

**OJSC INTERREGIONAL DISTRIBUTION GRID COMPANY OF URALS  
CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR SIX MONTHS ENDED 30 JUNE 2012  
(UNAUDITED)**

## **OJSC IDGC of Urals**

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**OJSC IDGC of Urals**  
**Consolidated Interim Condensed Statement of Comprehensive Income**  
**for six months ended 30 June 2012**  
**(Unaudited)**

*(in thousands of Russian Roubles, unless otherwise stated)*

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011
Revenue	4	30,247,201	31,618,413
Operating expenses	5	(29,434,782)	(28,640,902)
Other operating income		14,798	6,718
<b>Result from operating activities</b>		<b>827,217</b>	<b>2,984,229</b>
Financial income		43,709	45,375
Financial expenses		(312,443)	(129,998)
Share of profit of equity accounted investee	7	87,133	125,685
<b>Profit before income tax</b>		<b>645,616</b>	<b>3,025,291</b>
Income tax		(477,244)	(361,212)
<b>Profit for the period</b>		<b>168,372</b>	<b>2,664,079</b>
<b>Total comprehensive income for the period</b>		<b>168,372</b>	<b>2,664,079</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		147,144	2,589,047
Non-controlling interest		21,228	75,032
<b>Earnings per share</b>			
Basic and diluted earnings per share (expressed in RUR)	8	0.0017	0.0296

These consolidated interim condensed financial statements were approved by management on 3 September 2012 and were signed on its behalf by:

General Director

Rodin V.N.

Chief Accountant

Abrosimova O.M.

**OJSC IDGC of Urals**  
**Consolidated Interim Condensed Statement of Financial Position as at 30 June 2012**  
**(Unaudited)**

*(in thousands of Russian Roubles, unless otherwise stated)*

	Notes	30 June 2012	31 December 2011
<b>Non-current assets</b>			
Property, plant and equipment	6	52,408,412	52,998,691
Investment property	6	80,949	85,512
Intangible assets		1,389	2,279
Investments in equity accounted investee	7	1,264,932	1,177,799
Deferred tax assets		40,371	28,050
Other non-current assets		374,496	400,713
<b>Total non-current assets</b>		<b>54,170,549</b>	<b>54,693,044</b>
<b>Current assets</b>			
Inventories		1,456,856	1,278,163
Income tax receivable		421,150	284,959
Trade and other receivables		5,843,387	6,001,742
Prepayments for current assets		78,935	290,540
Cash and cash equivalents		2,013,662	1,429,881
Other current assets		239,736	268,109
<b>Total current assets</b>		<b>10,053,726</b>	<b>9,553,394</b>
<b>TOTAL ASSETS</b>		<b>64,224,275</b>	<b>64,246,438</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	8,743,049	8,743,049
Retained earnings		32,798,250	32,895,910
<b>Total equity attributable to shareholders of the Company</b>		<b>41,541,299</b>	<b>41,638,959</b>
Non-controlling interest		854,890	852,599
<b>Total equity</b>		<b>42,396,189</b>	<b>42,491,558</b>
<b>Non-current liabilities</b>			
Loans and borrowings	9	8,388,876	7,315,828
Long-term advances		308,100	414,639
Employee benefits		433,181	379,155
Finance lease liabilities		28,542	53,829
Deferred tax liabilities		4,731,541	4,643,425
<b>Total non-current liabilities</b>		<b>13,890,240</b>	<b>12,806,876</b>
<b>Current liabilities</b>			
Loans and borrowings	9	448,176	730,544
Trade and other payables		6,243,196	7,534,397
Current portion of finance lease liabilities		86,712	106,502
Other taxes payable		1,158,941	530,609
Income tax payable		821	45,952
<b>Total current liabilities</b>		<b>7,937,846</b>	<b>8,948,004</b>
<b>TOTAL LIABILITIES</b>		<b>21,828,086</b>	<b>21,754,880</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>64,224,275</b>	<b>64,246,438</b>

The Consolidated Interim Condensed Statement of Financial Position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 7 to 17.

