

OJSC Interregional Distribution Grid Company of Siberia

**Consolidated Interim Condensed
Financial Statements
for the six months ended 30 June 2012
(Unaudited)**

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

(in thousands of Russian Roubles, unless otherwise stated)

| | Note | Six months ended 30 June 2012 (Unaudited) | Six months ended 30 June 2011 (Unaudited) |
|--|------|---|---|
| Revenue | 7 | 25 424 712 | 27 857 961 |
| Operating expenses | 8 | (26 435 660) | (26 198 358) |
| Other operating income | | 477 647 | 125 069 |
| Results from operating activities | | (533 301) | 1 784 672 |
| Finance income | | 97 140 | 202 975 |
| Finance costs | | (240 214) | (266 187) |
| Net finance costs | | (143 074) | (63 212) |
| Profit/(loss) before income tax | | (676 375) | 1 721 460 |
| Income tax (expense)/benefit | | 519 185 | (280 319) |
| Profit/(loss) for the period | | (157 190) | 1 441 141 |
| <i>Other comprehensive income</i> | | | |
| Net change in fair value of available-for-sale financial assets | | (74 225) | (31 455) |
| Income tax on other comprehensive income | | (18 821) | (1 018) |
| Other comprehensive (loss)/income for the period, net of income tax | | (93 046) | (32 473) |
| Total comprehensive income/(loss) for the period | | (250 236) | 1 408 668 |
| Profit/(loss) attributable to: | | | |
| Shareholders of the Company | | (156 873) | 1 440 712 |
| Non-controlling interests | | (317) | 429 |
| Total comprehensive income/(loss) attributable to: | | | |
| Shareholders of the Company | | (249 919) | 1 408 239 |
| Non-controlling interests | | (317) | 429 |
| Earnings per share | | | |
| Profit/(loss) per share – basic and diluted (in Russian Roubles) | | (0.0017) | 0.0161 |

These consolidated interim condensed financial statements were approved by management of the Company on 27 August 2012 and were signed on its behalf by:

General Director

Petukhov K.Y.

Acting as Chief accountant

Prishepina S.V.

OJSC IDGC of Siberia**Consolidated Interim Condensed Statement of Financial Position as at 30 June 2012 (Unaudited)***(in thousands of Russian Roubles, unless otherwise stated)*

| | Note | 30 June 2012 (Unaudited) | 31 December 2011 |
|----------------------------------|------|-----------------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 37 826 886 | 39 141 807 |
| Intangible assets | | 302 760 | 312 563 |
| Investments and financial assets | | 611 654 | 723 816 |
| Other non-current assets | | 247 554 | 462 242 |
| Total non-current assets | | 38 988 854 | 40 640 428 |
| Current assets | | | |
| Cash and cash equivalents | | 2 390 358 | 1 183 631 |
| Trade and other receivables | | 4 531 953 | 5 065 551 |
| Income tax receivable | | 564 883 | 548 738 |
| VAT recoverable | | 491 159 | 380 379 |
| Prepayments | | 166 973 | 90 349 |
| Inventories | | 1 326 672 | 943 806 |
| Other current assets | | 20 666 | 26 941 |
| Total current assets | | 9 492 664 | 8 239 395 |
| Total assets | | 48 481 518 | 48 879 823 |

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 9-19.

OJSC IDGC of Siberia**Consolidated Interim Condensed Statement of Financial Position as at 30 June 2012 (Unaudited)***(in thousands of Russian Roubles, unless otherwise stated)*

