JSC INTERREGIONAL DISTRIBUTION GRID COMPANY OF SOUTH
CONSOLIDATED INTERIM CONDENSED FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2013
(UNAUDITED)

Contents

JSC IDGC of South
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2013
(unaudited)
(in thousands of Russian Rubles, unless otherwise stated)

	Notes	For the six months ended 30 June 2013	2012
Revenue	7	11,808,718	12,259,962
Operating expenses	8	(11,193,374)	(10,305,952)
Other operating income		146,784	122,539
Results from operating activities		**762,128**	**2,076,549**
Finance income		28,893	13,785
Finance costs		(879,827)	(748,432)
Net finance costs		**(850,934)**	**(734,647)**
(Loss)/profit before income tax		(88,806)	1,341,902
Income tax expense		(100,639)	(245,635)
(Loss)/profit for the period		**(189,445)**	**1,096,267**
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		(3,620)	(15,302)
Income tax on items that are or may be reclassified subsequently to profit or loss		724	2,442
Total items that are or may be reclassified subsequently to profit or loss		**(2,896)**	**(12,860)**
Items that will never be reclassified to profit or loss:			
Remeasurements of the defined benefit pension plans		12,302	8,218
Income tax on items that will never be reclassified to profit or loss		(2,461)	(1,644)
Total items that will not be reclassified to profit or loss		**9,841**	**6,574**
Other comprehensive income/(loss) for the period, net of income tax		**6,945**	**(6,286)**
Total comprehensive (loss)/income for the period		**(182,500)**	**1,089,981**
Total comprehensive (loss)/income attributable to:			
Shareholders of the Company		(182,500)	1,089,981
(Loss)/earnings per share - basic and diluted (in Russian Rubles)	11	**(0.004)**	**0.022**

These consolidated interim condensed financial report was approved by management on 27 August 2013 and were signed on its behalf by:

Acting General Director O.P. Kiyok

Acting Chief Accountant M.V. Petrova

The Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 22.

(in thousands of Russian Rubles, unless otherwise stated)

	Notes	30 June 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	9	25,169,324	24,688,519
Intangible assets		501,169	534,141
Non-current accounts receivable and prepayments		291,272	348,401
Investments and financial assets		72,340	62,855
Deferred tax assets		232,789	7,294
Total non-current assets		**26,266,894**	**25,641,210**
Current assets			
Inventories		1,401,670	1,206,861
Income tax receivable		248,867	371,096
Current accounts receivable and prepayments		7,481,319	6,234,435
Cash and cash equivalents		2,023,480	1,749,396
Total current assets		**11,155,336**	**9,561,788**
TOTAL ASSETS		**37,422,230**	**35,202,998**
EQUITY			
Equity	10		
Share capital		4,981,110	4,981,110
Capital reserves		(220,796)	(227,741)
Retained earnings		(476,008)	(286,563)
Total equity		**4,284,306**	**4,466,806**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	16,378,778	16,500,000
Trade and other accounts payable		102,292	91,436
Employee benefits		228,533	504,655
Financial lease liabilities		-	7,334
Deferred tax liabilities		1,291	1,056
Total non-current liabilities		**16,710,894**	**17,104,481**
Current liabilities			
Loans and borrowings	12	6,782,512	5,808,565
Trade and other accounts payable		9,368,894	7,439,451
Financial lease liabilities		2,378	6,652
Provisions	13	273,246	376,927
Deferred tax liabilities		-	116
Total current liabilities		**16,427,030**	**13,631,711**
TOTAL LIABILITIES		**33,137,924**	**30,736,192**
TOTAL EQUITY AND LIABILITIES		**37,422,230**	**35,202,998**

The Consolidated Interim Condensed Statement of Financial Position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 22.

