

**OJSC INTERREGIONAL DISTRIBUTION GRID COMPANY OF URALS
CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2014
(UNAUDITED)**

OJSC IDGC of Urals

Contents	Page
Consolidated Interim Condensed Statement of Comprehensive Income	3
Consolidated Interim Condensed Statement of Financial Position	4
Consolidated Interim Condensed Statement of Cash Flows	5
Consolidated Interim Condensed Statement of Changes in Equity	6-7
Notes to the Consolidated Interim Condensed Financial Statements	8 – 22

OJSC IDGC of Urals
Consolidated Interim Condensed Statement of Comprehensive Income
for six months ended 30 June 2014
(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Notes	Six months ended 30 June 2014	Six months ended 30 June 2013 (as restated)
Revenue	5	34,650,425	30,391,600
Operating expenses	6	(34,103,063)	(30,209,680)
Other operating income		781,002	449,581
Result from operating activities		1,328,364	631,501
Financial income		106,866	129,640
Financial expenses		(517,624)	(458,492)
Profit before income tax		917,606	302,649
Income tax		(235,329)	(159,565)
Profit for the period		682,277	143,084
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		111,503	(290,785)
Income tax on items that are or may be reclassified subsequently to profit or loss		(16,892)	58,157
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>94,611</i>	<i>(232,628)</i>
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurements of the defined benefit liability (asset)		75,941	(20,402)
Income tax on items that will never be reclassified to profit or loss		(12,865)	4,080
<i>Total items that will not be reclassified to profit or loss</i>		<i>63,076</i>	<i>(16,322)</i>
Total other comprehensive income for the period		157,687	(248,950)
Total comprehensive income for the period		839,964	(105,866)
Profit/(loss) for the period attributable to:			
Owners of the Company		640,979	155,222
Non-controlling interest		41,298	(12,138)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		798,666	(93,728)
Non-controlling interest		41,298	(12,138)
Earnings per share			
Earnings per share - basic and diluted (in RUB)	8	0.0073	0.0018

These consolidated interim condensed financial statements were approved by management on 28 August 2014 and were signed on its behalf by:

Acting General Director

Lebedev Y.V.

Chief Accountant

Abrosimova O.M.

OJSC IDGC of Urals
Consolidated Interim Condensed Statement of Cash Flows for six months ended 30 June 2014
(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Six months ended 30 June 2014	Six months ended 30 June 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	917,606	302,649
Adjustments:		
Depreciation and amortization	2,914,742	2,720,773
Net impairment losses	1,162,031	23,301
Net finance expenses	410,758	328,852
Loss on disposal of property, plant and equipment	18,773	(39,689)
Adjustment for other non-cash transactions	(29)	26,554
Operating profit before working capital changes and income tax paid	5,423,881	3,362,440
Change in trade and other receivables and prepayments	(379,683)	(301,079)
Change in inventories	(279,038)	(295,113)
Change in trade and other payables	(477,942)	(642,932)
Change in taxes payable other than income	474,930	193,593
Cash flows from operations before income tax paid	4,762,148	2,316,909
Interest received	77,625	71,132
Income tax paid	(217,299)	(366,994)
Cash flows from operating activities	4,622,474	2,021,047
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(2,747,594)	(3,187,831)
Acquisition of intangible assets	-	(50,129)
Proceeds from disposal of property, plant and equipment	15,054	230,010
Proceeds from repayment of loans issued	5,170	21,843
Loans issued	-	(5,951)
Disposal of share in subsidiary	-	10
Dividends received	-	39,441
Cash flows used in investing activities	(2,727,370)	(2,952,607)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans and borrowings	1,434,489	4,300,350
Repayment of loans and borrowings	(1,665,119)	(2,979,294)
Repayment of finance lease liabilities	(10,928)	(34,942)
Interest paid	(562,002)	(422,467)
Dividends paid	(8,279)	(1,432)
Cash flows from/(used in) financing activities	(811,839)	862,215
Net increase in cash and cash equivalents	1,083,265	(69,345)
Cash and cash equivalents at the beginning of the period	1,992,380	2,593,982
Cash and cash equivalents at the end of the period	3,075,645	2,524,637

