

**OJSC INTERREGIONAL DISTRIBUTION GRID COMPANY OF URALS
CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2011
(UNAUDITED)**

OJSC IDGC of Urals

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OJSC IDGC of Urals
Consolidated Interim Condensed Statement of Comprehensive Income
for six months ended 30 June 2011
(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Notes	Six months ended 30 June 2011	Six months ended 30 June 2010
Revenue	4	31,618,413	29,231,529
Operating expenses	5	(28,640,902)	(27,356,711)
Other operating income/(expenses)		6,718	(11,321)
Result from operating activities		2,984,229	1,863,497
Financial income		45,375	12,949
Financial expenses		(129,998)	(384,913)
Share of profit of equity accounted investee	7	125,685	136,235
Profit before income tax		3,025,291	1,627,768
Income tax		(361,212)	(265,027)
Profit for the period		2,664,079	1,362,741
Total comprehensive income for the period		2,664,079	1,362,741
Total comprehensive income attributable to:			
Owners of the Company		2,589,047	1,324,330
Non-controlling interest		75,032	38,411
Earnings per share			
Basic and diluted earnings per share (expressed in RUR)	8	0.0296	0.0151

These consolidated interim condensed financial statements were approved by management on 7 September 2011 and were signed on its behalf by:

General Director

Zolotarev S.M.

Chief Accountant

Abrosimova O.M.

OJSC IDGC of Urals
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2011
(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Notes	30 June 2011	31 December 2010
Non-current assets			
Property, plant and equipment	6	48,643,045	48,310,911
Investment property	6	93,324	98,317
Intangible assets		2,499	3,233
Investments in equity accounted investee	7	1,057,060	931,375
Deferred tax assets		26,158	44,778
Other non-current assets		658,412	652,880
Total non-current assets		50,480,498	50,041,494
Current assets			
Inventories		1,343,479	969,429
Income tax receivable		588,004	614,589
Trade and other receivables		5,079,361	5,931,389
Prepayments for current assets		373,501	326,848
Cash and cash equivalents		2,275,540	1,877,166
Other current assets		21,966	20,211
Total current assets		9,681,851	9,739,632
TOTAL ASSETS		60,162,349	59,781,126
EQUITY AND LIABILITIES			
Equity			
Share capital	8	8,743,049	8,743,049
Retained earnings		32,584,414	29,995,367
Total equity attributable to shareholders of the Company		41,327,463	38,738,416
Non-controlling interest		582,301	766,084
Total equity		41,909,764	39,504,500
Non-current liabilities			
Loans and borrowings	9	4,796,689	6,381,317
Long-term advances		546,199	574,552
Employee benefits		350,718	330,914
Finance lease liabilities		68,963	89,437
Deferred tax liabilities		4,813,658	4,639,881
Other long-term liabilities		18,947	10,715
Total non-current liabilities		10,595,174	12,026,816
Current liabilities			
Loans and borrowings	9	725,279	699,355
Trade and other payables		5,882,815	6,789,664
Current portion of finance lease liabilities		125,579	194,577
Other taxes payable		898,636	452,959
Income tax payable		25,102	113,255
Total current liabilities		7,657,411	8,249,810
TOTAL LIABILITIES		18,252,585	20,276,626
TOTAL EQUITY AND LIABILITIES		60,162,349	59,781,126