(in thousands of Russian Rubles, unless otherwise stated)

	For the six months ended 30 June	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/profit before income tax	(88,806)	1,341,902
Adjustments for:		
Depreciation and amortization	1,326,528	1,299,967
Reversal of impairment of trade and other receivables	(31,915)	(746,641)
Net finance costs	850,934	734,647
(Reversal)/accrual of provisions for legal claims	(19,203)	570,191
Loss/(gain) on disposal of property, plant and equipment	17,287	(3,099)
Other non-cash items	(203)	1,648
Operating profit before changes in working capital	**2,054,622**	**3,198,615**
Change in accounts receivable and prepayments	(1,126,204)	(2,351,556)
Change in finance assets related to employee benefits fund	(10,991)	959
Change in inventories	(242,763)	(194,012)
Change in trade and other accounts payable	2,443,885	956,536
Change in provisions	(84,478)	(12,725)
Change in employee benefits	(271,924)	17,916
Cash flows from operations before income tax paid	**2,762,147**	**1,615,733**
Income tax paid	(237,481)	(567,975)
Net cash flows from operating activities	**2,524,666**	**1,047,758**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(1,294,153)	(1,752,110)
Acquisition of intangible assets	(8,841)	(18,407)
Proceeds from sale of property, plant and equipment	3,908	2,560
Interest received	26,776	13,106
Net cash flows used in investing activities	**(1,272,310)**	**(1,754,851)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans and borrowings	3,631,078	454,500
Repayment of loans and borrowings	(3,748,871)	(433)
Interest paid	(848,870)	(672,422)
Repayment of finance lease liabilities	(11,609)	(15,337)
Net cash flows used in financing activities	**(978,272)**	**(233,692)**
Net increase/(decrease) in cash and cash equivalents	**274,084**	**(940,785)**
Cash and cash equivalents at the beginning of the period	**1,749,396**	**1,421,286**
Cash and cash equivalents at the end of the period	**2,023,480**	**480,501**

The Consolidated Interim Condensed Statement of Cash Flows for is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 22.

(in thousands of Russian Rubles, unless otherwise stated)

	Attributable to shareholders of the Company			
	Share capital	**Capital reserves**	**Retained earnings**	**Total equity**
Balance at 1 January 2012, as previously reported	**4,981,110**	**17,369**	**(1,400,000)**	**3,598,479**
Impact of change in accounting policy	-	(51,165)	(163,387)	(214,552)
Balance at 1 January 2012 (restated)	**4,981,110**	**(33,796)**	**(1,563,387)**	**3,383,927**
Profit for the period	-	-	1,096,267	1,096,267
Net change in fair value of available-for-sale financial assets	-	(15,302)	-	(15,302)
Remeasurements of the defined benefit pension plans	-	8,218	-	8,218
Income tax on other comprehensive income	-	798	-	798
Total comprehensive income for the period	-	**(6,286)**	**1,096,267**	**1,089,981**
Balance at 30 June 2012	**4,981,110**	**(40,082)**	**(467,120)**	**4,473,908**
Balance at 1 January 2013	**4,981,110**	**5,196**	**(408,586)**	**4,577,720**
Impact of change in accounting policy	-	(232,937)	122,023	(110,914)
Balance at 1 January 2013 (restated)	**4,981,110**	**(227,741)**	**(286,563)**	**4,466,806**
Loss for the period	-	-	(189,445)	(189,445)
Net change in fair value of available-for-sale financial assets	-	(3,620)	-	(3,620)
Remeasurements of the defined benefit pension plans	-	12,302	-	12,302
Income tax on other comprehensive income	-	(1,737)	-	(1,737)
Total comprehensive income for the period	-	**6,945**	**(189,445)**	**(182,500)**
Balance at 30 June 2013	**4,981,110**	**(220,796)**	**(476,008)**	**4,284,306**

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 financial statements set out on pages 7 to 22.

1. THE GROUP AND ITS OPERATIONS

Background

Joint Stock Company "Interregional Distribution Grid Company of South" (hereinafter referred to as the "Company"or JSC "IDGC of South") was set up on 28 June 2007 on the basis of Resolution no. 192 of the Russian Open Joint-Stock Company RAO "United Energy Systems of Russia" (hereafter, "RAO UES") dated 22 June 2007.

The Company's registered office is located at 49, Bolshaya Sadovaya Str., Rostov-na-Donu, Russia, 344002.

The Company's postal address is 327, Severnaya Str., Krasnodar, Russia, 350015.