**OJSC IDGC of Urals**  
**Consolidated Interim Condensed Statement of Cash Flows for six months ended 30 June 2012**  
**(Unaudited)**

*(in thousands of Russian Roubles, unless otherwise stated)*

	<b>Six months ended 30 June 2012</b>	<b>Six months ended 30 June 2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Profit before income tax</b>	<b>645,616</b>	<b>3,025,291</b>
<b>Adjustments:</b>		
Depreciation and amortization	2,511,046	2,062,605
Net impairment losses	1,393,113	824,158
Net finance expenses	268,734	84,623
Share of profit of equity accounted investee	(87,133)	(125,685)
Loss on disposal of property, plant and equipment	18,578	20,253
Adjustment for other non-cash transactions	67,861	63,855
<b>Operating profit before working capital changes and income tax paid</b>	<b>4,817,815</b>	<b>5,955,100</b>
Change in trade and other receivables and prepayments	(998,158)	(22,944)
Change in inventories	(185,331)	(374,050)
Change in trade and other payables	(1,408,869)	(1,297,826)
Change in taxes payable other than income	628,333	445,677
<b>Cash flows from operations before income tax paid</b>	<b>2,853,790</b>	<b>4,705,957</b>
Income tax paid	(714,413)	(230,273)
<b>Cash flows from operating activities</b>	<b>2,139,377</b>	<b>4,475,684</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment	(2,101,555)	(2,195,972)
Acquisition of intangible assets	(397)	(1,121)
Proceeds from disposal of property, plant and equipment	94,089	21,801
Proceeds from loans given	50,959	6,131
Issuance of loans given to the third parties	(7,349)	(6,663)
Interest received	28,193	16,752
<b>Cash flows used in investing activities</b>	<b>(1,936,060)</b>	<b>(2,159,072)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from loans and borrowings	1,216,930	2,481,278
Repayment of loans and borrowings	(426,345)	(4,039,982)
Repayment of finance lease liabilities	(71,247)	(147,024)
Interest paid	(319,937)	(202,063)
Dividends paid	(18,937)	(10,447)
<b>Cash flows from/(used in) financing activities</b>	<b>380,464</b>	<b>(1,918,238)</b>
<b>Net increase in cash and cash equivalents</b>	<b>583,781</b>	<b>398,374</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,429,881</b>	<b>1,877,166</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,013,662</b>	<b>2,275,540</b>

The Consolidated Interim Condensed Statement of Cash Flows is to be read in conjunction with the notes to, 5  
and forming part of, the consolidated interim condensed financial statements set out on pages 7 to 17.

**OJSC IDGC of Urals**  
**Consolidated Interim Condensed Statement of Changes in Equity for six months ended 30 June 2012**  
**(Unaudited)**

*(in thousands of Russian Roubles, unless otherwise stated)*

	<b>Total equity attributable to shareholders of the Company</b>			<b>Non-controlling interest</b>	<b>Total equity</b>
	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>		
<b>At 1 January 2011</b>	<b>8,743,049</b>	<b>29,995,367</b>	<b>38,738,416</b>	<b>766,084</b>	<b>39,504,500</b>
Profit for the period	-	2,589,047	2,589,047	75,032	2,664,079
<b>Total comprehensive income for the period</b>	-	2,589,047	2,589,047	75,032	2,664,079
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to shareholders	-	-	-	(258,815)	(258,815)
<b>Total transactions with owners</b>	-	-	-	(258,815)	(258,815)
<b>At 30 June 2011</b>	<b>8,743,049</b>	<b>32,584,414</b>	<b>41,327,463</b>	<b>582,301</b>	<b>41,909,764</b>
<b>At 1 January 2012</b>	<b>8,743,049</b>	<b>32,895,910</b>	<b>41,638,959</b>	<b>852,599</b>	<b>42,491,558</b>
Profit for the period	-	147,144	147,144	21,228	168,372
<b>Total comprehensive income for the period</b>	-	147,144	147,144	21,228	168,372
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to shareholders	-	(244,804)	(244,804)	(18,937)	(263,741)
<b>Total transactions with owners</b>	-	(244,804)	(244,804)	(18,937)	(263,741)
<b>At 30 June 2012</b>	<b>8,743,049</b>	<b>32,798,250</b>	<b>41,541,299</b>	<b>854,890</b>	<b>42,396,189</b>

The Consolidated Interim Condensed Statement of Changes in Equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 7 to 17.