OJSC IDGC of Urals
Consolidated Interim Condensed Statement of Changes in Equity for six months ended 30 June 2014
(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Total equity attributable to shareholders of the Company						
	Share capital	Available- for-sale investments revaluation reserve	Remeasurement of defined benefit pension plans	Retained earnings	Total equity	Non-controlling interest	Total equity
At 1 January 2013	8,743,049	(10,429)	(609,627)	32,738,271	40,861,264	791,293	41,652,557
Profit for the period	-	-	-	155,222	155,222	(12,138)	143,084
Net change in fair value of available-for-sale financial assets	-	(290,785)	-	-	(290,785)	-	(290,785)
Revaluation of net liabilities (assets) for defined benefit obligations	-	-	(20,402)	-	(20,402)	-	(20,402)
Income tax on other comprehensive income	-	58,157	4,080	-	62,237	-	62,237
Total comprehensive income for the period	-	(243,057)	(625,949)	155,222	(93,728)	(12,138)	(105,866)
Transactions with owners, recognized directly in equity							
Dividends to shareholders	-	-	-	(156,501)	(156,501)	(23,822)	(180,323)
Total transactions with owners	-	-	-	(156,501)	(156,501)	(23,822)	(180,323)
At 30 June 2013	8,743,049	(243,057)	(625,949)	32,736,992	40,611,035	755,333	41,366,368

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 8 to 22.

OJSC IDGC of Urals
Consolidated Interim Condensed Statement of Changes in Equity for six months ended 30 June 2014
(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Total equity attributable to shareholders of the Company						
	Share capital	Available- for-sale investments revaluation reserve	Remeasurement of defined benefit pension plans	Retained earnings	Total equity	Non-controlling interest	Total equity Reserves
At 1 January 2014	8,743,049	(15,526)	(1,000,496)	31,410,740	39,137,767	826,312	39,964,079
Profit for the period	-	-	-	640,979	640,979	41,298	682,277
Net change in fair value of available-for-sale financial assets	-	111,503	-	-	111,503	-	111,503
Revaluation of net liabilities (assets) for defined benefit obligations	-	-	75,941	-	75,941	-	75,941
Income tax on other comprehensive income	-	(16,892)	(12,865)	-	(29,757)	-	(29,757)
Total comprehensive income for the period	-	94,611	63,076	640,979	798,666	41,298	839,964
Transactions with owners, recorded directly in equity							
Dividends to shareholders	-	-	-	(89,179)	(89,179)	(8 279)	(97,458)
Total transactions with owners	-	-	-	(89,179)	(89,179)	(8 279)	(97,458)
At 30 June 2014	8,743,049	79,085	(937,420)	31,962,540	39,847,254	859,331	40,706,585

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 8 to 22.

OJSC IDGC of Urals

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

(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 2014	31 December 2013
	% owned	% owned
Subsidiaries		
OJSC “Ekaterinburg Electric Grid Company”	91,04	91,04
LLC “Elektroservisnaya kompaniya”	54,62	54,62
OJSC “Ekaterinburgenergosbyt”	91,04	91,04
LLC “Uralenergotrans”/ OJSC “Permenergotrans”	100,00	100,00
Non-Government Private Educational Institution “Uchebny Centre OJSC IDGS of Urals”	100,00	100,00
OJSC “Energoservisnaya kompaniya Urala”	100,00	100,00

As at 30 June 2014 the Russian Government owned 86.32% of the voting ordinary shares and 7.01% of the preference shares of OJSC “Rugrids” (31 December 2013: 86.32% of the voting ordinary shares and 7.01% of the preference shares), which in turn owned 51.52% of the Company (31 December 2013: 51.52%)

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

This consolidated interim condensed financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an

(in thousands of Russian Roubles, unless otherwise stated)

understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2013. This consolidated interim condensed financial report does not include all the information required for full annual financial statements prepared in accordance IFRS.

(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 ("RUB"), 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 2013.

(e) Presentation of restated data

In six months ended 30 June 2013 other operating expenses included income in amount RUB 464,604 thousand which were reclassified to other income. Also other income included other expenses amounted RUB 11,796 thousand which were reclassified into other operating expenses.