As part of the reform process, a merger of the Company with the entities listed below was effected on 31 March 2008 in accordance with the Resolution no. 266 of the Board of Directors of RAO UES dated 30 November 2007 and Resolution no. 1795pr/9 of the Board of Administration of RAO UES dated 25 December 2007: OJSC "Astrakhanenergo", OJSC "Kalmenergo", OJSC "Rostovenergo", OJSC "Volgogradenergo". The merger was effected through conversion of shares issued by the Company in exchange for shares in the merged entities. As a result of the merger, the above-mentioned entities ceased to exist as separate legal entities and the Company became their legal successor.

The subsidiaries of the Company are disclosed in Note 5.

The Company's and its subsidiaries' (together referred to as the "Group") principal activity is the transmission of electricity and the connection of customers to the electricity grids. The Group's business is a national monopoly which is under the pressure and support of the Russian government. The Government of the Russian Federation influences the Group's operations through setting transmission tariffs. The Group's tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commissions.

On 1 July 2008 RAO UES ceased to exist as a separate legal entity and transferred the shares in the Company to JSC Interregional Distribution Grid Company Holding (hereinafter – JSC "IDGC Holding"), a newly formed state-controlled entity.

In order to further the development of the Russian electric grid sector and coordinate work on its management, Russian President signed on 22 November 2012, Decree No. 1567 "On Joint Stock Company "Russian Grids"". Pursuant to the Decree, in accordance with the decision adopted by the Extraordinary General Meeting of Shareholders of IDGC Holding on 23 March 2013, JSC "Interregional Distribution Grid Companies Holding" (also known as IDGC Holding or MRSK Holding) has been formally renamed Joint Stock Company "Russian Grids" (hereinafter – JSC Russian Grids).

As at 30 June 2013, the Government of the Russian Federation owned 86.99% of the voting shares and 7.01% of the preference shares of JSC "Russian Grids" (31 December 2012: 56.58% of the voting ordinary shares and 7.01% of the preference shares), which in turn owned 51.66% of the Company (31 December 2012: 51.66%).

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 have 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 as at and for the year ended 31 December 2012.

Basis of measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except for available-for-sale investments that are stated at fair value; and property, plant and equipment that are measured at carrying amounts included in the consolidated IFRS financial statements of JSC "IDGC Holding" (JSC "Russian Grids") as considered as deemed cost as part of adoption of IFRSs as at 1 January 2010.

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company'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.

Going concern

These consolidated interim condensed financial statements have been prepared on a going concern basis.

As at 30 June 2013 the Group had a net working capital deficit of RUB 5,271,692 thousand (as at 31 December 2012: RUB 4,069,923 thousand) primarily attributable to trade and other payables and current loans and borrowings.

The Group monitors the level of liquidity on a regular basis. Management monitors maturities of the estimated cash flows from operating and financing activities and manages current liquidity using open credit lines. As at 30 June 2013 the Group had no unused credit lines. In the second half of 2013 the Group plans to obtain long term bank loans amounted to RUB 1,700,000 thousand. On 1 July 2013 the promissory note issued by JSC "Federal Grid Company" in the amount of RUB 1,210,477 thousand was paid.

In order to increase the efficiency of working capital management the Group is focused on an increased collection of trade receivables, including reducing doubtful receivables. The Group approved a plan of measures to reduce outstanding receivables for electricity transmission and for the settlement of disputes with customers. The issues regarding collection of receivables are considered by the Management Board on a quarterly basis.

Management anticipates that any repayments of loans and borrowings and settlement of trade and other payables required will be met out of operating or financing cash flows. Therefore, management believes that there is no significant uncertainty regarding Group's ability to continue as going concern.

Use of estimates and judgement

The preparation of consolidated interim condensed 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 these estimates.

In preparing the consolidated interim condensed financial statements management's professional judgments generated in the course of application of accounting policy of the Group, as well as the key sources of estimation uncertainty remained the same as those applied to the consolidated financial statements 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 of amendments to application of the new Standards and Interpretation that are 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 the financial statements for the previous reporting periods. These standards and amendments include IAS 19 (2011) *Employee Benefits*, IFRS 10 *Consolidated financial statements*, IFRS 13 *Fair Value Measurement* and amendments to *IAS 1 Presentation of Financial Statements.* As required by IAS 34 the nature and effect of these changes are disclosed below. In addition, application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

(in thousands of Russian Roubles, unless otherwise stated)

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. However, use of other titles is permitted.