## OJSC IDGC of Urals

### Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2012

(in thousands of Russian Roubles, unless otherwise stated)

#### Note 1. Background

##### (a) The Group and its operations

Open joint-stock company “Interregional Distribution Grid Company of Urals and Volga” was set up on 28 February 2005 based on Resolution no. 28p of the Russian open joint-stock company RAO “United Energy Systems of Russia” (hereafter, “RAO UES”) dated 24 February 2005. On 14 August 2007 OJSC “Interregional Distribution Grid Company of Urals and Volga” was renamed to open joint-stock company “Interregional Distribution Grid Company of Urals” (hereafter, the “Company” or “IDGC of Urals”).

The Company’s registered office is located at 140, Mamina-Sibiryaka street, Ekaterinburg, Russia, 620026.

The principal activities of the Company and its subsidiaries (together referred to as the “Group” or “IDGC of Urals Group”) are as follows:

- electricity transmission and distribution,
- connection services,
- electricity sales,
- other (repair, construction, maintenance, rent and transportation services).

The Group includes following subsidiaries and the associate company:

Company	30 June 2012	31 December 2011
	% owned	% owned
<b>Subsidiaries</b>		
OJSC “Ekaterinburg Electric Grid Company”	91.04	91.04
LLC “Elektroservisnaya kompaniya”	54.62	54.62
OJSC “Ekaterinburgenergosbyt”	91.04	91.04
LLC “Uralenergotrans”	100.00	100.00
LLC “Sluzhba bezopasnosti “Permenergo”	100.00	100.00
Non-Government Private Educational Institution “Uchebny Centre OJSC IDGS of Urals”	100.00	100.00
CJSC “Strahovaya kompaniya “Privat-Energostrah”	99.87	99.87
OJSC “Energoservisnaya kompaniya Urala”	100.00	100.00
<b>Associate</b>		
OJSC “Kurganenergo” (53.81% ownership and 49.00% voting rights)	49.00	49.00

In January 2011 OJSC “IDGC of Urals” formed the subsidiary OJSC “Energoservisnaya kompaniya Urala” with share capital amounted to RUR 5 million. The principal activities of OJSC “Energoservisnaya kompaniya Urala” are the provision of maintenance services for electricity grids.

As at 30 June 2012 the Russian Government owned 56.58% of the voting ordinary shares and 7.01% of the preference shares of IDGC Holding (31 December 2011: 55.95% of the voting ordinary shares and 7.01% of the preference shares), which in turn owned 51.52% of the Company.

The Group includes investment in associate OJSC “Kurganenergo” with ownership rights of 53% and voting rights of 49%, which allows the Group to exercise significant influence, but not control, over the financial and operating policies of the associate.

The Government of the Russian Federation directly affects the Group’s operations through indirect control and state tariffs on electricity transmission and connection services.

***(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 interim condensed 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.

**Note 2. Basis of preparation*****(a) Statement of compliance***

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do 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***

These consolidated interim condensed financial statements are prepared on the historical cost basis except for property, plant and equipment that was revalued as at 1 January 2007 by an independent appraiser to determine deemed cost as part of adoption of IFRS.

***(c) Functional and presentation currency***

The national currency of the Russian Federation is the Russian rouble ("RUR"), which is the Group companies' functional currency and the currency in which these consolidated interim condensed financial statements are presented. All financial information presented in Russian roubles has been rounded to the nearest thousand.

***(d) Use of judgments, estimates and assumptions***

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

In preparing these consolidated interim condensed financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2011.

**Note 3. Summary of significant accounting policies**

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

**Note 4. Revenue**

During the six months ended 30 June 2012 revenue amounted to RUR 30,247,201 thousand (six months ended 30 June 2011: RUR 31,618,413 thousand) and included revenue from electricity transmission in the amount of RUR 23,441,043 thousand (six months ended 30 June 2011: RUR 24,416,403 thousand), revenue from electricity sales in the amount of RUR 5,936,397 thousand (six months ended 30 June 2011: RUR 6,326,050 thousand), revenue from connection services in the amount of RUR 656,865 thousand (six months ended 30 June 2011: RUR 717,766 thousand).



