, the Russian Federation. The Company's main offices are at Constitution Square, building 3 "A", Saint Petersburg, 196247, the Russian Federation.

Formation of the Group

On 27 April 2007 the Board of Directors of RAO UES approved the structure of the Interregional Distribution Grid Companies. Under the approved structure, the Interregional Distribution Grid Company incorporated IDGC of North-West with seven branches, located in territory of seven federal subject of North-West regional: The Karelya Republic, The Komi Republic, Arkhangelsk Region, Vologda Region, Murmansk Region, Novgorod Region, Pskov Region, and subsidiaries (the "Group"). The principal subsidiaries are listed in Note 4.

The branches were formed on the basis of seven Regional Distribution Grid Companies: JSC "Karelenenergo", JSC "AEK Komienergo", JSC "Arkhenergo", JSC "Vologdaenergo", JSC "Kolenergo", JSC "Novgorodenergo", JSC "Pskovenergo", all of which were subsidiaries of RAO UES prior to the formation of the Group. The merger was a business combination among entities under common control, and has been accounted for using the predecessor accounting method.

On 1 July 2008 RAO UES ceased to exist as a separate legal entity and transferred its 55.4% of the Company's shares to JSC IDGC Holding, a state-controlled entity. On 4 April 2013 in accordance with decision of General stockholders meeting JSC IDGC Holding has been formally renamed Joint Stock Company Russian Grids.

Relations with the state and current regulations

The Group's business is a natural monopoly which is under the influence of the Russian government. The government of the Russian Federation directly affects the Group's operations through state tariffs.

In accordance with legislation, the Group's tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commissions.

The Russian electric utilities industry in general and the Group in particular are presently undergoing a reform process designed to introduce competition into the electricity sector and to create an environment in which the Group could raise the capital required to maintain and expand current capacity.

As at 22 February 2013 the Ministry of Energy of the Russian Federation assigned the Company with the status of guaranteeing electric power supplier in-charge of the service area of OJSC "Kolskaya Energy Retail Company" effective from 1 March 2013. As at 22 March 2013 the Ministry of Energy



of the Russian Federation assigned the Company with the same status in respect of the service area of OJSC "Novgorodoblenergosbyt" effective from 1 April 2013.

The status of guaranteeing supplier in both cases is assigned for the period till the assigning of guaranteeing supplier status to the winner of the tender in respect of specified service area, but not more than for the period of 12 months.

The Group established separate unit within its Kolenergo and Novgorodenergo branches for the purpose of energy sales activities. The assigning of guaranteeing supplier status does not entail the change in assets, liabilities and equity of the Group at the date of status assignation. Financial information of these segments are disclosed in Note 5.

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 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

Statement of compliance

These consolidated interim condensed financial statements has been prepared in accordance with 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 for the year ended 31 December 2012.

The Group companies maintain their accounting records in Russian Roubles ("RUB") in accordance with the accounting and reporting regulations of the Russian Federation. Russian statutory accounting principles and procedures differ substantially from those generally accepted under IFRS. Accordingly, the consolidated interim condensed financial statements, which have been prepared using the Group's statutory accounting records, reflect adjustments necessary for such consolidated financial statements to be presented in accordance with IFRS.

Basis of measurement

The consolidated IFRS financial statements are prepared on the historical cost basis except for investments available-for-sale that are stated at fair value; property, plant and equipment was revalued as of 1 January 2007 by an independent appraiser to determine deemed cost as part of the adoption of IFRSs.

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 these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand.



Use of estimates

In the application of the Group's accounting policies management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing this consolidated interim condensed financial report significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2012, except for the adoption of the new standards and interpretations effective as of 1 January 2013.