IAS 19 (2011) *Employee Benefits*

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

- 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:

	1 January 2012 (previously reported)	Effect of changes in accounting policies	1 January 2012 (restated)
Employee benefits obligations	764,851	350,975	1,115,826
Deferred tax obligations related to employee benefits	(86,741)	136,424	(223,165)
Total employee benefits obligations	**678,110**	**487,399**	**892,661**
Capital reserves	-	(51,165)	(51,165)
Retained earnings	(678,110)	(163,387)	(841,497)
Total capital related to employee benefits	**(678,110)**	**(214,552)**	**(892,662)**

(in thousands of Russian Roubles, unless otherwise stated)

	31 December 2012 (previously reported)	Effect of changes in accounting policies	31 December 2012 (restated)
Employee benefits obligations	316,002	188,653	504,655
Deferred tax obligations related to employee benefits	(23,193)	(77,738)	(100,931)
Total employee benefits obligations	**292,809**	**110,915**	**403,724**
Capital reserves	-	(232,937)	(232,937)
Retained earnings	(292,809)	122,023	(170,786)
Total capital related to employee benefits	**(292,809)**	**(110,914)**	**(403,723)**

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

	Six month ended 30 June 2012 (previously reported)	Effect of changes in accounting policies	Six month ended 30 June 2012 (restated)
Revenue	12,259,962	-	12,259,962
Operating expenses	(10,382,385)	76,433	(10,305,952)
Operating profit	**1,877,577**	**76,433**	**1,954,010**
Financial expense	(700,225)	(48,207)	(748,432)
Profit before income tax	**1,177,352**	**28,226**	**1,205,578**
Income tax expense	(241,718)	(3,917)	(245,635)
Total profit for the period	**935,634**	**24,309**	**959,943**
Remeasurements of the defined benefit pension plans	-	8,218	8,218
Income tax from other comprehensive income	-	(1,644)	(1,644)
Total other comprehensive loss for the period	-	**6,574**	**6,574**
Total comprehensive income for the period	-	**30,883**	**966,517**

The application of the revised standard had the following impact on the financial result of the Group for the six months ended 30 June 2013:

	Six month ended 30 June 2013
Revenue	-
Operating expenses	111 238
Operating profit	**111 238**
Financial expense	(8 104)
Profit before income tax	**103 134**
Income tax expense	(22 248)
Total profit for the period	**80 886**
Remeasurements of the defined benefit pension plans	12 302
Income tax from other comprehensive income	(2 461)
Total other comprehensive income for the period	**9 841**
Total comprehensive income for the period	**90 727**

(in thousands of Russian Roubles, unless otherwise stated)

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;
- 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. The Group has presented those disclosures in Note 15.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting measures and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

In preparing these consolidated interim condensed financial statements, the methods for determination of fair values were the same as those applied to the consolidated financial statements for the year ended 31 December 2012.

5. GROUP SUBSIDIARIES

The Group's consolidated interim condensed financial statements as at 30 June 2013 and as at 31 December 2012 include the Company and its subsidiaries:

		Ownership, %	
Subsidiary	**Principal activity**	**30 June 2013**	**31 December 2012**
OJSC "Volgogradsetremont"	Repair service	100	100
OJSC "Predpriyatie selskogo khozyaystva im. A.A. Grechko"	Agriculture	100	100
OJSC "Predpriyatie selskogo khozyaystva "Sokolovskoye"	Agriculture	100	100
OJSC "Baza Otdykha "Energetik"	Recreation	100	100
OJSC "Energoservis Yuga"	Repair service	100	100

6. OPERATING SEGMENTS

The Group has four reportable segments representing branches of the Company, as described below. These are the Group's strategic business units. The strategic business units offer similar services representing transmission of electric power and connection services, and are managed separately. For each of the strategic business units, the Management Board, the Group's operating decision making body, reviews internal management reports.

"Others" include operations of the Group's subsidiaries and the Kubanenergo. None of them meets any of the quantitative thresholds for determining reportable segments in the periods ended 30 June 2013 or 30 June 2012.

Unallocated items comprise corporate balances of the Company's headquarters which do not constitute an operating segment under IFRS 8.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax and amortization (EBITDA), as included in the internal management reports that are reviewed by the Management Board.

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

(in thousands of Russian Roubles, unless otherwise stated)

Key performance indicators of the segments reported and reviewed by the Management Board are presented below.