**OJSC IDGC of Urals**
**Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2012**
*(in thousands of Russian Roubles, unless otherwise stated)*
**Note 5. Operating expenses**

During the six months ended 30 June 2012 operating expenses amounted to RUR 29,434,782 thousand (six months ended 30 June 2011: RUR 28,640,902 thousand) and included electricity transmission fee paid to distribution grids and compensation of technological losses in the amount of RUR 15,204,500 thousand (six months ended 30 June 2011: RUR 15,869,957 thousand), purchased electricity in the amount of RUR 3,794,991 thousand (six months ended 30 June 2011: RUR 3,778,546 thousand), personnel costs in the amount of RUR 4,285,702 thousand (six months ended 30 June 2011: RUR 4,002,873 thousand), depreciation and amortisation expenses in the amount of RUR 2,511,046 thousand (six months ended 30 June 2011: RUR 2,062,605 thousand), net impairment losses on trade and other receivables in the amount of RUR 1,389,265 thousand (six months ended 30 June 2011: RUR 829,761 thousand).

**Note 6. Property, plant and equipment**

	<b>Production buildings</b>	<b>Electricity grids</b>	<b>Substations' equipment</b>	<b>Assets under construction</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>						
Balance						
at 1 January 2011	6,976,312	28,255,209	17,287,851	3,561,255	4,153,807	60,234,434
Additions	7,729	1,389	5,089	2,311,219	108,164	2,433,590
Transfers	25,437	121,588	61,688	(312,470)	103,757	-
Disposals	(14,920)	(27,960)	(26,260)	(4,046)	(34,268)	(107,454)
<b>Balance at 30 June 2011</b>	<b>6,994,558</b>	<b>28,350,226</b>	<b>17,328,368</b>	<b>5,555,958</b>	<b>4,331,460</b>	<b>62,560,570</b>
Balance						
at 1 January 2012	8,168,279	29,795,555	19,583,836	5,204,032	6,204,608	68,956,310
Additions	34,576	11,532	61,199	1,857,932	62,345	2,027,584
Transfers	134,634	1,178,699	1,001,272	(2,392,225)	77,620	-
Disposals	(29,747)	(32,597)	(16,309)	(42,876)	(23,352)	(144,881)
<b>Balance at 30 June 2012</b>	<b>8,307,742</b>	<b>30,953,189</b>	<b>20,629,998</b>	<b>4,626,863</b>	<b>6,321,221</b>	<b>70,839,013</b>
<b>Depreciation</b>						
Balance						
at 1 January 2011	(885,102)	(5,689,108)	(3,941,346)	-	(1,407,967)	(11,923,523)
Depreciation charge	(148,537)	(870,007)	(744,247)	-	(295,827)	(2,058,618)
Disposals	3,279	25,868	18,274	-	17,195	64,616
<b>Balance at 30 June 2011</b>	<b>(1,030,360)</b>	<b>(6,533,247)</b>	<b>(4,667,319)</b>	<b>-</b>	<b>(1,686,599)</b>	<b>(13,917,525)</b>
Balance						
at 1 January 2012	(1,177,008)	(7,403,411)	(5,396,637)	-	(1,980,563)	(15,957,619)
Depreciation charge	(172,997)	(976,112)	(857,018)	-	(501,504)	(2,507,631)
Disposals	3,300	10,469	6,317	-	14,563	34,649
<b>Balance at 30 June 2012</b>	<b>(1,346,705)</b>	<b>(8,369,054)</b>	<b>(6,247,338)</b>	<b>-</b>	<b>(2,467,504)</b>	<b>(18,430,601)</b>
<b>Net book value</b>						
<b>At 1 January 2011</b>	<b>6,091,210</b>	<b>22,566,101</b>	<b>13,346,505</b>	<b>3,561,255</b>	<b>2,745,840</b>	<b>48,310,910</b>
<b>At 30 June 2011</b>	<b>5,964,198</b>	<b>21,816,979</b>	<b>12,661,049</b>	<b>5,555,958</b>	<b>2,644,861</b>	<b>48,643,045</b>
<b>At 1 January 2012</b>	<b>6,991,271</b>	<b>22,392,144</b>	<b>14,187,199</b>	<b>5,204,032</b>	<b>4,224,045</b>	<b>52,998,691</b>
<b>At 30 June 2012</b>	<b>6,961,037</b>	<b>22,584,135</b>	<b>14,382,660</b>	<b>4,626,863</b>	<b>3,853,717</b>	<b>52,408,412</b>