Changes in accounting policies

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IAS 19 (Revised 2011) Employee Benefits, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

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

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

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

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

- IAS 19 (2011) Employee Benefits:

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

OJSC "IDGC of North-West"



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

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

The Group applied IAS 19 (2011) to its pension plan which is a defined benefit plan retrospectively beginning from 1 January 2012. As a result, past service costs are recognised in full amount as expense as at the earlier of the following dates: (a) the date of plan amendment or plan curtailment, and (b) the date when the related restructuring costs or termination benefits are recognised. Previously the entity recognised past service costs as an expense on the straight-line basis over the average period until the benefits become vested.

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

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

Consolidated statement of financial position

1 January 2012	As previously reported	Effect of changes in accounting policies	As restated
000'RUB			
Assets related to long-term employee benefits	551,642	-	551,642
Deferred tax assets	160,271	(19,698)	140,573
Total employee benefits assets	711,913	(19,698)	692,215
Retirement benefit obligations	(1,352,999)	98,491	(1,254,508)
Total retirement benefit obligations	(1,352,999)	98,491	(1,254,508)
Retained earnings	641,086	529,060	1,170,146
Remeasurements of the defined pension plan	-	(759,816)	(759,816)
Change in deferred tax	-	151,963	151,963
Total equity	641,086	(78,793)	562,293

OJSC "IDGC of North-West"



31 December 2012 000'RUB	As previously reported	Effect of changes in accounting policies	As restated
Assets related to long-term employee benefits	546,345	-	546,345
Deferred tax assets	172,353	(3,342)	169,011
Total employee benefits assets	718,698	(3,342)	715,356
Retirement benefit obligations	(1,408,110)	16,710	(1,391,400)
Total retirement benefit obligations	(1,408,110)	16,710	(1,391,400)
Retained earnings	689,412	494,978	1,184,390
Remeasurements of the defined pension plan	-	(635,432)	(635,432)
Change in Deferred tax	-	127,086	127,086
Total equity	689,412	(13,368)	676,044

Consolidated statement of profit or loss and other comprehensive income:

For the six months ended 30 June 2012 000'RUB	As previously reported	Effect of changes in accounting policies	As restated
Operating expenses	(78,644)	53,081	(25,563)
Finance costs	-	(50,949)	(50,949)
Income tax expense	15,729	(427)	15,302
Total loss for the year	(62,915)	1,705	(61,210)
Remeasurements of the defined benefit pension plan	-	(31,116)	(31,292)
Deferred tax on comprehensive income	-	6,223	6,258
Total other comprehensive loss for the period, net of tax	-	(24,893)	(24,893)
Total comprehensive loss for the period	(62,915)	(23,188)	(86,103)

For the six months ended 30 June 2013

000'RUB	Effect of changes in accounting policies
Operating expenses	(51,125)
Finance costs	(98,888)
Income tax expense	30,003
Total loss for the year	(120,010)
Remeasurements of the defined benefit pension plan	29,599
Deferred tax on comprehensive income	(5,920)
Total other comprehensive income for the period, net of tax	23,679
Total comprehensive loss for the period	(96,331)

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements

IFRS 10 introduces a single control model that applies to all entities including special purpose entities. IFRS 10 supersedes a part of previously effective IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. The new standard changes the definition of control such that an investor controls an investee when:

- it has power over the investee;

OJSC "IDGC of North-West"



- it is exposed, or has rights, to variable returns from its involvement with the investee, and
- it has the ability to affect those returns through its power over the investee (i.e. there is a link between power and returns).

This standard had no impact on the consolidation of the Group's investees

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

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

IFRS 13 also requires specific disclosures of fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required by IAS 34.16A(j) for the consolidated interim condensed financial report.

4. GROUP SUBSIDIARIES

The Group's consolidated financial statements include the following subsidiaries that are incorporated in Russian Federation:

Subsidiary	Principal activity	Ownership as at 30 June 2013, %	Ownership as at 31 December 2012, %
Pskovenergosbyt	Sale of electricity	100	100
Pskovenergoagent	Collection services	100	100
Energoservice North-West	Electricity metering services	100	100
Lesnaya skazka	Recreation	98	98

5. OPERATING SEGMENTS

The Management Board of the Company has been determined as the Group Chief Operating Decision-Maker.