| | Note | 30 June 2012 (Unaudited) | 31 December 2011 |
|---|------|-----------------------------|-------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 10 | 9 481 516 | 9 481 516 |
| Share premium | | 1 198 452 | 1 198 452 |
| Retained earnings | | 14 020 305 | 14 177 178 |
| Available-for-sale investments revaluation reserve | | 50 208 | 143 254 |
| Total equity attributable to shareholders of the Company | | 24 750 481 | 25 000 400 |
| Non-controlling interests | | 1 059 | 1 376 |
| Total equity | | 24 751 540 | 25 001 776 |
| Non-current liabilities | | | |
| Loans and borrowings | 12 | 3 990 429 | 6 279 429 |
| Finance lease liability | 12 | - | 8 |
| Employee benefits | | 293 668 | 257 936 |
| Deferred tax liabilities | | 2 356 412 | 3 019 950 |
| Other non-current liabilities | | 128 549 | 109 945 |
| Total non-current liabilities | | 6 769 058 | 9 667 268 |
| Current liabilities | | | |
| Loans and borrowings | 12 | 2 609 934 | 347 004 |
| Finance lease liability | 12 | 32 590 | 66 978 |
| Trade and other payables | | 12 293 499 | 11 508 365 |
| Employee payables | | 1 170 577 | 1 427 069 |
| Income tax payable | | 21 352 | 102 415 |
| Other taxes payable | | 832 970 | 758 948 |
| Total current liabilities | | 16 960 920 | 14 210 779 |
| Total liabilities | | 23 729 978 | 23 878 047 |
| Total equity and liabilities | | 48 481 518 | 48 879 823 |

OJSC IDGC of Siberia**Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2012
(Unaudited)***(in thousands of Russian Roubles, unless otherwise stated)*

| | Note | Six months ended 30 June 2012 (Unaudited) | Six months ended 30 June 2011 (Unaudited) |
|--|------|---|---|
| OPERATING ACTIVITIES | | | |
| Profit/(loss) before income tax | | (676 375) | 1 721 460 |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortization | 8 | 2 023 179 | 1 882 085 |
| Allowance for impairment of accounts receivable | 8 | 606 579 | 984 227 |
| Net finance costs | | 143 074 | 63 212 |
| Gain on disposal of property, plant and equipment | | 10 874 | (13 167) |
| Gain on disposal of subsidiaries | 5 | (128 235) | - |
| Other non-cash activities | | (47 093) | (18 599) |
| Operating profit before changes in working capital | | 1 932 003 | 4 619 218 |
| (Increase)/decrease in accounts receivable and prepayments | | (125 335) | (1 622 535) |
| Increase in inventories | | (384 163) | (340 572) |
| Decrease/(increase) in other assets | | 116 965 | 129 186 |
| Increase in accounts payable | | 1 792 493 | 2 159 899 |
| Increase in employee payables | | (256 492) | 147 849 |
| Increase in employee benefits | | 35 732 | 16 272 |
| Increase/(decrease) in other taxes payable | | 74 022 | 512 475 |
| Increase in other liabilities | | 17 040 | 267 892 |
| Cash flows from operations before income tax paid | | 3 202 265 | 5 889 684 |
| Income tax paid in cash | | (244 081) | (260 030) |
| Net cash flows from operating activities | | 2 958 184 | 5 629 654 |

OJSC IDGC of Siberia**Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2012
(Unaudited)***(in thousands of Russian Roubles, unless otherwise stated)*

| | Note | Six months ended 30 June 2012 (Unaudited) | Six months ended 30 June 2011 (Unaudited) |
|---|------|---|---|
| INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | | (1 657 277) | (1 802 165) |
| Proceeds from disposal of property, plant and equipment | | 47 405 | 42 965 |
| Acquisition of intangible assets | | - | (49 178) |
| Proceeds from disposal of subsidiaries | 5 | 46 956 | - |
| Interest received | | 52 949 | 9 233 |
| Proceeds from disposal of investments | | 65 876 | - |
| Cash flows used in investing activities | | (1 444 091) | (1 799 145) |
| FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 226 953 | 4 144 923 |
| Repayment of borrowings | | (253 023) | (8 399 028) |
| Proceeds from share issue | | - | (48 414) |
| Repayment of finance lease liability | | (37 507) | 1 743 202 |
| Interest paid | | (243 789) | (265 656) |
| Cash flows used in financing activities | | (307 366) | (2 824 973) |
| Net increase in cash and cash equivalents | | 1 206 727 | 1 005 536 |
| Cash and cash equivalents at the beginning of the period | | 1 183 631 | 454 450 |
| Cash and cash equivalents at the end of the period | | 2 390 358 | 1 459 986 |