**OJSC IDGC of Urals**
**Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2012**
*(in thousands of Russian Roubles, unless otherwise stated)*
**Investment property**

	2012	2011
<b>Cost</b>		
Balance at 1 January	104,739	117,664
Additions	-	-
Disposals	(2,776)	(2,861)
Balance as at 30 June	101,963	114,803
<b>Depreciation</b>		
Balance as at 1 January	(19,227)	(19,347)
Depreciation charge	(2,129)	(2,132)
Disposals	342	-
Balance as at 30 June	(21,014)	(21,479)
<b>Net book value</b>		
<b>Balance as at 1 January</b>	<b>85,512</b>	<b>98,317</b>
<b>Balance as at 30 June</b>	<b>80,949</b>	<b>93,324</b>

As at 30 June 2012 the fair value of investment property amounted to RUR 246.5 million (31 December 2011: RUR 301.3 million).

**Note 7. Investments in equity accounted investee**

The principal activities of OJSC “Kurganenergo” are electricity transmission, distribution and connection services. The ownership rights comprised of 53.81% of ordinary shares, representing 49.00% of voting rights, which allows the Group to exercise significant influence, but not control, over operating and financial activities of the associate.

	Carrying value as at 1 January 2011	Share of profit of associates	Carrying value as at 30 June 2011
OJSC “Kurganenergo”	931,375	125,685	1,057,060
<b>Total investments in equity accounted investee</b>	<b>931,375</b>	<b>125,685</b>	<b>1,057,060</b>
	Carrying value as at 1 January 2012	Share of profit of associates	Carrying value as at 30 June 2012
OJSC “Kurganenergo”	1,177,799	87,133	1,264,932
<b>Total investments in equity accounted investee</b>	<b>1,177,799</b>	<b>87,133</b>	<b>1,264,932</b>

The following is summarized financial information, in aggregate, in respect of equity accounted investee:

	30 June 2012	31 December 2011
Total assets	3,903,269	3,837,972
Total liabilities	(1,321,775)	(1,434,300)
	Six months ended 30 June 2012	Six months ended 30 June 2011
Revenue	1,656,869	1,576,094
Expenses	(1,479,046)	(1,319,595)
Profit for the period	177,823	256,499

**OJSC IDGC of Urals****Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2012**

*(in thousands of Russian Roubles, unless otherwise stated)*

**Note 8. Equity***Share capital*

	<b>30 June 2012</b>	<b>31 December 2011</b>
Number of ordinary shares authorized, issued and fully paid	87,430,485,711	87,430,485,711
Par value (in RUR)	0.10	0.10
<b>Total share capital</b>	<b>8,743,049</b>	<b>8,743,049</b>

*Dividends paid and declared*

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. The Company had retained earnings, including profit for the period, of RUR 22.7 billion as at 30 June 2012 (31 December 2011: RUR 22.5 billion).

At the annual meeting of shareholders of OJSC "IDGC of Urals" held on 14 June 2012 the decision was made to declare dividends of RUR 244.8 million for the year 2011.

At the meeting of shareholders of OJSC "Ekaterinburg Electric Grid Company" held on 18 June 2012 the decision was made to declare dividends of RUR 1.4 million for the year 2011.

At the meeting of shareholders of OJSC "Ekaterinburgenergosbyt" held on 13 June 2012 the decision was made to declare dividends of RUR 17.5 million for the year 2011.

During six months ended 30 June 2012 the Group paid dividends of RUR 18.9 million (six months ended 30 June 2011: 10.4 million). Dividends payable by the Group in amount of RUR 244.8 million are included in Trade and other payables in the consolidated interim condensed statement of financial position as of 30 June 2012 (31 December 2011: the group had no dividends payable).

*Earnings per share*

The calculation of earnings per share is the net profit for the current period divided by the weighted average number of ordinary shares outstanding during the current period. The Company has no dilutive potential ordinary shares.