Information about reportable segments as at and for the period ended 30 June 2013 is as follows:

	Transmission					
	Astrakhanenergo	**Volgogradenergo**	**Kalmenergo**	**Rostovenergo**	**Other segments**	**Total**
The reportable segment revenue						
Electricity transmission	1,742,321	4,279,829	300,778	5,793,946	-	**12,116,874**
Connection services	51,465	10,572	1,058	121,887	-	**184,982**
Other revenue	9,000	11,771	6,459	16,197	14,629	**58,056**
Inter-segment revenue	-	334	-	56	-	**390**
Total reportable segment revenue	1,802,786	4,302,506	308,295	5,932,086	14,629	**12,360,302**
Reportable segment profit/(loss) before income tax	**(17,431)**	**379,818**	**(220,903)**	**(338,662)**	**(18,131)**	**(215,309)**

Information about reportable segments as at and for the period ended 30 June 2012 is as follows:

	Transmission					
	Astrakhanenergo	**Volgogradenergo**	**Kalmenergo**	**Rostovenergo**	**Other segments**	**Total**
The reportable segment revenue						
Electricity transmission	1,701,958	3,939,413	278,712	5,776,603	-	11,696,686
Connection services	97,520	9,354	286,215	81,537	-	474,626
Other revenue	10,634	12,475	6,320	21,411	18,436	69,276
Inter-segment revenue	-	334	-	56	15,281	15,671
Total reportable segment revenue	**1,810,112**	**3,961,576**	**571,247**	**5,879,607**	**33,717**	**12,256,259**
Reportable segment profit/(loss) before income tax	**141,940**	**513,852**	**118,993**	**493,062**	**(5,300)**	**1,262,547**

(in thousands of Russian Roubles, unless otherwise stated)

Information about the reportable segments assets as at 30 June 2013 is presented below:

	Transmission					
	Astrakhanenergo	Volgogradenergo	Kalmenergo	Rostovenergo	Other segments	Total
Total reportable segments assets	5,837,731	13,372,293	3,654,878	19,641,409	413,027	42,919,338
Including property, plant and equipment	4,981,215	6,927,334	2,505,841	16,949,029	314,709	31,678,128

Information about the reportable segments assets as at 31 December 2012 is presented below:

	Transmission					
	Astrakhanenergo	Volgogradenergo	Kalmenergo	Rostovenergo	Other segments	Total
Total reportable segments assets	5,530,473	12,929,785	3,370,403	18,527,998	420,617	40,779,276
Including property, plant and equipment	4,644,508	6,963,697	2,499,019	16,856,496	324,005	31,287,725

(in thousands of Russian Roubles, unless otherwise stated)

The reconciliations of total (loss)/profit before income tax for reportable segments measured as reported to the Management Board with similar items in these Consolidated Interim Condensed Financial Statements are presented in the tables below.

	Six month ended 30 June 2013	Six month ended 30 June 2012
Total (loss)/profit before income tax for reportable segments	**(215,309)**	**1,262,547**
Adjustment for property, plant and equipment	73,130	32,343
Adjustments for financial lease	32,849	37,257
Adjustment for allowance for impairment of accounts receivable	373,288	867,581
Recognition of employee benefits	276,924	(67,083)
Adjustment for accrual of provision for legal claims	(1,062,763)	(548,638)
Adjustment on revenue from electricity transmission	(362,827)	-
Discounting of financial instruments	(116)	465
Accrued salaries and wages	99,863	167,439
Adjustment for accrual of provision for inventory	-	(2,153)
Adjustments for deferred expenses	10,208	31,555
Other adjustments	(18,912)	(1,424)
Unallocated	704,859	(437,987)
(Loss)/profit before income tax per Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income	**(88,806)**	**1,341,902**

The Group performs most of its activities in the Russian Federation and does not have any significant revenues from foreign customers or any significant non-current assets located in foreign countries.

Significant customers of the Group are entities controlled by the Government of the Russian Federation. The amounts of revenues from such entities are disclosed in Note 18. Revenues from companies under government control are reported by all segments of the Group.