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

(in thousands of Russian Roubles, unless otherwise stated)

| | Share capital | Share premium | Available-for-sale investments revaluation reserve | Retained earnings | Total equity attributable to shareholders of the Company | Non-controlling interests | Total |
|--|------------------|------------------|--|-------------------|--|---------------------------|-------------------|
| Balance at 1 January 2011 | 8 936 766 | - | 225 646 | 14 650 307 | 23 812 719 | 3 364 | 23 816 083 |
| Profit for the period | - | - | - | 1 440 712 | 1 440 712 | 429 | 1 441 141 |
| Net change in fair value of available-for-sale financial assets, net of income tax | - | - | (32 473) | - | (32 473) | - | (32 473) |
| Total other comprehensive loss | - | - | (32 473) | - | (32 473) | - | (32 473) |
| Total comprehensive income for the period | - | - | (32 473) | 1 440 712 | 1 408 239 | 429 | 1 408 668 |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Share issue | 544 750 | 1 198 452 | - | - | 1 743 202 | - | 1 743 202 |
| Balance at 30 June 2011 (unaudited) | 9 481 516 | 1 198 452 | 193 173 | 16 091 019 | 26 964 160 | 3 793 | 26 967 953 |
| Balance at 1 January 2012 | 9 481 516 | 1 198 452 | 143 254 | 14 177 178 | 25 000 400 | 1 376 | 25 001 776 |
| Loss for the period | - | - | - | (156 873) | (156 873) | (317) | (157 190) |
| Net change in fair value of available-for-sale financial assets, net of income tax | - | - | (93 046) | - | (93 046) | - | (93 046) |
| Total other comprehensive loss | - | - | (93 046) | - | (93 046) | - | (93 046) |
| Total comprehensive loss for the period | - | - | (93 046) | (156 873) | (249 919) | (317) | (250 236) |
| Balance at 30 June 2012 (unaudited) | 9 481 516 | 1 198 452 | 50 208 | 14 020 305 | 24 750 481 | 1 059 | 24 751 540 |

OJSC IDGC of Siberia
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2012 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

1 Background

(a) The Group and its operations

Open Joint Stock Company Interregional Distribution Grid Company of Siberia (hereinafter – “the Company”) was founded to effectively manage the distribution electric grid complex of Siberia as part of the reform process in the Russian electric utilities industry. The Company was established in July 2005 (registered on 4 July 2005) in accordance with the laws of the Russian Federation and based on the Decree of the Chairman of the Board of Directors of the Open Joint Stock Company RAO United Energy System of Russia (hereafter - “RAO UES”) dated 1 July 2005, No. 149r.

The Company’s registered office is located at 144a , Bograda Street, Krasnoyarsk, Russia, 660021.

On 27 April 2007 the Board of Directors of RAO UES approved the structure of Interregional Distribution Grid Companies. Under the approved structure the following entities were incorporated into the Company: OJSC Altayenergo, OJSC Buryatenergo, OJSC Krasnoyarskenergo, OJSC Kuzbassenergo – RES, OJSC Omskenergo, OJSC Khakasenergo, OJSC Chitaenergo, OJSC Tyvaenergo – Holding. A merger of the Company with those entities was completed on 31 March 2008. 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 grid. 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.

As at 30 June 2012 the Government of the Russian Federation owned 53.69% of the voting shares and 7.01% of the preference shares of JSC IDGC Holding (31 December 2011: 53.69% of the voting ordinary shares and 7.01% of the preference shares), which in turn owned 55.59% of the Company (31 December 2011: 55.59%).

(b) 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 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

(a) Statement of compliance

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

(b) Use of judgments, estimates and assumptions

The preparation of interim 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.

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(in thousands of Russian Roubles, unless otherwise stated)

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

3 Significant accounting policies

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

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 as at and for the year ended 31 December 2011.