The Group's primary activity is the provision of electricity transmission services and energy retail within regions of the Russian Federation. The internal management reporting system is based on segments relating to electric energy transmission in separate regions of the Russian Federation (branches of IDGC North-West) and segments relating to other activities (represented by separate legal entities).

The Management Board regularly evaluates and analyzes financial information of the segments reported in the statutory financial statements of respective segment entities on at least a quarterly basis.

In accordance with the requirements of IFRS 8 based on the information on segment revenue, profit before income tax and total assets reported to Management Board, the following reportable segments were identified:

OJSC "IDGC of North-West"



- Transmission Segments - Arkhenergo, Vologdaenergo, Karelenergo, Kolenergo, Komienergo, Novgorodenergo and Pskovenergo;
- Energy Retail Segments – Kolenergo, Novgorodenergo; Pskovenergosbyt;
- Other Segments – other Group companies.

Unallocated balances comprise mainly of corporate assets (primarily the Group headquarters), including cash balances, obligations on loans, deferred income tax assets and liabilities.

Segment items are based on financial information reported in statutory accounts and can differ significantly from those for consolidated financial statements prepared under IFRSs.

The major differences relate to:

- difference in the measurement of property, plant and equipment;
- recognition of employee benefits obligations; and
- differences in accounting for deferred tax.

Reconciliation of items measured as reported to the Management Board with similar items in these consolidated interim condensed financial statements include those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Information regarding the results of each reportable segment is included below. Performance is primarily measured based on segment revenues and profit before income tax, as included in the internal management reports that are reviewed by the Management Board. Revenues and segment profit are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments between each other and relative to other entities that operate within those industries.

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Segment results for the 6 months ended 30 June 2013 are presented below:

	Transmission					Energy Retail				Total				
	Arkh energo	Vologd aenergo	Karel energo	Kol energo	Komi energo	Novgorod energo	Pskov energo	Kolenergo	Novgorod energo		Pskov- energosbyt	Other Segments	Unallocated	
Revenues														
Power transmitting	2,122,596	3,322,158	1,338,160	1,917,915	3,383,121	1,251,931	43,897	-	-	-	-	-	13,379,777	
Connection to power network	9,657	9,073	5,534	3,093	40,703	4,068	5,310	-	-	-	-	-	77,439	
Sale of electricity	-	-	-	-	-	-	-	3,086,486	729,904	2,832,099	-	-	-	6,648,489
Other revenue	163,885	20,823	4,248	12,454	27,716	14,609	5,146	-	-	-	3,503	-	252,385	
Intersegment revenue	-	-	3	-	-	-	1,421,325	-	-	21,684	137,948	-	1,580,959	
Total revenues	2,296,139	3,352,054	1,347,944	1,933,462	3,451,540	1,270,608	1,475,678	3,086,486	729,904	2,853,783	141,451	-	21,939,049	
Profit/(loss) before income tax	99,634	(167,563)	(395,345)	317,457	412,706	(420,599)	(36,317)	85,845	(44,964)	991	7,035	-	(141,121)	
As at 30 June 2013:														
Total assets	5,568,142	10,338,453	5,778,039	4,301,679	10,006,576	5,789,274	4,854,561	1,171,812	338,764	792,421	162,496	1,448,965	50,551,183	
<i>Including property, plant and equipment</i>	<i>3,438,798</i>	<i>8,673,078</i>	<i>3,526,294</i>	<i>3,093,469</i>	<i>8,530,421</i>	<i>5,437,087</i>	<i>4,450,492</i>	<i>11,169</i>	<i>-</i>	<i>1,257</i>	<i>13,635</i>	<i>28,324</i>	<i>37,204,023</i>	

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Segment results for the 6 months ended 30 June 2012 are presented below:

