



**Interregional Distribution
Grid (IDG) Company
of North-West**

Consolidated Interim Condensed Financial Statements
for the nine months ended 30 September 2012
(Unaudited)



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Consolidated Interim Condensed Statement of Comprehensive Income for the nine months ended 30 September 2012 (Unaudited)

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

	Notes	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Revenue:			
Power transmitting		19,251,635	20,020,975
Sale of electricity		3,607,151	3,805,820
Connection to power network		557,609	401,154
Other revenue		300,569	290,228
Total revenue		23,716,964	24,518,177
Government subsidies received		811	8,600
Expenses:			
Power transmitting services		(6,782,660)	(7,093,550)
Salaries and other personnel expenses		(6,401,432)	(6,319,159)
Electric power to cover losses		(2,043,587)	(2,268,291)
Depreciation and amortization of non-current assets		(2,279,427)	(2,062,553)
Electric purchases for resale		(1,747,313)	(1,848,796)
Raw materials used		(1,239,791)	(1,082,326)
Network and equipment repair services		(533,503)	(470,748)
Taxes other than income tax		(118,979)	(124,031)
Other services		(1,037,203)	(980,543)
Other operating expenses		(1,036,480)	(1,042,023)
Operating result		497,400	1,234,757
Other non-operating income, net		215,353	204,705
Finance costs, net		(264,210)	(187,708)
Profit before income tax		448,543	1,251,754

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



Consolidated Interim Condensed Statement of Comprehensive Income for the nine months ended 30 September 2012 (Unaudited)

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



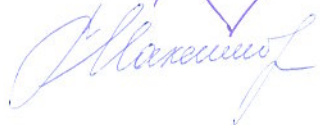
	Notes	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Income tax expense		(311,587)	(385,887)
Profit for the period		136,956	865,867
Other comprehensive income			
Changes in fair value of available-for-sale investments		(3,197)	(13,907)
Income tax on other comprehensive income		635	2,318
Other comprehensive (loss) for the period, net of income tax		(2,562)	(11,589)
Total comprehensive income for the period		134,394	854,278
Profit attributable to:			
Equity holders of the Company		136,946	865,827
Non-controlling interests		10	40
		136,956	865,867
Total comprehensive income attributable to:			
Equity holders of the Company		134,384	854,238
Non-controlling interests		10	40
		134,394	854,278
Earnings per share based on weighted average number of ordinary shares in issue			
Basic and diluted earnings per share (expressed in RUB)		0.0014	0.0090
Weighted average number of ordinary shares in issue	7	95,785,923,138	95,785,923,138

General Director

Acting Deputy General Director for economy and finances

Chief Accountant

29 November 2012

 Titov S.G.
 Guba D.O.
 Maksimova T. V.

OJSC "IDGC of North-West"

Consolidated Interim Condensed Statement of Financial Position as at 30 September 2012 (Unaudited)

(in thousands of Russian roubles)

	Notes	30 September 2012	31 December 2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	30,764,927	29,522,724
Intangible assets		42,692	36,882
Deferred tax assets		79	2,135
Investment in securities and other financial assets		166,092	121,221
Other non-current assets		653,763	633,766
TOTAL NON-CURRENT ASSETS		31,627,553	30,316,728
CURRENT ASSETS			
Accounts receivable and prepayments		5,146,555	4,313,488
Income tax receivable		182,421	234,612
Inventories		941,425	702,820
Other current assets		425,115	439,806
Cash and cash equivalents		464,062	1,534,694
TOTAL CURRENT ASSETS		7,159,578	7,225,420
TOTAL ASSETS		38,787,131	37,542,148

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

OJSC "IDGC of North-West"

Consolidated Interim Condensed Statement of Financial Position as at 30 September 2012 (Unaudited)

(in thousands of Russian roubles)