5 Group's subsidiaries

The Group's subsidiaries are disclosed below:

| Subsidiaries: | Ownership, % | |
|---------------------------------|--------------|------------------|
| | 30 June 2012 | 31 December 2011 |
| OJSC Tyvaenergo | 98.96 | 98.96 |
| OJSC AES | - | 100.00 |
| OJSC Omskelectrosetremont | 100.00 | 100.00 |
| OJSC Sotcsfera | 100.00 | 100.00 |
| OJSC Buryatsetremont | - | 100.00 |
| OJSC Sibirsetremont | - | 100.00 |
| OJSC Mekhanizirovannaya colonna | - | 100.00 |
| JSC PSC of Siberia | 100.00 | 100.00 |

The subsidiary of the Group OJSC AES was liquidated on 13 April 2012. As a result of the liquidation of the subsidiary the net assets of OJSC AES in amount of RUB 116 957 thousand were disposed of. Loss on the liquidation of OJSC AES amounted to RUB 46 906 thousand.

In May 2012 the subsidiaries of the Group OJSC Buryatsetremont and OJSC Mekhanizirovannaya colonna were joined to the subsidiary OJSC Omskelectrosetremont. OJSC Omskelectrosetremont is a legal successor of OJSC Buryatsetremont and OJSC Mekhanizirovannaya colonna.

In accordance with the judgement of the Arbitration Court of the Kemerovo region dated 27 June 2012 the subsidiary OJSC Sibirsetremont was declared bankrupt and bankruptcy management was introduced for the period of six months up to 26 December 2012. Due to the introduction of bankruptcy management the Group lost control of the subsidiary. Gain on write-off of negative net assets of OJSC Sibirsetremont amounted to RUB 175 141 thousand.

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Notes to the Consolidated Interim Condensed Financial Statements
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(in thousands of Russian Roubles, unless otherwise stated)

6 Operating segments

The Group has nine reportable segments representing branches and subsidiary 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 Group subsidiaries. None of them meets any of the quantitative thresholds for determining reportable segments in 2012 or 2011.

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

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

Segment reports are based on the information reported in 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 Financial Statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

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(in thousands of Russian Roubles, unless otherwise stated)

(i) Information about reportable segments

For the six months ended 30 June 2012:

| | Transmission | | | | | | | | Total | | |
|---|------------------|------------------|-------------------------------------|---------------------|--------------------|------------------|------------------|------------------|----------------|-----------------|-------------------|
| | Altayenergo | Buryatenergo | Gorno-Altayskie elektricheskie seti | Kuzbassenergo - RES | Krasnoyarsk-energo | Omskenergo | Khakas-energo | Chitaenergo | | Tyvaenergo | Others |
| Total revenue from external customers | 2 799 082 | 1 361 559 | 378 844 | 9 356 152 | 3 823 922 | 2 854 716 | 2 063 822 | 2 296 514 | 371 779 | 24 314 | 25 330 704 |
| Inter-segment revenue | - | - | - | - | - | - | - | - | - | 274 594 | 274 594 |
| Total revenue | 2 799 082 | 1 361 559 | 378 844 | 9 356 152 | 3 823 922 | 2 854 716 | 2 063 822 | 2 296 514 | 371 779 | 298 908 | 25 605 298 |
| Including: | | | | | | | | | | | |
| Electricity transmission | 2 783 223 | 1 350 409 | 376 428 | 9 337 712 | 3 684 271 | 2 843 928 | 2 060 481 | 1 784 418 | 340 844 | - | 24 561 714 |
| Connection services | 10 266 | 9 075 | 1 797 | 15 169 | 123 806 | 2 902 | 980 | 498 258 | 26 420 | - | 688 673 |
| Other | 5 593 | 2 075 | 619 | 3 271 | 15 845 | 7 886 | 2 361 | 13 838 | 4 515 | 298 908 | 354 911 |
| Segment profit/ (loss) before income tax | 182 437 | (589 418) | 129 742 | 1 731 375 | (2 783 812) | 673 066 | 105 931 | 29 297 | (945) | (69 824) | (592 151) |