Result from reclassifications presented in table below:

	Six months ended 30 June 2013 (as reported)	Result from reclassifications	Six months ended 30 June 2013 (as restated)
Operating expenses	(29,756,872)	(452,808)	(30,209,680)
Other operating income	(3,227)	452,808	449,581
Result from operating activities	631,501	-	631,501

Note 3. Summary of significant accounting policies

Except for the adoption of the new standards and interpretations effective as of 1 January 2014, the accounting policies applied by the Group were consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2013.

Several new standards and amendments were applied for the first time in 2014. However, they do not impact financial position or financial results as at and for six months ended 30 June 2014:

Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*. Under the amendments, the disclosure of additional information about the recoverable amount of impaired assets will be required only when the recoverable amount is based on fair value less costs of disposal

(in thousands of Russian Roubles, unless otherwise stated)

Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

Investment Entities (Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements). The amendments introduce a mandatory consolidation exception for certain qualifying investment entities.

IFRIC 21 *Levies*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation.

In the consolidated financial statements for the year ended 31 December 2013 the Group applied early amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*. Amendments specify rules of offsetting financial assets and financial liabilities and introduce new requirements for related disclosures

New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2014, and have not been applied in preparing these consolidated financial statements. Those new Standards and Interpretations may have potential impact on Group's operations. The Group plans to adopt the following pronouncements when they become effective:

- *IFRS 15 Revenue from contracts with customers*. The standard provides a single guidance for accounting of the revenue and contains requirements for appropriate disclosures in the financial statements. New standard replace IAS 18 *Revenue*, IAS 11 *Construction contracts* and several interpretations related to accounting of revenue. IFRS 15 applies to an annual reporting period beginning on or after 1 January 2017. Early adoption is permitted.
- Amendments to IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets - Clarification of Acceptable Methods of Depreciation and Amortisation*. Those amendments clarify that a revenue-based method of depreciation and amortization is not-acceptable as it does not reflect a pattern of consumption of the future economic benefits embodied in the asset. Amendments IAS 16 and IAS 38 apply to an annual reporting period beginning on or after 1 January 2016. Early adoption is permitted.
- Amendments to IAS 19 *Employees benefits - Defined Benefit Plans: Employee Contributions*. Changes in the Standard related to the accounting for contributions from employees and third parties to defined benefit plans. The objective of the proposed amendments is to provide a more straight-forward alternative for this accounting when the contributions payable in a particular period are linked solely to the employee's service rendered in that period. The proposed guidance would be applicable, for example, to accounting for employee contributions that are calculated according to a fixed percentage of salary. Amendments to IAS 19 apply to an annual reporting period beginning on or after 1 July 2014. Early adoption is permitted.
- IFRS 9 *Financial Instruments* is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third phase regarding accounting for hedge transactions was issued in November 2013. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

OJSC IDGC of Urals**Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2014**

(in thousands of Russian Roubles, unless otherwise stated)

Note 4. Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, 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 2013.

Note 5. Revenue

	Six months ended 30 June 2014	Six months ended 30 June 2013
Electricity transmission	26,375,404	23,579,249
Electricity sales	7,157,623	6,305,609
Connection services	897,979	327,503
Other services	219,419	179,239
Total	34,650,425	30,391,600

Note 6. Operating expenses

	Six months ended 30 June 2014	Six months ended 30 June 2013
Electricity transmission fee paid to distribution grids and compensation of technological losses	17,405,272	16,356,466
Personnel costs	5,230,827	4,557,194
Purchased electricity	4,499,437	4,045,769
Depreciation and amortization	2,914,742	2,720,773
Net impairment loss on accounts receivable and prepayments	1,162,031	23,301
Materials	637,077	666,855
Rent	299,573	264,645
Repair and maintenance	268,913	329,750
Provisions	221,711	-
Taxes other than income tax	180,708	165,069
Electricity and heat power for own needs	167,565	155,337
Security	110,513	113,527
Communication services	101,513	49,214
Other	903,531	756,324
Total	34,103,063	30,209,680

OJSC IDGC of Urals
Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2014
(in thousands of Russian Roubles, unless otherwise stated)
Note 7. Property, plant and equipment and investment property