OJSC IDGC of Urals
Consolidated Interim Condensed Statement of Cash Flows for six months ended 30 June 2011
(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Six months ended 30 June 2011	Six months ended 30 June 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	3,025,291	1,627,768
Adjustments:		
Depreciation and amortization	2,062,605	2,013,350
Net impairment losses	824,158	1,254,505
Net finance expenses	84,623	371,964
Share of profit of equity accounted investee	(125,685)	(136,235)
Loss on disposal of property, plant and equipment	20,253	(74,378)
Adjustment for other non-cash transactions	63,855	29,036
Operating profit before changes in working capital and provisions	5,955,100	5,086,010
Change in trade and other receivables and prepayments	(22,944)	157,196
Change in inventories	(374,050)	(137,920)
Change in trade and other payables	(1,297,826)	(1,125,238)
Change in taxes payable other than income	445,677	1,276,994
Cash flows from operations before income taxes paid	4,705,957	5,257,042
Income tax paid	(230,273)	(331,746)
Cash flows from operating activities	4,475,684	4,925,296
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(2,195,972)	(1,696,088)
Acquisition of intangible assets	(1,121)	(308)
Proceeds from disposal of property, plant and equipment	21,801	413,383
Proceeds from loans given	6,131	-
Issuance of loans given to the third parties	(6,663)	(4,366)
Interest received	16,752	11,362
Cash flows from investing activities	(2,159,072)	(1,276,017)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans and borrowings	2,481,278	901,060
Repayment of loans and borrowings	(4,039,982)	(2,976,773)
Repayment of finance lease liabilities	(147,024)	(275,657)
Interest paid	(202,063)	(395,524)
Dividends paid	(10,447)	(17,495)
Cash flows from financing activities	(1,918,238)	(2,764,389)
Net increase in cash and cash equivalents	398,374	884,890
Cash and cash equivalents at the beginning of the period	1,877,166	1,452,009
Cash and cash equivalents at the end of the period	2,275,540	2,336,899

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

OJSC IDGC of Urals
Consolidated Interim Condensed Statement of Changes in Equity for six months ended 30 June 2011
(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Total equity attributable to shareholders of the Company			Non-controlling interest	Total equity
	Share capital	Retained earnings	Total		
At 1 January 2010	8,743,049	27,718,267	36,461,316	662,239	37,123,555
Profit for the period	-	1,324,330	1,324,330	38,411	1,362,741
Total comprehensive income for the period	-	1,324,330	1,324,330	38,411	1,362,741
Transactions with owners, recorded directly in equity					
Dividends to shareholders	-	-	-	(1,238)	(1,238)
Total transactions with owners	-	-	-	(1,238)	(1,238)
At 30 June 2010	8,743,049	29,042,597	37,785,646	699,412	38,485,058
At 1 January 2011	8,743,049	29,995,367	38,738,416	766,084	39,504,500
Profit for the period	-	2,589,047	2,589,047	75,032	2,664,079
Total comprehensive income for the period	-	2,589,047	2,589,047	75,032	2,664,079
Transactions with owners, recorded directly in equity					
Dividends to shareholders	-	-	-	(258,815)	(258,815)
Total transactions with owners	-	-	-	(258,815)	(258,815)
At 30 June 2011	8,743,049	32,584,414	41,327,463	582,301	41,909,764

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

OJSC IDGC of Urals

Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2011

(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 2011	31 December 2010
	% 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”	100.00	100.00
LLC “Sluzhba bezopasnosti “Permenergo”	100.00	100.00
OJSC “Permelektrosetremont”	100.00	100.00
Non-Government Private Educational Institution "Uchebny Centre OJSC IDGS of Urals"	100.00	100.00
CJSC “Strahovaya kompaniya “Privat-Energostrah”	99.87	99.87
OJSC “Energoservisnaya kompaniya Urala”	100.00	-
Associate		
OJSC “Kurganenergo” (53.81% ownership and 49.00% voting rights)	49.00	49.00

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

As at 30 June 2011, the Government of the Russian Federation owned 52.7% shares of JSC “IDGC Holding” which in turn owned 51.52 % of the Company.

The Group includes investment in associate OJSC “Kurganenergo” with ownership rights of 53.00% and voting rights of 49.00%, which allows the Group to exercise significant influence, but not control, over the financial and operating policies of the associate.

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

(b) Russian business environment

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

Note 2. Basis of preparation

(a) Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2010.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of judgments, estimates and assumptions

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

In preparing these consolidated interim condensed financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2010.