For the six months ended 30 June 2011:

| | Transmission | | | | | | | | Total | | |
|---|------------------|------------------|-------------------------------------|---------------------|--------------------|------------------|------------------|------------------|----------------|-----------------|-------------------|
| | Altayenergo | Buryatenergo | Gorno-Altayskie elektricheskie seti | Kuzbassenergo - RES | Krasnoyarsk-energo | Omskenergo | Khakas-energo | Chitaenergo | | Tyvaenergo | Others |
| Total revenue from external customers | 2 599 217 | 2 890 027 | 363 098 | 9 630 293 | 4 392 730 | 3 226 861 | 2 171 258 | 2 011 153 | 418 573 | 34 453 | 27 737 663 |
| Inter-segment revenue | - | - | - | - | - | - | - | - | - | 224 022 | 224 022 |
| Total revenue | 2 599 217 | 2 890 027 | 363 098 | 9 630 293 | 4 392 730 | 3 226 861 | 2 171 258 | 2 011 153 | 418 573 | 258 475 | 27 961 685 |
| Including: | | | | | | | | | | | |
| Electricity transmission | 2 594 381 | 2 827 813 | 353 264 | 9 474 635 | 4 345 609 | 3 217 505 | 2 167 683 | 1 583 972 | 401 203 | - | 26 966 065 |
| Connection services | 1 328 | 59 986 | 9 033 | 65 652 | 36 290 | 828 | 847 | 413 954 | 13 953 | - | 601 871 |
| Other | 3 508 | 2 228 | 801 | 90 006 | 10 831 | 8 528 | 2 728 | 13 227 | 3 417 | 258 475 | 393 749 |
| Segment profit/ (loss) before income tax | 101 321 | 429 081 | 11 954 | 1 343 423 | (1 720 547) | 1 555 552 | 166 340 | 180 103 | 23 064 | (42 936) | 2 047 355 |

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(in thousands of Russian Roubles, unless otherwise stated)

As at 30 June 2012:

| | Altayenergo | Buryatenergo | Gorno- Altayskie elektricheskie seti | Kuzbassenergo - RES | Krasnoyarsk- energo | Omskenergo | Khakasenergo | Chitaenergo | Tyvaenergo | Others | Total |
|--|------------------|------------------|---|------------------------|------------------------|------------------|------------------|------------------|------------------|----------------|-------------------|
| Segment assets | 9 203 542 | 3 335 915 | 2 322 576 | 9 092 790 | 8 172 675 | 5 821 006 | 2 579 945 | 6 151 211 | 1 208 352 | 445 782 | 48 333 794 |
| <i>Including property, plant and equipment</i> | <i>7 323 023</i> | <i>2 491 859</i> | <i>2 212 447</i> | <i>8 080 529</i> | <i>7 006 743</i> | <i>4 678 302</i> | <i>2 247 914</i> | <i>5 557 445</i> | <i>361 357</i> | <i>112 966</i> | <i>40 072 585</i> |

As at 31 December 2011:

| | Altayenergo | Buryatenergo | Gorno- Altayskie elektricheskie seti | Kuzbassenergo - RES | Krasnoyarsk- energo | Omskenergo | Khakasenergo | Chitaenergo | Tyvaenergo | Others | Total |
|--|------------------|------------------|---|------------------------|------------------------|------------------|------------------|------------------|------------------|----------------|-------------------|
| Segment assets | 9 142 105 | 3 559 513 | 2 381 937 | 9 489 990 | 8 481 738 | 6 146 713 | 2 611 808 | 6 132 181 | 1 277 922 | 559 054 | 49 782 961 |
| <i>Including property, plant and equipment</i> | <i>7 535 332</i> | <i>2 588 899</i> | <i>2 261 950</i> | <i>8 140 679</i> | <i>7 234 075</i> | <i>4 810 035</i> | <i>2 267 749</i> | <i>5 657 569</i> | <i>368 850</i> | <i>170 021</i> | <i>41 035 159</i> |

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Notes to the Consolidated Interim Condensed Financial Statements
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(in thousands of Russian Roubles, unless otherwise stated)