For the six months ended 30 June 2013 the Group had three major customers - distribution companies in three regions of the Russian Federation with individual turnover over 10% of the total Group revenues. Revenues from such customers are reported by transmission segments operating in the regions where these distribution companies are located in: Astrakhan, Volgograd and Rostov. The total amounts of revenues for these major customers for the six months ended 30 June 2013 were RUB 1,369,626 thousand (Astrakhanenergo), RUB 1,326,894 thousand (Volgogradenergo) and RUB 3,891,833 thousand (Rostovenergo) (for the six months ended 30 June 2012: RUB 1,429,075 thousand), RUB 1,667,251 thousand (Volgogradenergo) and RUB 3,835,938 thousand (Rostovenergo)).

7. REVENUE

During the six months ended 30 June 2013 total revenue amounted to RUB 11,808,718 thousand (six months ended 30 June 2012: RUB 12,259,962 thousand) and includes revenue from electricity distribution services in the amount of RUB 11,573,300 thousand (six months ended 30 June 2012: RUB 11,707,945 thousand) and revenue from technological connection services in the amount of RUB 171,627 thousand (six months ended 30 June 2012: RUB 474,626 thousand).

8. OPERATING EXPENSES

During the six months ended 30 June 2013 operating expenses amounted to RUB 11,193,374 thousand (six months ended 30 June 2012: RUB 10,305,952 thousand) and included electricity transmission expenses in the amount of RUB 3,766,752 thousand (six months ended 30 June 2012: RUB 3,287,173 thousand), cost of purchased electricity for compensation of technological losses in the amount of RUB 2,542,513 thousand (six months ended 30 June 2012: RUB 2,165,926 thousand), personnel costs in the amount of RUB 2,370,044 thousand (six months ended 30 June 2012: RUB 2,541,001 thousand), depreciation and amortisation expenses in the amount of RUB 1,326,528 thousand (six months ended 30 June 2012: RUB 1,299,967 thousand) and reversal of allowance for impairment of trade and other receivables in the amount of RUB (31,915) thousand (six months ended 30 June 2012: RUB (746,641) thousand).

(in thousands of Russian Roubles, unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT

	Production buildings	Transmission network	Equipment for electricity transmission	Other	Construction in progress	Total
Cost/Deemed costs						
Balance as at 1 January 2012	**2,814,065**	**14,223,673**	**8,208,580**	**3,825,916**	**3,516,716**	**32,588,950**
Additions	29,158	30,436	11,298	64,813	1,166,511	1,302,216
Transfers	53,655	176,073	90,935	189,460	(510,123)	-
Disposals	(961)	(749)	(1,174)	(14,671)	(14)	(17,569)
Balance as at 30 June 2012	**2,895,917**	**14,429,433**	**8,309,639**	**4,065,518**	**4,173,090**	**33,873,597**
Depreciation						
Balance as at 1 January 2012	**(643,169)**	**(5,316,234)**	**(2,617,151)**	**(1,550,850)**	**(117,068)**	**(10,244,472)**
Charge for the year	(74,690)	(589,956)	(342,691)	(249,294)	-	(1,256,631)
Disposals	382	695	932	8,595	-	10,604
Balance as at 30 June 2012	**(717,477)**	**(5,905,495)**	**(2,958,910)**	**(1,791,549)**	**(117,068)**	**(11,490,499)**
Carrying amounts						
At 1 January 2012	**2,170,896**	**8,907,439**	**5,591,429**	**2,275,066**	**3,399,648**	**22,344,478**
At 30 June 2012	**2,178,440**	**8,523,938**	**5,350,729**	**2,273,969**	**4,056,022**	**22,383,098**
Cost/Deemed costs						
Balance as at 1 January 2013	3,356,929	15,237,792	9,325,941	4,646,477	4,914,036	**37,481,175**
Additions	39,630	7,760	20,520	94,241	1,627,522	**1,789,673**
Transfers	206,783	618,900	527,956	297,948	(1,651,587)	-
Disposals	3,444	(41,465)	(4,442)	(22,894)	(2,831)	**(68,188)**
Balance as at 30 June 2013	**3,606,786**	**15,822,987**	**9,869,975**	**5,015,772**	**4,887,140**	39,202,660
Depreciation						
Balance as at 1 January 2013	(794,807)	(6,486,056)	(3,311,663)	(2,034,215)	(165,915)	**(12,792,656)**
Charge for the year	(90,127)	(538,738)	(372,205)	(283,645)	-	**(1,284,715)**
Impairment transfer	(2,936)	(17,349)	(10,471)	(48)	30,804	-
Disposals	(3,444)	22,884	3,471	21,124	-	**44,035**
Balance as at 30 June 2013	**(891,314)**	**(7,019,259)**	**(3,690,868)**	**(2,296,784)**	**(135,111)**	**(14,033,336)**
Carrying amounts						
At 1 January 2013	**2,562,122**	**8,751,736**	**6,014,278**	**2,612,262**	**4,748,121**	**24,688,519**
At 30 June 2013	**2,715,472**	**8,803,728**	**6,179,107**	**2,718,988**	**4,752,029**	**25,169,324**