	Transmission					Energy Retail			Total		
	Arkh energo	Vologd aenergo	Karel energo	Kol energo	Komi energo	Novgorod energo	Pskov energo	Pskovenergosbyt		Other Segments	Unallocated
Revenues											
Power transmitting	1,733,612	35,492	2,983,040	2,119,430	1,786,956	3,076,183	1,422,230	-	-	-	13,156,943
Connection to power network	9,657	13,253	314,163	139,467	3,209	18,262	1,851	-	-	-	499,863
Sale of electricity	-	-	-	-	-	-	-	2,577,138	-	-	2,577,138
Other revenue	98,839	4,943	24,571	13,286	4,493	29,847	16,124	959	1,386	-	194,447
Intersegment revenue	-	1,463,650	-	-	-	-	-	179,661	172,016	-	1,815,330
Total revenues	1,842,108	1,517,338	3,321,774	2,272,183	1,794,662	3,124,292	1,440,205	2,757,758	173,402	-	18,243,720
Profit/(loss) before income tax	(364,344)	184,547	780,192	45,960	(68,679)	113,697	58,681	3,516	5,400	-	758,971
As at 31 December 2012:											
Total assets	4,501,429	9,108,896	5,424,785	4,534,554	9,655,244	6,305,868	4,848,090	440,649	140,789	1,109,306	46,069,610
<i>Including property, plant and equipment</i>	<i>3,494,760</i>	<i>8,309,285</i>	<i>3,481,249</i>	<i>3,163,495</i>	<i>8,622,044</i>	<i>5,504,865</i>	<i>4,396,868</i>	<i>454</i>	<i>14,303</i>	<i>28,392</i>	<i>37,015,715</i>

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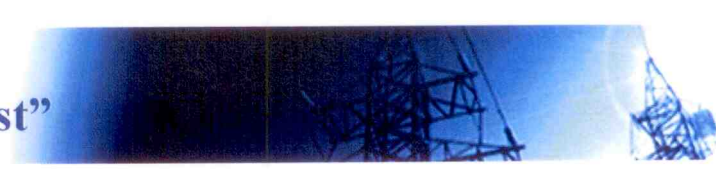
The reconciliation of profit before income tax measured as reported to the Management Board with similar item in these consolidated interim condensed financial statements is presented below:

	6 months ended 30 June 2013	6 months ended 30 June 2012
Segment results - (loss)/profit before income tax	(141,121)	758,971
Accrued salaries and wages	44,803	40,238
Bad debt allowance adjustment	4,147	(5,645)
Adjustment for depreciation of property, plant and equipment	(3,831)	(27,167)
Intragroup dividends	(7,667)	-
Adjustments for financial costs	(21,204)	(20,317)
Other adjustments	(13,164)	(40,486)
Profit before income tax per Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income	(138,037)	705,594

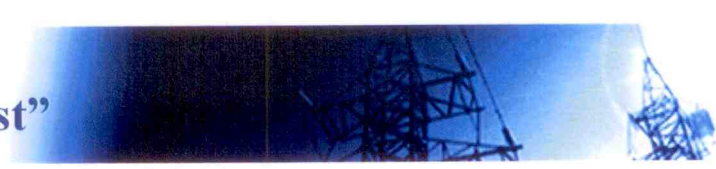
6. PROPERTY, PLANT AND EQUIPMENT

	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
<i>Cost/Deemed cost</i>						
Opening balance as at 1 January 2012	4,876,664	20,961,647	9,756,543	3,720,356	1,655,527	40,970,737
Additions and transfers	29,205	488,918	210,750	107,484	880,846	1,717,203
Disposals	(24,142)	(2,773)	(1,582)	(13,304)	(299)	(42,100)
Closing balance as at 30 June 2012	4,881,727	21,447,792	9,965,711	3,814,536	2,536,074	42,645,840
<i>Accumulated depreciation and impairment</i>						
Opening balance as at 1 January 2012	(1,111,963)	(6,289,803)	(2,467,301)	(1,557,168)	(21,778)	(11,448,013)
Charge for the period	(133,763)	(788,944)	(345,875)	(237,731)	-	(1,506,313)
Disposals	9,062	1,258	1,230	9,458	-	21,008
Closing balance as at 30 June 2012	(1,236,664)	(7,077,489)	(2,811,946)	(1,785,441)	(21,778)	(12,933,318)