(ii) *Reconciliations of reportable segments' profit/(loss) before income tax*

| | Six months ended 30 June 2012 (Unaudited) | Six months ended 30 June 2011 (Unaudited) |
|---|---|---|
| Total profit/(loss) before income tax for reportable segments | (592 151) | 2 047 355 |
| Adjustment for depreciation of property, plant and equipment | (216 512) | (192 226) |
| Adjustments for financial lease | 35 094 | 5 770 |
| Discounting of accounts receivable | 43 648 | 29 420 |
| Adjustment for allowance for impairment of accounts receivable | 22 538 | (777 357) |
| Adjustment for change in fair value of available-for-sale investments | 72 879 | 31 455 |
| Recognition of employee benefits obligations | (43 789) | (16 272) |
| Capitalized interest | 16 005 | 62 273 |
| Discounting of accounts payable | (1 564) | 67 053 |
| Adjustment for other provisions | (57 356) | (67 813) |
| Adjustment for disposal of subsidiaries | 121 585 | - |
| Adjustment for unused vacation and bonus accruals | (29 074) | (115 545) |
| Adjustment related to impairment of intergroup financial assets | (35 149) | - |
| Adjustments for intercompany construction agreements | - | 334 476 |
| Adjustment of revenue | - | 338 731 |
| Unallocated | 54 803 | 11 387 |
| Other adjustments | (67 332) | (37 247) |
| Consolidated profit/(loss) before income tax | (676 375) | 1 721 460 |

For the six months ended 30 June 2012 the Group had two major customers - companies in two regions of the Russian Federation with individual turnover over 10% of total Group revenues: in Kuzbassenergo-RES segment - RUB 3 518 697 thousand, in Krasnoyarskenergo segment - RUB 2 623 315 thousand (six months ended 30 June 2011: two major customers: in Kuzbassenergo-RES segment - RUB 3 391 635 thousand, in Krasnoyarskenergo segment - RUB 3 180 590 thousand).

7 Revenue

During the six months ended 30 June 2012 revenue amounted to RUB 25 424 712 thousand (six months ended 30 June 2011: RUB 27 857 961 thousand) and included revenue from electricity transmission services in the amount of RUB 24 561 490 thousand (six months ended 30 June 2011: RUB 26 941 067 thousand), revenue from technological connection services in the amount of RUB 719 141 thousand (six months ended 30 June 2011: RUB 628 079 thousand).

8 Operating expenses

During the six months ended 30 June 2012 operating expenses amounted to RUB 26 435 660 thousand (six months ended 30 June 2011: RUB 26 198 358 thousand) and included electricity transmission expenses in the amount of RUB 13 028 825 thousand (six months ended 30 June 2011: RUB 13 019 407 thousand), cost of purchased electricity for compensation of technological losses in the amount of RUB 3 535 746 thousand (six months ended 30 June 2011: RUB 3 525 886 thousand), personnel costs in the amount of RUB 5 159 787 thousand (six months ended 30 June 2011: RUB 4 541 519 thousand), depreciation and amortisation expenses in the amount of

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RUB 2 023 179 thousand (six months ended 30 June 2011: RUB 1 882 085 thousand) and allowance for impairment of trade and other receivables in the amount of RUB 606 579 thousand (six months ended 30 June 2011: RUB 984 227 thousand).