(in thousands of Russian Roubles, unless otherwise stated)

10. EQUITY

Share capital

As at 30 June 2013 authorised and fully paid issued share capital comprised 49,811,096,064 ordinary shares (as at 30 June 2012: 49,811,096,064) of which all ordinary shares were issued and fully paid. All shares have a par value of RUB 0.1.

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 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.

As at 30 June 2013 and up to the date of approval of the consolidated financial statements the Group declared no dividends for 2012.

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.

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings per share based on the profit for the period and a 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.

	Six months ended 30 June 2013	Six months ended 30 June 2012
Weighted average number of ordinary shares (thousand of shares)	49,811,096	49,811,096
(Loss)/profit attributable to the shareholders of the Company (thousand of shares)	(189,445)	1,096,267
(Loss)/earnings per share - basic and diluted (in RUB)	**(0.004)**	**0.022**

12. LOANS AND BORROWINGS

	30 June 2013	31 December 2012
Non-current debt		
Unsecured bank loans	14,571,100	14,342,322
Unsecured bonds issued	4,557,678	4,557,678
Promissory notes	3,035,900	3,035,900
	22,164,678	**21,935,900**
Less current portion of non-current debt	(5,785,900)	(5,435,900)
	16,378,778	**16,500,000**
Current debt and current portion of non-current debt		
Unsecured bank loans	507,330	2,548
Interest on unsecured bonds issued	125,430	126,442
Interest on promissory notes	363,852	243,675
Current portion of non-current debt	5,785,900	5,435,900
	6,782,512	**5,808,565**

(in thousands of Russian Roubles, unless otherwise stated)

For the six months ended 30 June 2013 the Group raised and repaid the following significant loans and borrowings:

- The Group raised bank loans* in the total amount of RUB 3,631,078 thousand: RUB 828,778 thousand at interest rate of 11.20% and RUB 2,802,300 thousand at interest rate 9.77%. The loans are to be repaid in 2016.
- The Group repaid bank loans in the total amount of RUB 2,902,300 thousand, including RUB 1,002,300 thousand from related parties.

*- Loans from related parties

13. PROVISIONS

	Six months ended 30 June 2013	Six months ended 30 June 2012
Balance at the beginning of the period	376,927	964,318
Provisions raised during the period	-	596,969
Provisions used during the period	(19,203)	(12,725)
Provisions reversed during the period	(84,478)	(26,778)
Balance at the end of the period	**273,246**	**1,521,784**

Provisions relate to the legal proceedings against the Group and unsettled disagreements with distribution companies regarding purchased electricity for compensation of technological losses.

14. FINANCIAL RISK MANAGEMENT

During the period the Company had exposure to the same financial risks as those which existed as at and during the year ended 31 December 2012, and applied the same approach to financial risk management as during the year ended 31 December 2012.

15. FINANCIAL INSTRUMENTS

Fair value hierarchy

The fair value of financial assets and liabilities is classified as follows:

- the fair value of identical financial assets and liabilities traded on an active liquid market is measured on market quotations;
- the fair value of the other financial assets and liabilities (except derivatives) is measured in accordance with generally accepted pricing models based on discounted cash flows analysis, using prices applied in observable current market transactions.

In the table below financial instruments measured at the fair value are presented by level within which the fair value measurement is categorized. The levels of fair value measurement are determined as following:

- Level 1: quoted prices (unadjusted) in an active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability directly (i.e. prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability are not based on observable data (unobservable inputs).