	Production buildings	Electricity grids	Substations equipment	Assets under construction	Other	Total property, plant and equipment	Investment property	Total
Cost								
Balance at 1 January 2013	9,747,896	32,762,110	23,366,441	3,231,511	7,444,978	76,552,936	97,433	76,650,369
Additions	13,056	17,261	41,772	3,167,111	164,997	3,404,197	-	3,404,197
Transfers	101,857	458,000	207,415	(855,336)	92,177	4,113	(4,113)	-
Reclassification between groups	171,091	(2,160)	430	-	(139,870)	29,491	(29,491)	-
Disposals	(41,198)	(10,753)	(42,619)	(70,383)	(57,965)	(222,918)	(3,083)	(226,001)
Balance at 30 June 2013	9,992,702	33,224,458	23,573,439	5,472,903	7,504,317	79,767,819	60,746	79,828,565
Balance at 1 January 2014	12,298,762	35,953,455	26,436,799	3,040,702	9,039,601	86,769,319	71,032	86,840,351
Additions	844	-	5,022	3,222,663	173,415	3,401,944	-	3,401,944
Transfers	224,096	596,682	277,592	(1,160,623)	62,253	-	-	-
Reclassification between groups	(50,771)	(113)	(4,229)	-	48,357	(6,756)	6,756	-
Disposals	(945)	(13,469)	(8,674)	(26,768)	(19,960)	(69,816)	-	(69,816)
Balance at 30 June 2014.	12,471,986	36,536,555	26,706,510	5,075,974	9,303,666	90,094,691	77,788	90,172,479
Depreciation								
Balance at 1 January 2013	(1,837,301)	(9,947,725)	(7,005,791)	-	(2,918,485)	(21,709,302)	(22,588)	(21,731,890)
Depreciation charge	(194,422)	(1,006,735)	(914,081)	-	(566,647)	(2,681,885)	(1,634)	(2,683,519)
Reclassification between groups	(72,587)	719	(383)	-	63,973	(8,278)	8,278	-
Disposals	14,090	5,342	16,838	-	41,047	77,317	301	77,618
Balance at 30 June 2013	(2,090,220)	(10,948,399)	(7,903,417)	-	(3,380,112)	(24,322,148)	(15,643)	(24,337,791)
Balance at 1 January 2014	(2,373,212)	(12,400,235)	(9,501,799)	(95,748)	(4,062,548)	(28,433,542)	(18,238)	(28,451,780)
Depreciation charge	(230,168)	(1,103,964)	(922,101)	-	(677,648)	(2,933,881)	(1,150)	(2,935,031)
Transfers	(4,886)	(9,193)	(2,623)	17,105	(403)	-	-	-
Reclassification between groups	17,602	50	495	-	(15,715)	2,432	(2,432)	-
Disposals	343	7,138	4,819	-	18,103	30,403	-	30,403
Balance at 30 June 2014	(2,590,321)	(13,506,204)	(10,421,209)	(78,643)	(4,738,211)	(31,334,588)	(21,820)	(31,356,408)
Net book value								
At 1 January 2012	7,910,595	22,814,385	16,360,650	3,231,511	4,526,493	54,843,634	74,845	54,918,479
At 30 June 2012	7,902,482	22,276,059	15,670,022	5,472,903	4,124,205	55,445,671	45,103	55,490,774
At 1 January 2013	9,925,550	23,553,220	16,935,000	2,944,954	4,977,053	58,335,777	52,794	58,388,571
At 30 June 2014	9,881,665	23,030,351	16,285,301	4,997,331	4,565,455	58,760,103	55,968	58,816,071

As at 30 June 2014 the fair value of investment property amounted to RUB 84.5 million (31 December 2013: RUB 71 million).

OJSC IDGC of Urals**Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2014***(in thousands of Russian Roubles, unless otherwise stated)***Note 8. Equity***Share capital*

	30 June 2014	31 December 2013
Number of ordinary shares authorized, issued and fully paid	87,430,485,711	87,430,485,711
Par value (in RUB)	0.10	0.10
Total share capital	8,743,049	8,743,049

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 RUB 6.3 billion as at 30 June 2014 (31 December 2013: RUB 5.7 billion).