9 Property, plant and equipment

| | Land and buildings | Transmission networks | Equipment for electricity transmission | Other | Construction in progress | Total |
|-------------------------------------|--------------------|-----------------------|--|--------------------|--------------------------|---------------------|
| <i>Cost/Deemed cost</i> | | | | | | |
| Balance at 1 January 2011 | 8 404 540 | 25 700 219 | 8 235 742 | 4 243 637 | 1 448 361 | 48 032 499 |
| Additions | 89 323 | 180 611 | 85 819 | 396 287 | 6 747 509 | 7 499 549 |
| Transfers | 690 550 | 2 035 614 | 1 134 613 | 562 655 | (4 423 432) | - |
| Disposals | (71 548) | (83 266) | (34 684) | (106 428) | (109 235) | (405 161) |
| Disposal of subsidiaries | - | - | - | (12 612) | (46 191) | (58 803) |
| Balance at 31 December 2011 | 9 112 865 | 27 833 178 | 9 421 490 | 5 083 539 | 3 617 012 | 55 068 084 |
| Balance at 1 January 2012 | 9 112 865 | 27 833 178 | 9 421 490 | 5 083 539 | 3 617 012 | 55 068 084 |
| Additions | 30 570 | 17 798 | 2 887 | 76 902 | 743 498 | 871 655 |
| Transfers | 218 231 | 1 096 840 | 695 701 | 74 188 | (2 084 960) | - |
| Disposals | (45 270) | (7 991) | (2 656) | (15 350) | (13 803) | (85 070) |
| Disposal of subsidiaries | (99 632) | - | - | (107 140) | (177) | (206 949) |
| Balance at 30 June 2012 (Unaudited) | 9 216 764 | 28 939 825 | 10 117 422 | 5 112 139 | 2 261 570 | 55 647 720 |
| <i>Depreciation</i> | | | | | | |
| Balance at 1 January 2011 | (1 426 396) | (6 941 760) | (2 202 687) | (1 819 984) | - | (12 390 827) |
| Depreciation for the year | (446 774) | (2 069 064) | (634 378) | (544 378) | - | (3 694 594) |
| Disposals | 11 066 | 33 263 | 17 105 | 88 004 | - | 149 438 |
| Disposal of subsidiaries | - | - | - | 9 706 | - | 9 706 |
| Balance at 31 December 2011 | (1 862 104) | (8 977 561) | (2 819 960) | (2 266 652) | - | (15 926 277) |
| Balance at 1 January 2012. | (1 862 104) | (8 977 561) | (2 819 960) | (2 266 652) | - | (15 926 277) |
| Depreciation for the period | (244 447) | (1 100 191) | (351 969) | (316 768) | - | (2 013 375) |
| Disposals | 8 883 | 3 135 | 1 797 | 12 976 | - | 26 791 |
| Disposal of subsidiaries | 17 137 | - | - | 74 890 | - | 92 027 |
| Balance at 30 June 2012 (Unaudited) | (2 080 531) | (10 074 617) | (3 170 132) | (2 495 554) | - | (17 820 834) |
| <i>Net book value</i> | | | | | | |
| Balance at 1 January 2011 | 6 978 144 | 18 758 459 | 6 033 055 | 2 423 653 | 1 448 361 | 35 641 672 |
| Balance at 31 December 2011 | 7 250 761 | 18 855 617 | 6 601 530 | 2 816 887 | 3 617 012 | 39 141 807 |
| Balance at 30 June 2012 (Unaudited) | 7 136 233 | 18 865 208 | 6 947 290 | 2 616 585 | 2 261 570 | 37 826 886 |

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10 Equity

(a) Share capital

| | 30 June 2012 (Unaudited) | 31 December 2011 |
|---|---|-------------------------|
| Number of ordinary shares authorised, issued and fully paid (thousands) | 94 815 163 | 94 815 163 |
| Par value (in RUB) | 0.10 | 0.10 |

(b) Dividends

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.

As at 30 June 2012 and up to the date of approval of the Financial Statements the Group did not take a decision to pay dividends.

11 Earnings per share

The calculation of earnings/(loss) per share for the six months ended 30 June 2012 is based on the net loss attributable to holders of ordinary shares in amount of RUB 156 873 thousand (net profit for the six months ended 30 June 2011 – RUB 1 440 712 thousand) and weighted average number of common shares outstanding 94 815 163 thousand (for the six months ended 30 June 2011 – 89 758 912 thousand) as presented below:

| | Six months ended 30 June 2012 (Unaudited) | Six months ended 30 June 2011 (Unaudited) |
|---|--|--|
| Weighted average number of ordinary shares (thousands of shares) | 94 815 163 | 89 758 912 |
| Total profit/(loss) attributable to shareholders of the Company | (156 873) | 1 440 712 |
| Profit/(loss) per share (in Russian Roubles) – basic and diluted | (0,0017) | 0,0161 |