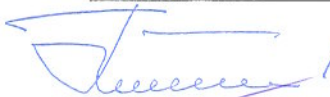

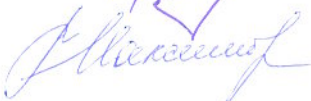
	Notes	30 September 2012	31 December 2011
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	7	9,578,592	9,578,592
Retained earnings		1,690,588	1,553,642
Merger reserve	7	10,457,284	10,457,284
Other reserves		1,121	3,683
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		21,727,585	21,593,201
Non – controlling interests		270	260
TOTAL EQUITY		21,727,855	21,593,461
NON-CURRENT LIABILITIES			
Long-term loans and borrowings	8	6,392,115	6,148,294
Retirement benefit obligations		1,352,533	1,352,999
Deferred tax liabilities		2,005,860	1,874,578
Other non-current liabilities		420,641	268,445
TOTAL NON-CURRENT LIABILITIES		10,171,149	9,644,316
CURRENT LIABILITIES			
Accounts payable and advances received		4,964,150	5,626,414
Current taxes payable		516,287	410,740
Income tax payable		5,315	395
Current loans and borrowings	8	1,146,695	80,190
Current provisions		255,680	186,632
TOTAL CURRENT LIABILITIES		6,888,127	6,304,371
TOTAL LIABILITIES		17,059,276	15,948,687
TOTAL EQUITY AND LIABILITIES		38,787,131	37,542,148

General Director

Acting Deputy General Director for economy and finances

Chief Accountant

29 November 2012

 Titov S.G.
 Guba D.O.
 Maksimova T. V.

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

Consolidated Interim Condensed Statement of Changes in Equity
for the nine months ended 30 September 2012 (Unaudited)

(in thousands of Russian roubles)

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital	Retained earnings	Merger reserve	Other reserves	Total		
Balance at 01 January 2011	9,578,592	751,502	10,457,284	16,488	20,803,866	727	20,804,593
Total comprehensive income for the period							
Profit for the period	-	865,827	-	-	865,827	40	865,867
Other comprehensive income for the period	-	-	-	(11,589)	(11,589)	-	(11,589)
Total comprehensive income for the period	-	865,827	-	(11,589)	854,238	40	854,278
Transactions with owners recognized directly in equity							
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-	(512)	(512)
Balance at 30 September 2011	9,578,592	1,617,329	10,457,284	4,899	21,658,104	255	21,658,359



**Consolidated Interim Condensed Statement of Changes in Equity
for the nine months ended 30 September 2012 (Unaudited)**

(in thousands of Russian roubles)

	Attributable to equity holders of the Company					Non- controlling interests	Total equity
	Share capital	Retained earnings	Merger reserve	Other reserves	Total		
Balance at 01 January 2012	9,578,592	1,553,642	10,457,284	3,683	21,593,201	260	21,593,461
Total comprehensive income for the period							
<i>Profit for the period</i>	-	136,946	-	-	136,946	10	136,956
<i>Other comprehensive income</i>	-	-	-	(2,562)	(2,562)	-	(2,562)
Total comprehensive income for the period	-	136,946	-	(2,562)	134,384	10	134,394
Balance at 30 September 2012	9,578,592	1,690,588	10,457,284	1,121	21,727,585	270	21,727,855

General Director

Acting Deputy General Director for economy and finances

Chief Accountant

29 November 2012

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Consolidated Interim Condensed Statement of Cash Flows for the nine months ended 30 September 2012 (Unaudited)

(in thousands of Russian roubles)

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	136,956	865,867
<i>Adjustments for non-cash transactions:</i>		
Income tax expense recognised in profit or loss	311.587	385.887
Net finance costs	264.210	187.708
Depreciation and amortisation of non-current assets	2.279.427	2.062.553
Loss from disposal of PPE	22.883	13.025
Provision for inventory obsolescence	1.129	559
Other non-cash (profits)	-	(3.014)
Operating cash flows before changes in working capital and provisions	3,016,192	3,512,585
<i>Working capital changes</i>		
Increase in accounts receivable and prepayments	(905.564)	(401.012)
Increase in inventories	(239.734)	(246.951)
Decrease/(Increase) in other current assets	14.691	(166.780)
Changes in retirement benefit obligations and related assets	10.623	3.697
(Increase)/decrease in accounts payable, advances received and provisions	(232.913)	874.701
Cash generated by operations	1,663,295	3,576,240
Interest paid	(326.920)	(228.341)
Income tax (paid)/recovered	(120.503)	(772.947)
Net cash generated by operating activities	1,215,872	2,574,952



Consolidated Interim Condensed Statement of Cash Flows for the nine months ended 30 September 2012 (Unaudited)

(in thousands of Russian roubles)