At the annual meeting of shareholders of OJSC "IDGC of Urals" held on 27 June 2014 the decision was made to declare dividends of RUB 89.2 million for the year 2013.

At the meeting of shareholders of OJSC "Ekaterinburg Electric Grid Company" held on 16 June 2014 the decision was made to declare dividends of RUB 8.1 million for the year 2013 (minority part only is indicated above).

At the meeting of shareholders of OJSC "Ekaterinburgenergosbyt" held on 16 June 2014 the decision was made to declare dividends of RUB 0.1 million for the year 2013 (minority part only is indicated above).

During six months ended 30 June 2014 the Group paid dividends of RUB 8.3 million (six months ended 30 June 2013: 1.4 million). Dividends payable by the Group in amount of RUB 89.2 million are included in Trade and other payables in the consolidated interim condensed statement of financial position as of 30 June 2014 (31 December 2013: 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.

	Six months ended 30 June 2014	Six months ended 30 June 2013
Weighted average number of ordinary shares issued	87,430,485,711	87,430,485,711
Profit attributable to the shareholders of the Company	640,978	154,947
Earnings per share (in RUB)	0.0073	0.0018

Note 9. Loans and borrowings*Long-term loans and borrowings*

	Nominal interest rate, %		Year of maturity	30 June 2014	31 December 2013
	30 June 2014	31 December 2013			
<i>Bank loans</i>					
JSB "Sberbank of Russia"	7.70%	7.70%-11.00%	2016	4,400,000	4,400,000
JSB "Gazprombank"	7.71%-10.50%	7.71%-10.50%	2015-2018	5,755,234	5,450,745
JSB "Ural Bank for Reconstruction and Development"	8.28%-10.50%	7.65%-12.75%	2015	332,120	866,609
<i>Unsecured bond issues</i>	8.40%	8.40%	2016	3,000,000	3,000,000
Total				13,487,354	13,717,354

OJSC IDGC of Urals**Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2014***(in thousands of Russian Roubles, unless otherwise stated)***Short-term loans and borrowings**

Name of lender	Nominal interest rate, %		30 June 2014	31 December 2013
	30 June 2014	31 December 2013		
<i>Bank loans</i>				
JSB "Ural Bank for Reconstruction and Development"	8.28%	8.28%	297,094	297,094
Other			-	630
<i>Accrued interest payable</i>			170,613	164,701
Total			467,707	462,425

As at 31 January 2013 the Company issued bonds in the amount of 3,000,000 with a par value of RUB 1,000. The issue was included in the quotation list of CJSC "MICEX Stock Exchange". Redemption of the issue is scheduled for 28 January 2016. Coupon rate is 8.4% and is paid 2 times a year.

For the six months ended 30 June 2014 the Group received and repaid the following significant bank loans:

- The Group received bank loans in the amount of RUB 1,364 million from OJSC "Gazprombank" at interest rates in range from 8.0% to 9.0% with maturity in 2016 - 2018
- Group redeemed bank loan in the amount of RUB 1,060 million from OJSC "Gazprombank "
- Group redeemed bank loan in the amount of RUB 604 million from JSB "Ural Bank for Reconstruction and Development"

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 2014 and 31 December 2013 was JSC "Rugrids". 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 "Rugrids".

Transactions with the Parent company were as follows:

	Six months ended 30 June 2014	Account payables as at 30 June 2014	Six months ended 30 June 2013	Account payables as at 30 June 2013
Operating expenses:				
Management services	87,671	10,852	87,671	10,345
Technical supervision	9,418	-	-	-

OJSC IDGC of Urals**Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2014***(in thousands of Russian Roubles, unless otherwise stated)*

Transactions with the Parent's subsidiaries and associates were as follows:

	Six months ended 30 June 2014	Six months ended 30 June 2013	Account receivables/payables as at 30 June 2014	Account receivables/payables as at 31 December 2013
Revenue:	49,479	110	52,495	770,879
Electricity sales	2,572	-	230	11,844
Rent	806	-	-	-
Connection services	-	-	-	-
Other sales	46,101	110	52,265	759,035
Operating expenses:	7,461,775	-	1,253,825	2,955,576
Electricity transmission	7,461,205	-	1,215,890	1,066,939
Rent expenses	512	-	-	-
Other expenses	58	-	37,936	1,888,637

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 2014 constitute 5% (six months ended 30 June 2013: 5%) of total Group revenues, including 5% (six months ended 30 June 2013: 3%) of electricity transmission revenues.