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	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
Net book value as at 1 January 2012	3,764,701	14,671,844	7,289,242	2,163,188	1,633,749	29,522,724
Net book value as at 30 June 2012	3,645,063	14,370,303	7,153,765	2,029,095	2,514,296	29,712,522
	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
<i>Cost/Deemed cost</i>						
Opening balance as at 1 January 2013	5,186,851	23,481,202	11,792,915	5,049,099	2,193,558	47,703,625
Additions and Transfers	179,747	770,301	342,390	225,121	458,816	1,976,375
Disposals	(21,715)	(226)	(3,534)	(38,221)	(10,712)	(74,408)
Closing balance as at 30 June 2013	5,344,883	24,251,277	12,131,771	5,235,998	2,641,662	49,605,592
	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
<i>Accumulated depreciation and impairment</i>						
Opening balance as at 1 January 2013	(1,371,685)	(7,894,482)	(3,158,145)	(2,028,426)	-	(14,452,738)
Charge for the period	(133,022)	(864,553)	(404,744)	(326,009)	-	(1,728,328)
Disposals	6,913	152	2,087	27,695	-	36,847
Closing balance as at 30 June 2013	(1,497,794)	(8,758,883)	(3,560,802)	(2,326,740)	-	(16,144,219)
Net book value as at 1 January 2013	3,815,166	15,586,720	8,634,770	3,020,673	2,193,558	33,250,887
Net book value as at 30 June 2013	3,847,089	15,492,394	8,570,969	2,909,259	2,641,662	33,461,373



7. EQUITY AND RESERVES

Basis of presentation of movements in equity

The Group was formed by the combination of a number of businesses under common control. Because of the consequent use of the predecessor basis of accounting, the principal component of the net equity recognized for the group is based on the historic carrying value of the net assets of the businesses contributed as recorded in the IFRS financial records of the predecessor enterprises, rather than the fair values of those net assets.

Authorised, issued and fully paid share capital

As at 30 June 2013 authorised and issued share capital comprised 95,785,923,138 ordinary shares (31 December 2012: 95,785,923,138) of which all ordinary shares were issued and fully paid. All shares have a par value of RUB 0.1.

Merger reserve

The Group was formed by the combination of a number of businesses under common control. Because of the consequent use of the predecessor basis of accounting, the principal component of net equity recognized for the Group is based on the historic carrying value of the net assets of the businesses contributed as recorded in the IFRS financial records of the predecessor enterprises, rather than the fair values of those net assets. Based on the application of predecessor accounting, the difference between the value of the share capital issued and the IFRS carrying values of the contributed assets and non-controlling interests was recorded as a merger reserve within equity.

Retained earnings and dividends

The Company's statutory financial statements form the basis for the distribution of profit and other appropriations. Due to differences between statutory accounting principles and IFRS, the Company's profit in the statutory accounts can differ significantly from that reported in the consolidated interim condensed financial statements prepared under IFRS.

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.

Voting rights of shareholders

The holders of fully paid ordinary shares are entitled to one vote per share at the Company's annual and general shareholders' meetings.

Earnings per share

Earnings per share were calculated using the weighted average number of ordinary shares. The Company has no dilutive potential ordinary shares; accordingly, diluted earnings per share are equal to basic earnings per share.



8. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings and financial lease liabilities, which are measured at amortised cost.

	30 June 2013	31 December 2012
<i>Non-current liabilities</i>		
Unsecured bank loans	10,928,960	10,629,252
	10,928,960	10,629,252
<i>Current liabilities</i>		
Current portion of unsecured loans	17,381	19,021
Unsecured bank loans	1,772,562	-
	1,789,943	19,021

The Group raised the following bank loans during the 6 months ended 30 June 2013:

Amount	Interest rate	Maturity
2 686 176*	8.30% - 9.80%	2014
537 500	9.31%	2014
1 086 806*	7.01% - 11.00%	2015
431 610*	7.50% - 9.50%	2016
117 242	11.80%	2017

The Group repaid the following significant bank facilities during the 6 months ended 30 June 2013:

	Amount
Loans*	1,275,000
Loans	959,600

*- Loans from state-controlled entities.

9. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Control relationships

The Government of the Russian Federation, through the Federal Agency for the Management of Federal Property, is the ultimate controlling party of the Group. As at 30 June 2013 the Group was controlled by JSC Russian Grids, a state controlled entity.



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

Revenue from state-controlled entities for the 6 months ended 30 June 2013 constitute 10.3% (6 months ended 30 June 2012: 9.0%) of total Group revenue, including 4.2% (6 months ended 30 June 2012: 7.1%) of electricity transmission revenues.

Electricity transmission cost due to for state-controlled entities for the 6 months ended 30 June 2013 constitute 57.7% (6 months ended 30 June 2012: 69.4%) of total transmission costs.

Significant loans from state controlled entities are disclosed in Note 8.

Pricing policies

Related party revenue for electricity transmission and energy retail is based on the tariffs determined by the Federal Service on Tariffs and the Regional Energy Commissions.

10. COMMITMENTS AND CONTINGENCIES

Political environment

The operations and earnings of the Group are affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection. Because of the capital-intensive nature of the industry, the Group is also subject to physical risks of various kinds. The nature and frequency of these developments and events associated with these risks, which generally are not covered by insurance, as well as their effect on future operations and earnings, are not predictable.

Taxation contingencies in Russian Federation

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 and substance-based 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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Litigation

During the year, the Group was involved in a number of court proceedings (both as a plaintiff and as a defendant) arising in the ordinary course of business. In the opinion of management of the Group, there are no current legal proceedings or other claims outstanding, which could have a material effect on the

result of operations, financial position or cash flows of the Group and which have not been accrued or disclosed in these consolidated financial statements.

Other contingencies

The Group believes that all Group's sales arrangements are generally in compliance with the Russian legislation regulating electric power transmission. However, based on uncertainty of legislation that regulates the lease of Unified National Electricity Network property ("last-mile") by the Group there is a risk that customers may challenge that the Group has no legal ground to invoice them and hence recognize revenue for electric power transmission services provided via leased "last-mile" grids and courts agree with the customers' view. The potential amount of such claims could be significant, but cannot be reliably estimated as each claim has individual legal circumstances and respective estimation should be based on variety of assumptions and judgments, which makes it impracticable. The Group did not recognize as at the reporting date any provision for those actual and potential claims as it believes that it is not probable that related outflow of resources or decrease of benefits inflow will take place. The Group believes that expected changes in legislation will further reduce the level of risk.

Capital expenditure commitments

As at 30 June 2013 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment of RUB 2,619,999 thousand (as at 31 December 2012: RUB 1,984,538 thousand).

Environmental matters

Group entities and their predecessor entities have operated in the electric power industry in the Russian Federation for many years. 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.

Insurance policies

The Russian insurance market is in the development stage and some forms of insurance protection common in other parts of the world are not yet generally available in the Russian Federation.

The Group has entered into insurance contracts to insure property, plant and equipment, and land transport and purchased accident, health and medical insurance for employees. Furthermore, the Group has purchased civil liability coverage for operating entities with dangerous production units.

As at 30 June 2013 the Group has insured its industrial assets for the amount of RUB 43,659,377 thousand (as at 31 December 2012: RUB 41,986,647 thousand). Also, as at 30 June 2013 the Group has insured vehicles below 10 years of age for the amount of RUB 545,753 thousand (as at 31 December 2012: RUB 432,047 thousand).

11. FINANCIAL RISK MANAGEMENT

During the period the Group had been exposed to the same risks as those which existed during the year ended 31 December 2012, and applied the same approach to financial risk management that was applied during the year ended 31 December 2012.