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant and equipment	42,467	35,954
Proceeds from disposal of subsidiaries	-	307
Purchase of property, plant and equipment and other non-current assets	(3,647,936)	(3,144,569)
Interest received	10,275	13,875
Other investment income received	-	367
Net cash used in investing activities	(3,595,194)	(3,094,066)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans and borrowings	2,708,806	3,074,487
Repayments of loans and borrowings	(1,400,116)	(3,134,685)
Net cash used in financing activities	1,308,690	(60,198)
Net decrease in cash and cash equivalents	(1,070,632)	(579,312)
Cash and cash equivalents at the beginning of the period	1,534,694	1,154,604
Cash and cash equivalents at the end of the period	464,062	575,292

General Director

Acting Deputy General Director for economy and finances

Chief Accountant

29 November 2012

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Notes to the Consolidated Interim Condensed Financial Statements

for the nine months ended 30 September 2012 (Unaudited)

(in thousands of Russian roubles unless otherwise stated)

OJSC "IDGC of North-West"



1. THE GROUP AND ITS OPERATIONS

Background

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

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

Relations with the state and current regulations

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

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

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

Russian business environment

The Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated interim condensed financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011.

The Group companies maintain their accounting records in Russian Roubles ("RUB") in accordance with the accounting and reporting regulations of the Russian Federation. Russian statutory accounting principles and procedures differ substantially from those generally accepted under IFRS. Accordingly,



the consolidated interim condensed financial statements, which have been prepared using the Group's statutory accounting records, reflect adjustments necessary for such consolidated financial statements to be presented in accordance with IFRS.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates

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

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

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 2011.

4. GROUP SUBSIDIARIES

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

Subsidiary	Principal activity	Ownership as at 30 September 2012, %	Ownership as at 31 December 2011, %
Pskovenergosbyt	Sale of electricity	100	100
Pskovenergoagent	Collection services	100	100
Energoservice North-West	Electricity metering services	100	-
Lesnaya skazka	Recreation	98	98
Pskovenergoavto	Transportation services	-	100



5. OPERATING SEGMENTS

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

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

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

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

- Transmission Segments - Arkhangelsk, Karelia, Komi, Murmansk, Novgorod, Pskov and Vologda – branches of IDGC North-West;
- Energy Retail Segment – Pskovenergosbyt;
- Other Segments – other Group companies.

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

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

The major differences relate to:

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

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

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

OJSC "IDGC of North-West"



Segment results for the nine months ended 30 September 2012 are presented below:

	Transmission								Energy Retail	Other Segments	Unallocated	Total
	Arkhangelsk	Karelia	Komi	Murmansk	Novgorod	Pskov	Vologda					
Revenues												
Power transmitting	2,547,806	2,514,344	4,422,784	3,051,255	2,148,330	52,020	4,512,958	-	-	-	-	19,249,498
Connection to power network	18,534	8,810	39,914	140,691	5,263	26,294	318,103	-	-	-	-	557,609
Sale of electricity	-	-	-	-	-	-	-	-	3,607,151	-	-	3,607,151
Other revenue	150,245	13,532	42,848	20,420	25,909	7,485	36,693	1,492	4,083	-	-	302,706
Intersegment revenue	-	4	-	-	-	2,017,776	-	252,153	229,297	-	-	2,499,230
Total revenues	2,716,584	2,536,691	4,505,547	3,212,365	2,179,502	2,103,575	4,867,754	3,860,796	233,380	-	-	26,216,194
Profit/(loss) before income tax	(465,026)	(118,053)	10,508	(96,364)	140,134	160,621	972,755	4,001	2,902	-	-	611,479
As at 30 September 2012:												
Total assets	4,435,825	4,558,859	9,540,500	4,190,658	5,827,498	4,450,231	8,566,231	397,354	123,194	972,180	43,062,529	
Including property, plant and equipment	3,416,127	3,109,445	8,402,044	3,061,091	5,173,659	4,025,841	7,320,802	444	10,379	33,383	34,553,216	

OJSC "IDGC of North-West"



Segment results for the nine months ended 30 September 2011 are presented below:

	Transmission							Energy Retail	Other Segments	Unallocated	Total
	Arkhangelsk	Karelia	Komi	Murmansk	Novgorod	Pskov	Vologda				
Revenues											
Power transmitting	3,211,128	2,840,657	4,240,394	3,351,570	2,007,964	49,327	4,317,448	-	-	-	20,018,488
Connection to power network	49,657	24,658	94,082	4,139	4,506	16,476	207,636	-	-	-	401,154
Sale of electricity	-	-	-	-	-	-	-	3,805,820	-	-	3,805,820
Other revenue	126,234	15,582	42,613	23,469	23,628	11,210	43,294	1,965	12,785	-	300,780
Intersegment revenue	-	4	-	-	-	2,067,598	-	293,261	171,027	-	2,531,889
Total revenues	3,387,019	2,880,901	4,377,089	3,379,178	2,036,098	2,144,611	4,568,378	4,101,046	183,812	-	27,058,131
Profit/(loss) before income tax	498,435	332,806	389,911	(208,277)	(3,626)	137,344	733,410	14,295	1,632	-	1,895,930
As at 31 December 2011:											
Total assets	4,510,357	3,933,688	9,204,861	4,054,755	5,171,051	4,085,798	8,235,304	411,651	115,681	1,861,766	41,584,912
<i>Including property, plant and equipment</i>	<i>3,504,913</i>	<i>2,856,617</i>	<i>8,153,838</i>	<i>3,134,279</i>	<i>4,862,884</i>	<i>3,743,555</i>	<i>7,050,261</i>	<i>618</i>	<i>12,087</i>	<i>47,882</i>	<i>33,366,934</i>

OJSC "IDGC of North-West"

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

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Segment results - profit/(loss) before income tax	611,479	1,895,930
Accrued salaries and wages	(5.135)	(104.127)
Adjustment for depreciation of property, plant and equipment	(35.305)	(9.272)
Adjustments for financial costs	53.963	25.768
Bad debt allowance adjustment	(38.882)	(263.400)
Intragroup dividends	(70.541)	(18.345)
Other adjustments	(67.036)	(274.800)
Profit before income tax per Statement of Comprehensive Income	448,543	1,251,754

6. PROPERTY, PLANT AND EQUIPMENT

	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
<i>Cost/Deemed cost</i>						
Opening balance as at 1 January 2011	4,446,538	19,190,575	8,170,687	2,832,707	1,233,771	35,874,278
Additions and transfers	96,053	1,036,197	535,724	431,851	1,223,746	3,323,571
Disposals	(1.132)	(11,137)	(11,936)	(32,227)	(2,824)	(59,256)
Closing balance as at 30 September 2011	4,541,459	20,215,635	8,694,475	3,232,331	2,454,693	39,138,593
<i>Accumulated depreciation and impairment</i>						
Opening balance as at 1 January 2011	(842,767)	(4,793,040)	(1,863,746)	(1,151,486)	-	(8,651,039)
Charge for the period	(199,359)	(1,068,257)	(452,448)	(319,793)	-	(2,040,117)
Disposals	376	4,638	6,092	12,196	-	23,302
Closing balance as at 30 September 2011	(1,041,750)	(5,856,919)	(2,310,102)	(1,459,083)	-	(10,667,854)



	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
Net book value as at 1 January 2011	3,603,771	14,397,535	6,306,941	1,681,221	1,233,771	27,223,239
Net book value as at 30 September 2011	3,499,709	14,358,716	6,384,373	1,773,248	2,454,693	28,470,739
	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
<i>Cost/Deemed cost</i>						
Opening balance as at 1 January 2012	4,876,664	20,961,647	9,756,543	3,720,356	1,655,527	40,970,737
Additions and Transfers	122,821	946,543	621,614	364,839	1,491,944	3,547,761
Disposals	(37,919)	(3,886)	(2,215)	(21,722)	(6,459)	(72,201)
Closing balance as at 30 September 2012	4 961 566	21 904 304	10 375 942	4 063 473	3 141 012	44 446 297
	Building and structures	Power transmission lines	Power conversion equipment	Other	Assets under construction	Total
<i>Accumulated depreciation and impairment</i>						
Opening balance as at 1 January 2012	(1,111,963)	(6,289,803)	(2,467,301)	(1,557,168)	(21,778)	(11,448,013)
Charge for the period	(215 462)	(1 193 966)	(516 914)	(358 276)	21 525	(2 263 093)
Disposals	12 183	2 428	1 408	13 717	-	29 736
Closing balance as at 30 September 2012	(1 315 242)	(7 481 341)	(2 982 807)	(1 901 727)	(253)	(13 681 370)
Net book value as at 1 January 2012	3,764,701	14,671,844	7,289,242	2,163,188	1,633,749	29,522,724
Net book value as at 30 September 2012	3 646 324	14 422 963	7 393 135	2 161 746	3 140 759	30 764 927