Electricity transmission costs for state-controlled entities (including compensation of technological losses) for the six months ended 30 June 2014 constitute 16% (six months ended 30 June 2013: 51%) of total transmission costs.

On June 14, 2013 79.64% of the shares of OJSC "FSK UES" belonging to the state represented by the Federal Agency for Management of State Property ("Property Agency") were transferred to OJSC "Rugrids" Therefore, the share of transactions with state-controlled entities in the cost of electricity transmission decreased as compared with 2013.

As at 30 June 2014 cash held at state-controlled banks amounted to RUB 2,377 million (31 December 2013: RUB 1,187 million).

As at 30 June 2014 loans and borrowings from state-controlled entities amounted to RUB 10.2 billion (31 December 2013: RUB 9.9 billion).

Interest expense accrued on loans from state-controlled entities for the six months ended 30 June 2014 amounted to RUB 312,842 thousand or 71% of total interest accrued (six months ended 30 June 2013: RUB 313,581 thousand or 80% of total interest accrued)

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

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Members of Board of Directors	Key management personnel	Members of Board of Directors	Key management personnel
Salaries and bonuses	12,148	45,795	25,657	82,991

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, Sverdlovenergo (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 2014

(in thousands of Russian Roubles, unless otherwise stated)

Segment items for six months ended 30 June 2014 are presented below:

	Electricity transmission				Electricity sales	Other segments		Total
	Chelyabenergo	Permenergo	Sverdloenergo	OJSC "Ekaterinburg Electric Grid Company"	OJSC "Ekaterinburgenergosbyt"	All other Group Companies		
Electricity transmission	7,729,783	7,567,998	14,024,730	1,930,637	-	-	31,253,148	
Electricity sales	-	-	-	-	7,611,685	-	7,611,685	
Connection services	386,352	275,510	135,899	100,218	-	-	897,979	
Other services	16,474	23,182	114,638	16,664	57	171,945	342,960	
Total segment revenues, including	8,132,609	7,866,690	14,275,267	2,047,519	7,611,742	171,945	40,105,772	
<i>External revenues</i>	<i>8,132,599</i>	<i>7,866,690</i>	<i>11,415,344</i>	<i>106,772</i>	<i>7,157,680</i>	<i>31,877</i>	<i>34,710,962</i>	
<i>Inter-segment revenue</i>	<i>10</i>	<i>-</i>	<i>2,859,923</i>	<i>1,940,747</i>	<i>454,062</i>	<i>140,068</i>	<i>5,394,810</i>	
Segment operating profit/(loss)	573,876	679,549	342,562	427,415	12,296	23,420	2,059,118	

Segment items as at 30 June 2014 are presented below:

	Electricity transmission				Electricity sales	Other segments		Total
	Chelyabenergo	Permenergo	Sverdloenergo	OJSC "Ekaterinburg Electric Grid Company"	OJSC "Ekaterinburgenergosbyt"	All other Group Companies		
Segment assets	14,718,756	19,479,249	19,610,274	12,138,063	1,123,828	326,756	67,396,926	
<i>Including property, plant and equipment</i>	<i>11,867,680</i>	<i>17,804,170</i>	<i>16,301,350</i>	<i>10,029,264</i>	<i>6,655</i>	<i>164,107</i>	<i>56,173,226</i>	

OJSC IDGC of Urals
Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2014

(in thousands of Russian Roubles, unless otherwise stated)

Segment items for six months ended 30 June 2013 are presented below:

	Electricity transmission			OJSC "Ekaterinburg Electric Grid Company"	Electricity sales	Other segments		Total
	Chelyabenergo	Permenergo	Sverdlovenergo		OJSC "Ekaterinburgenergosbyt"	All other Group Companies		
Electricity transmission	5,804,219	6,879,187	13,375,071	1,810,150	-	-	27,868,627	
Electricity sales	-	-	-	-	6,730,981	-	6,730,981	
Connection services	85,961	168,476	46,465	26,601	-	-	327,503	
Other services	17,118	21,086	91,386	9,645	33	222,518	361,786	
Total segment revenues, including	5,907,298	7,068,749	13,512,922	1,846,396	6,731,014	222,518	35,288,897	
<i>External revenues</i>	<i>5,907,255</i>	<i>7,068,749</i>	<i>10,950,715</i>	<i>33,292</i>	<i>6,305,555</i>	<i>58,552</i>	<i>30,324,118</i>	
<i>Inter-segment revenue</i>	<i>43</i>	<i>-</i>	<i>2,562,207</i>	<i>1,813,104</i>	<i>425,459</i>	<i>163,966</i>	<i>4,964,780</i>	
Segment operating profit/(loss)	215,715	79,606	894,036	279,492	(31,495)	9,620	1,446,974	

Segment items as at 31 December 2013 are presented below:

	Electricity transmission			OJSC "Ekaterinburg Electric Grid Company"	Electricity sales	Other segments		Total
	Chelyabenergo	Permenergo	Sverdlovenergo		OJSC "Ekaterinburgenergosbyt"	All other Group Companies		
Segment assets	13,977,494	19,446,240	19,581,560	11,469,017	1,468,535	316,301	66,259,147	
<i>Including property, plant and equipment</i>	<i>11,713,826</i>	<i>17,721,971</i>	<i>15,950,083</i>	<i>10,008,745</i>	<i>7,682</i>	<i>169,383</i>	<i>55,571,690</i>	

OJSC IDGC of Urals**Notes to the consolidated interim financial statements for six months ended 30 June 2014***(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.

	Six months ended 30 June 2014	Six months ended 30 June 2013
Total segment profit before income tax	2,059,118	1,446,974
Adjustment for accounts payable and provisions accrued	(231,461)	(553,985)
Adjustment for reversal of "last mile" revenue	280,313	-
Adjustment for property, plant and equipment	(212,560)	(421,151)
Adjustment for impairment of accounts receivable	(368,077)	177,708
Accrual of bonuses and unused vacation provision	-	10,473
Adjustments for financial lease	16,646	7,001
Adjustment for employee benefits	(40,950)	(5,729)
Elimination of intersegment dividends	(84,169)	(242,181)
Revaluation of long-term investments	(111,503)	287,641
Head Office loss (unallocated)	(442,926)	(432,608)
Other adjustments	53,175	28,506
Profit before income tax for the period per Statement of Comprehensive Income	917,606	302,649

The Group's operations are located in the Russian Federation.

There is a major group of customers under common control of the Government of the Russian Federation. The amounts of revenues from such companies for the six months ended 30 June 2014 comprised 5% (six months ended 30 June 2013: 5%) of total Group revenues and are reported by all segments of the Group and disclosed in Note 10.

Note 12. Provisions

	Six months ended 30 June 2014	Six months ended 30 June 2013
Balance at beginning of period	892,783	656,027
Accrued	238,524	18,238
Provisions used	(58,253)	(214,831)
Reversed	(1,763)	(149,765)
Balance at end of period	1,071,291	309,669

Provisions relate to the legal proceedings and unsettled claims against the Group.

Note 14. Capital commitments**Capital commitments**

As at 30 June 2014 the Group has outstanding commitments for the acquisition and construction of property, plant and equipment of RUB 3.1 billion (31 December 2013: RUB 2.7 billion).

Note 15. 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 16. Financial risk management

During the six months ended 30 June 2014 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 2013.

Note 17. Financial instruments**(a) Fair value hierarchy**

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices from observable current market transactions.

OJSC IDGC of Urals**Notes to the consolidated interim financial statements for six months ended 30 June 2014**

(in thousands of Russian Roubles, unless otherwise stated)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	30 June 2014	31 December 2013
Level 1		
<i>Financial assets available-for-sale</i>	561 238	449,734
Level 2	-	-
Level 3	-	-
Total	561 238	449,734

The financial instruments of the Group carried at fair value represent available-for-sale investments.

(b) Fair values

Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amounts.