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12 Loans and borrowings

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

| | 30 June 2012 (Unaudited) | 31 December 2011 |
|--|-----------------------------|------------------|
| <i>Non-current liabilities</i> | | |
| Unsecured loans | 25 000 | 2 314 000 |
| Loans from related parties | 3 965 429 | 3 965 429 |
| Financial lease liabilities | - | 8 |
| | <u>3 990 429</u> | <u>6 279 437</u> |
| <i>Current liabilities</i> | | |
| Current portion of long-term unsecured loans | 2 289 000 | - |
| Unsecured loans | 70 605 | 29 550 |
| Loans from related parties, including current portion of long-term loans | 250 329 | 317 454 |
| Current portion of financial lease liabilities | 32 590 | 66 978 |
| | <u>2 642 524</u> | <u>413 982</u> |

The Group raised the following bank loans during the six months ended 30 June 2012:

| Amount | Interest rate | Maturity |
|-----------|---------------|-------------------------------|
| 9 309* | 6,47% | November 2012 |
| 70 000 | 8,75%-11,00% | December 2012 - 2013 |
| 138 800** | 8,75%-11,00% | six months ended 30 June 2012 |

* - Loans from government-related entities.

** - Loans which were raised and repaid during the six months ended 30 June 2012.

The Group repaid the following significant bank facilities during the six months ended 30 June 2012:

| | Amount |
|---------|---------|
| Loans* | 76 434 |
| Loans** | 168 350 |

* - Loans from government-related entities.

** - Including loans which were raised and repaid during the six months ended 30 June 2012.

13 Financial risk management

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

14 Commitments

The Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment and capital investment programme for RUB 4 091 847 thousand as at 30 June 2012, net of VAT (31 December 2011: RUB 4 311 380 thousand).

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15 Contingencies

(a) 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 yet generally available. The Group does not have full coverage for its plant facilities, 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.

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

(c) Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary course of business. Management believes that these matters will not have a material adverse effect on the Group's financial position and operating results, except for those disclosed in note 15 (f).

(d) Environmental matters

The Group and its predecessors have operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. The Group's management periodically evaluates its 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.

(e) Guarantees

On 30 June 2012 and 31 December 2011 there were no financial guarantees issued by the Group.

(f) Other contingencies

The Group believes that the electricity services provided are in compliance with the Russian legislation regulating electric power transmission. However, due to insufficient elaboration of legislation that regulates the lease of Unified National (All-Russia) Electricity Network property ("last-mile") as at 30 June 2012 the Company was the subject of lawsuits for the total amount of RUB 2 218 108 thousand from LLC Rusenergobyty concerning the legitimacy of the revenue recognition from the transmission of electricity via "last-mile" grids in the period from January to December 2009.

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.

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16 Related parties

(a) Control relationships

The Company's parent as at 30 June 2012 and 31 December 2011 was JSC IDGC Holding. The party with the ultimate control over the Company is the Government of the Russian Federation, which held the majority of the voting rights of JSC IDGC Holding.

(b) 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 2012 constitute 26.61% (six months ended 30 June 2011: 33.02%) of total Group revenues, including 25.67% (six months ended 30 June 2011: 32.97%) of electricity transmission revenues.

Electricity transmission costs for government-related entities for the six months ended 30 June 2012 constitute 54.16% (six months ended 30 June 2011: 63.52%) of total transmission costs.

Significant raised and repaid loans from government-related entities are disclosed in Note 12.

(c) Management remuneration

There are no transactions or balances with key management and their close family members except for remuneration in the form of salary and bonuses. Total remuneration paid to management for the six months ended 30 June 2012 was RUB 102 382 thousand (six months ended 30 June 2011: RUB 50 165 thousand).

Total remuneration paid to the members of the Board of Directors for the six months ended 30 June 2012 was RUB 18 627 thousand (six months ended 30 June 2011: RUB 15 659 thousand).

(d) Pricing policies

Related party revenue for electricity transmission is based on the tariffs determined by the government.