	<b>Six months ended 30 June 2012</b>	<b>Six months ended 30 June 2011</b>
Weighted average number of ordinary shares issued	87,430,485,711	87,430,485,711
Profit attributable to the shareholders of the Company	147,144	2,589,047
Earnings per share (in RUR)	0.0017	0.0296

**OJSC IDGC of Urals****Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2012***(in thousands of Russian Roubles, unless otherwise stated)***Note 9. Loans and borrowings***Long-term loans and borrowings*

	Nominal interest rate, %		Year of maturity	30 June	31 December
	30 June 2012	31 December 2011		2012	2011
<i>Bank loans</i>					
JSB "Sberbank of Russia"	7.70%-10.5%	7.70-8.28%	2013-2017	4,527,330	4,090,499
JSB "Gazprombank"	7.71-8.80%	7.71-8.80%	2015	2,686,276	2,086,276
JSB "Ural Bank for Reconstruction and Development"	7.65%-8.28%	7.65-8.28%	2013-2016	1,155,170	1,102,461
JSB "NOMOS-BANK"	12.60%	11.85-14.50%	2013	20,100	36,592
<b>Total</b>				<b>8,388,876</b>	<b>7,315,828</b>

*Short-term loans and borrowings*

Name of lender	Nominal interest rate, %		30 June 2012	31 December 2011
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
<i>Bank loans</i>				
JSB "Sberbank of Russia"	8.28%	8.28%	249,996	249,996
JSB "Ural Bank for Reconstruction and Development"	7.65%	7.65-8.28%	192,000	469,449
JSB "NOMOS-BANK"	11.85% - 14.50%	11.50% - 14.50%	5,550	10,250
Other			630	630
<i>Unsecured bond issues</i>	-	8.6%	-	219
<b>Total</b>			<b>448,176</b>	<b>730,544</b>

During the six months ended 30 June 2012 the Group raised loan from JSB "Sberbank of Russia" in the amount of RUR 140.5 million at interest rate of 10.5% with the maturity in 2017.

**Note 10. Related parties***Control relationships*

Related parties include shareholders, affiliates and entities under common ownership and control with the Group and members of the Board of Directors and key management personnel. The Company's parent as at 30 June 2012 was JSC "IDGC Holding". 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 "IDGC Holding".

In the normal course of business the Group enters into transactions with other entities under common government control including Federal Grid Company, Russian railways, state-controlled banks and various governmental bodies. Prices for electricity, electricity transmission and connection services are based on tariffs set by federal and regional tariff regulatory bodies. Bank loans are provided on the basis of market rates. Taxes are accrued and settled in accordance with Russian tax legislation.

The amounts outstanding with related parties are unsecured and will be settled in cash.

The Group's parent company produces publicly available financial statements.

*Transactions with government-related entities*

In the course of its operating activities the Group is engaged in significant transactions with government-related entities. Revenues and purchases from government-related entities are measured at regulated tariffs where applicable.

Revenues from government-related entities for the six months ended 30 June 2012 constitute 6% (six months ended 30 June 2011: 8%) of total Group revenues, including 4% (six months ended 30 June 2011: 4%) of electricity transmission revenues.

**OJSC IDGC of Urals****Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2012***(in thousands of Russian Roubles, unless otherwise stated)*

Electricity transmission costs for government-related entities for the six months ended 30 June 2012 constitute 50% (six months ended 30 June 2011: 50%) of total transmission costs.

As at 30 June 2012 cash held at state-controlled banks amounted to RUR 1,225 million (31 December 2011: RUR 747 million).

As at 30 June 2012 loans and borrowings from state-controlled entities amounted to RUR 7.5 billion (31 December 2011: RUR 6.4 billion).

***Transactions with members of the Board of Directors and key management personnel***

There are no transactions with members of the Board of Directors and key management personnel except for remuneration in the form of salary and bonuses, which were as follows:

	<b>Six months ended 30 June 2012</b>		<b>Six months ended 30 June 2011</b>	
	Members of Board of Directors	Key management personnel	Members of Board of Directors	Key management personnel
Salaries and bonuses	32,997	85,487	9,303	47,619

**Note 11. Segment information**

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

The primary activity of the Group is provision of electricity transmission services and electricity sales in the Russian Federation. Internal management reporting system is based on segments related to electricity transmission and electricity sales in separate regions of the Russian Federation.