7. EQUITY

Basis of presentation of movements in equity

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

Authorised, issued and fully paid share capital

As at 30 September 2012 authorised and issued share capital comprised 95,785,923,138 ordinary shares (31 December 2011: 95,785,923,138) of which all ordinary shares were issued and fully paid. All shares have a par value of RUB 0.1.

Merger reserve

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

Retained earnings and dividends

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

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 30 September 2012 the Company had retained earnings, including the profit for the current period, of RUB 333,253 thousand (31 December 2011: RUB 36,163 thousand).

No profits were distributed based on results for the year ended 31 December 2011. The decision was approved by annual shareholders meeting in June 2012. No other decisions on profit distribution were made at the date these consolidated interim condensed financial statements were authorized for issue.

Voting rights of shareholders

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

Earnings per share

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



8. LOANS AND BORROWINGS

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

	30 September 2012	31 December 2011
<i>Non-current liabilities</i>		
Unsecured bank loans	6,392,115	6,148,294
	6,392,115	6,148,294
<i>Current liabilities</i>		
Current portion of unsecured loans	-	70,716
Unsecured bank loans	1,146,695	9,474
	1,146,695	80,190

The Group raised the following bank loans during the nine months ended 30 September 2012:

Amount	Interest rate	Maturity
393,800*	8.50%	2012
101,000	6.62%	2013
300,000*	7.25%	2013
400,000*	7.98%	2013
250,000*	7.63%	2013
100,000*	7.01%	2013
26,747*	7.48% - 7.98%	2015
604,727*	10.20%	2015
199,003*	7.52%	2015
38,310*	7.66% - 7.91%	2016
23,512*	7.73% - 7.98%	2016
2,713*	7.50%	2016
200,000*	7.49%	2016
65,623*	7.54%	2016
3,186*	7.87%	2016

The Group repaid the following significant bank facilities during the nine months ended 30 September 2012:

	Amount
Loans*	1,344,416
Loans	55,700

*- Loans from state-controlled entities.



9. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Control relationships

The Government of the Russian Federation, through the Federal Agency for the Management of Federal Property, is the ultimate controlling party of the Group. As at 30 September 2012 the Group was controlled by JSC Interregional Distribution Grid Company Holding, a state controlled entity.

Transactions with state-controlled entities

In the course of its operating activities the Group is also engaged in significant transactions with state-controlled entities. Revenues and purchases from state-controlled entities are based on regulated tariffs where applicable, in other cases revenues and purchases are made at normal market prices.

Revenue from state-controlled entities for the nine months ended 30 September 2012 constitute 8.5% (nine months ended 30 September 2011: 10.3%) of total Group revenue, including 6.4% (nine months ended 30 September 2011: 8.3%) of electricity transmission revenues.

Electricity transmission cost due to for state-controlled entities for the nine months ended 30 September 2012 constitute 72.3% (nine months ended 30 September 2011: 73%) of total transmission costs.

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

Pricing policies

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

10. COMMITMENTS AND CONTINGENCIES

Political environment

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

Taxation contingencies in Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated



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

Litigation

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

Other contingencies

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

Capital expenditure commitments

As at 30 September 2012 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment of RUB 2,357,054 thousand (as at 31 December 2011: RUB 1,697,860 thousand).

Environmental matters

Group entities and their predecessor entities have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under environmental regulations.

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

Insurance policies

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

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

As at 30 September 2012 the Group has insured its industrial assets for the amount of RUB 42,401,279 thousand (as at 31 December 2011: RUB 41,950,451 thousand). Also, as at 30 September 2012 the Group

OJSC "IDGC of North-West"



has insured vehicles below 10 years of age for the amount of RUB 432,047 thousand (as at 31 December 2011: RUB 305,891 thousand).

II. FINANCIAL RISK MANAGEMENT

During the period the Group had been exposed to the same risks as those which existed during the year ended 31 December 2011, and applied the same approach to financial risk management that was applied during the year ended 31 December 2011.