	30 June 2013	31 December 2012
Level 1	5,263	8,883
Level 2	-	-
Level 3	-	-
	5,263	**8,883**

Financial instruments measured at the fair value are recognised as available-for-sale investments.

Fair value

Management of the Group believes that the fair value of the other financial assets and financial liabilities is approximates their carrying amount.

16. CAPITAL COMMITMENTS

As at 30 June 2013 the Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 1,871,553 thousand, net of VAT (as at 31 December 2012: RUB 2,443,657 thousand).

17. 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

The Group was involved in the number of court procedures arising in the 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 financial statements.

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 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 financial statements, if the authorities were successful in enforcing their interpretations 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.

Guarantees

As at 30 June 2013 and 31 December 2012 the Group did not issue financial guarantees.

(in thousands of Russian Roubles, unless otherwise stated)

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") the Company was the subject of a lawsuit for RUB 2,322,627 thousand concerning the legitimacy of the revenue recognition from the transmission of electricity via "last-mile" grids of 2009 and 2010.

The potential amount of other claims cannot be reliably estimated as each claim would have individual legal circumstances and respective estimation would be based on variety of assumptions and judgements, which makes it impracticable.

The Group did not recognize any provision for those claims as it believes that it is not probable that related outflow of resources or decrease of benefits inflow will take place.

This position was also supported by the decision of the Supreme Arbitration Court of Russian Federation as at 12 March 2013 in a similar case of JSC IDGC of Urals.

18. RELATED PARTIES TRANSACTIONS

Control relationships

The Company's parent as at 30 June 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.

Transactions with related parties

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 Russian Government directly affects the Group's operations through the system of regional tariffs. In accordance with legislation the Group's tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commission in each region. The Group has a different tariff for each region of the Russian Federation. Within each region the tariff is the same, regardless of whether the customer is a state entity or not.

The Group's related party transactions are disclosed below:

Revenue

	Transaction value for the six months ended 30 June		Outstanding balance	
	2013	**2012**	**30 June 2013**	**31 December 2012**
Parent company				
Managing services	-	-	-	32
Entities under common control of the parent				
Revenue from electricity transmission	172,200	160,683	24,548	26,628
Rent	12,898	12,555	36,128	23,297
Revenue from technological connection services	-	-	174	174
Revenue from other services	174	174	62,435	56,816
	185,272	**173,412**	**123,285**	**106,947**

(in thousands of Russian Roubles, unless otherwise stated)

Expenses

	Transaction value for the six months ended 30 June		Outstanding balance	
	2013	2012	30 June 2013	31 December 2012
Parent company				
Managing services	55,457	79,442	-	18,748
Entities under common control of the parent				
Electricity transmission	2,809,964	2,556,263	2,355,840	1,061,048
Technological connection services	120,176	119,510	3,086,852	2,966,675
Purchased electricity for compensation of losses	62,358	73,301	-	-
Rent	1,411	2,269	-	-
Other expenses	8,900	11,009	7,467	13,601
	3,058,266	**2,841,794**	**5,450,159**	**4,060,072**

Prepayments given

	Transaction value for the six month ended 30 June		Outstanding balance	
	2013	2012	30 June 2013	31 December 2012
Parent company				
Managing services	39,264	-	5,235	-
Entities under common control of the parent				
Technological connection services	4,426	303,182	47,188	48,155
Other	-	-	1,941	12,621
	43,690	**303,182**	**54,364**	**60,776**

Transactions with government-related entities

In the course of its operating activities the Group is also 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 2013 constitute 7% (for the six months ended 31 December 2012: 5%) of the total Group revenues including 7% (for the six months ended 30 June 2012: 5%) of electricity transmission revenues.

Electricity transmission costs from government-related entities for the six months ended 30 June 2013 constitute 1% (for the six months ended 30 June 2012: 2%) of the total transmission costs.

Information of loans from government-related entities is disclosed in Note 12.

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

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

	Six months ended 30 June 2013		Six months ended 30 June 2012	
	Board of Directors	Key Management Personnel	Board of Directors	Key Management Personnel
Salaries and bonuses	8,667	13,988	15,915	43,782

19. SUBSEQUENT EVENTS AFTER THE REPORTING DATE

There were no significant events during the period from the reporting date till the date of approval of this consolidated interim condensed financial report.