Management Board regularly evaluates and analyses financial information of segments reported in accordance with their statutory financial statements.

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

- Electricity Transmission Segments: Chelyabenergo, Permenergo, Sverdlovenegero (branches of the Company located in Chelyabinsk, Perm and Sverdlovsk regions, respectively) and OJSC “Ekaterinburg Electric Grid Company” (subsidiary of the Company located in Ekaterinburg city);
- Electricity Sales Segment: OJSC “Ekaterinburgenergosbyt”;
- Other Segments – other Group companies.

Segment items are based on financial information reported in statutory financial statements which may significantly differ from financial statements prepared in accordance with IFRS. Reconciliation of items measured as reported to Management Board with similar items in these Consolidated Interim Condensed Financial Statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Key segment items presented to and analysed by the Management Board are presented in the tables below.

**OJSC IDGC of Urals**

**Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2012**

*(in thousands of Russian Roubles, unless otherwise stated)*

Segment items for six months ended 30 June 2012 are presented below:

	Electricity transmission			Electricity sales		Other segments	<b>Total</b>
	Chelyabenergo	Permenergo	Sverdlovenegero	OJSC “Ekaterinburg Electric Grid Company”	OJSC “Ekaterinburgenergosbyt”	All other Group Companies	
Electricity transmission	7,146,079	6,626,060	11,670,490	1,737,553	-	-	<b>27,180,182</b>
Electricity sales	-	-	-	-	6,343,270	-	<b>6,343,270</b>
Connection services	60,029	491,144	50,917	45,941	-	-	<b>648,031</b>
Other services	32,160	44,701	116,440	11,528	-	1,038,200	<b>1,243,029</b>
<b>Total segment revenues, including</b>	<b>7,238,268</b>	<b>7,161,905</b>	<b>11,837,847</b>	<b>1,795,022</b>	<b>6,343,270</b>	<b>1,038,200</b>	<b>35,414,512</b>
<i>External revenues</i>	<i>7,222,468</i>	<i>7,147,851</i>	<i>9,696,814</i>	<i>54,776</i>	<i>5,936,397</i>	<i>72,496</i>	<i>30,130,802</i>
<i>Inter-segment revenue</i>	<i>15,800</i>	<i>14,054</i>	<i>2,141,033</i>	<i>1,740,246</i>	<i>406,873</i>	<i>965,704</i>	<i>5,283,710</i>
<b>Segment operating profit/(loss)</b>	<b>(61,438)</b>	<b>828,122</b>	<b>302,931</b>	<b>337,191</b>	<b>379,551</b>	<b>13,941</b>	<b>1,800,298</b>

Segment items as at 30 June 2012 are presented below:

	Electricity transmission			Electricity sales		Other segments	<b>Total</b>
	Chelyabenergo	Permenergo	Sverdlovenegero	OJSC “Ekaterinburg Electric Grid Company”	OJSC “Ekaterinburgenergosbyt”	All other Group Companies	
<b>Segment assets</b>	<b>12,240,058</b>	<b>15,714,095</b>	<b>15,370,269</b>	<b>10,643,560</b>	<b>1,092,215</b>	<b>549,141</b>	<b>55,609,338</b>
<i>Including property, plant and equipment</i>	<i>9,453,337</i>	<i>14,470,514</i>	<i>12,847,284</i>	<i>9,361,871</i>	<i>6,871</i>	<i>195,871</i>	<i>46,335,748</i>

**OJSC IDGC of Urals**

**Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2012**

*(in thousands of Russian Roubles, unless otherwise stated)*

Segment items for six months ended 30 June 2011 are presented below:

	Electricity transmission			Electricity sales		Other segments	Total
	Chelyabenergo	Permenergo	Sverdlovenergo	OJSC "Ekaterinburg Electric Grid Company"	OJSC "Ekaterinburgenergosbyt"	All other Group Companies	
Electricity transmission	6,808,472	7,121,363	12,881,704	2,109,063	-	-	<b>28,920,602</b>
Electricity sales	-	-	-	-	6,715,023	-	<b>6,715,023</b>
Connection services	112,026	496,876	35,745	73,120	-	-	<b>717,767</b>
Other services	17,728	34,343	50,004	23,763	-	927,306	<b>1,053,144</b>
<b>Total segment revenues, including</b>	<b>6,938,226</b>	<b>7,652,582</b>	<b>12,967,453</b>	<b>2,205,946</b>	<b>6,715,023</b>	<b>927,306</b>	<b>37,406,536</b>
<i>External revenues</i>	<i>6,938,213</i>	<i>7,652,554</i>	<i>10,490,818</i>	<i>94,621</i>	<i>6,326,050</i>	<i>55,378</i>	<i>31,557,634</i>
<i>Inter-segment revenue</i>	<i>13</i>	<i>28</i>	<i>2,476,635</i>	<i>2,111,325</i>	<i>388,973</i>	<i>871,928</i>	<i>5,848,902</i>
<b>Segment operating profit/(loss)</b>	<b>(8,561)</b>	<b>1,133,405</b>	<b>464,321</b>	<b>805,889</b>	<b>307,537</b>	<b>(8,466)</b>	<b>2,694,125</b>

Segment items as at 31 December 2011 are presented below:

	Electricity transmission			Electricity sales		Other segments	Total
	Chelyabenergo	Permenergo	Sverdlovenergo	OJSC "Ekaterinburg Electric Grid Company"	OJSC "Ekaterinburgenergosbyt"	All other Group Companies	
<b>Segment assets</b>	<b>11,819,533</b>	<b>15,249,223</b>	<b>16,624,929</b>	<b>10,822,725</b>	<b>1,217,572</b>	<b>589,431</b>	<b>56,323,413</b>
<i>Including property, plant and equipment</i>	<i>9,446,634</i>	<i>14,324,031</i>	<i>12,840,880</i>	<i>9,550,202</i>	<i>9,172</i>	<i>229,661</i>	<i>46,400,580</i>

**OJSC IDGC of Urals****Notes to the consolidated interim financial statements for six months ended 30 June 2012**

*(in thousands of Russian Roubles, unless otherwise stated)*

Reconciliation of reportable segment profit before income tax for the period measured as reported to Management Board with similar items in these Consolidated Interim Financial Statements is presented below.

	<b>Six months ended 30 June 2012</b>	<b>Six months ended 30 June 2011</b>
<b>Total segment profit before income tax</b>	<b>1,800,298</b>	<b>2,694,125</b>
Adjustment for accounts payable and provisions accrued	(1,588)	(455,946)
Adjustment for property, plant and equipment	(497,199)	(266,340)
Adjustment for impairment of accounts receivable	117,854	428,871
Accrual of bonuses and unused vacation provision	(18,976)	397,787
Share of profit of equity accounted investees	87,133	125,685
Adjustments for financial lease	(1,121)	97,736
Adjustment for employee benefits	(61,770)	8,921
Elimination of intersegment dividends	(192,526)	(36,232)
Head Office loss (unallocated)	(563,832)	(122,653)
Other adjustments	(22,657)	153,337
<b>Profit before income tax for the period per Statement of Comprehensive Income</b>	<b>645,616</b>	<b>3,025,291</b>

**Note 12. Capital commitments***Capital commitments*

As at 30 June 2011 the Group has outstanding commitments for the acquisition and construction of property, plant and equipment of RUR 4.7 billion (31 December 2011: RUR 3.2 billion).

**Note 13. Contingencies***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 generally available. The Group does not have full coverage for its stations, 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.

*Litigation*

During the current period the Group was involved in the number of court procedures (both as a plaintiff and as a defendant) arising in the originally course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operation, financial position or cash flows of the Group and which have not been accrued or disclosed in these consolidated interim condensed financial statements.

*Taxation*

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 interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities of the Russian Federation could take differing positions with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties that could be significant.

***Environmental matters***

The Group and its predecessors 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. The Group entities periodically evaluate their obligations under environmental regulations.

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

***Other contingencies***

Management 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 by the Group ("last-mile") 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.

**Note 14. Financial risk management**

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

**Note 15. Events after the reporting period**

In June 2012 the Company decided to issue bonds in the number of 3,000,000 with a nominal value of 1,000 rubles. In July 2011 the issue was included in the quotation list of CJSC "Stock exchange MICEX", the coupon rate is not currently defined.