Note 3. Summary of significant accounting policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2010.

Note 4. Revenue

During the six months ended 30 June 2011 revenue amounted to RUR 31,618,413 thousand (six months ended 30 June 2010: RUR 29,231,529 thousand) and included revenue from electricity transmission in the amount of RUR 24,416,403 thousand (six months ended 30 June 2010: RUR 22,788,634 thousand), revenue from electricity sales in the amount of RUR 6,326,050 thousand (six months ended 30 June 2010: RUR 5,522,046 thousand), revenue from connection services in the amount of RUR 717,766 thousand (six months ended 30 June 2010: RUR 532,493 thousand) and other revenue in the amount of RUR 158,194 thousand (six months ended 30 June 2010: RUR 388,356 thousand).

OJSC IDGC of Urals
Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2011
(in thousands of Russian Roubles, unless otherwise stated)
Note 5. Operating expenses

During the six months ended 30 June 2011 operating expenses amounted to RUR 28,640,902 thousand (six months ended 30 June 2010: RUR 27,356,711 thousand) and included electricity transmission fee paid to distribution grids and compensation of technological losses in the amount of RUR 15,869,957 thousand (six months ended 30 June 2010: RUR 14,835,439 thousand), purchased electricity in the amount of RUR 3,778,546 thousand (six months ended 30 June 2010: RUR 3,448,002 thousand), personnel costs in the amount of RUR 4,002,873 thousand (six months ended 30 June 2010: RUR 2,990,054 thousand), depreciation and amortisation expenses in the amount of RUR 2,062,605 thousand (six months ended 30 June 2010: RUR 2,013,350 thousand), net impairment losses on trade and other receivables in the amount of RUR 829,761 thousand (six months ended 30 June 2010: RUR 1,272,817 thousand) and other expenses in the amount of RUR 2,097,160 thousand (six months ended 30 June 2010: RUR 2,797,049 thousand).

Note 6. Property, plant and equipment

	Production buildings	Electricity grids	Substations' equipment	Assets under construction	Other	Total
Cost						
Balance						
at 1 January 2010	6,226,654	25,858,400	15,136,730	4,218,962	3,127,561	54,568,307
Additions	136,076	159,917	74,971	1,337,675	356,215	2,064,854
Transfers	54,278	23,978	86,481	(184,121)	19,384	-
Disposals	(25,954)	(74,133)	(105,007)	(125,735)	(55,439)	(386,268)
Balance at 30 June 2010	6,391,054	25,968,162	15,193,175	5,246,781	3,447,721	56,246,893
Balance						
at 1 January 2011	6,976,312	28,255,209	17,287,851	3,561,255	4,153,807	60,234,434
Additions	7,729	1,389	5,089	2,311,219	108,164	2,433,590
Transfers	25,437	121,588	61,688	(312,470)	103,757	-
Disposals	(14,920)	(27,960)	(26,260)	(4,046)	(34,268)	(107,454)
Balance at 30 June 2011	6,994,558	28,350,226	17,328,368	5,555,958	4,331,460	62,560,570
Depreciation						
Balance						
at 1 January 2010	(599,298)	(4,128,096)	(2,687,001)	-	(941,309)	(8,355,704)
Depreciation charge	(166,048)	(680,503)	(851,775)	-	(274,201)	(1,972,527)
Disposals	-	50,368	63,757	-	46,409	160,534
Balance at 30 June 2010	(765,346)	(4,758,231)	(3,475,019)	-	(1,169,101)	(10,167,697)
Balance						
at 1 January 2011	(885,102)	(5,689,108)	(3,941,346)	-	(1,407,967)	(11,923,523)
Depreciation charge	(148,537)	(870,007)	(744,247)	-	(295,827)	(2,058,618)
Disposals	3,279	25,868	18,274	-	17,195	64,616
Balance at 30 June 2011	(1,030,360)	(6,533,247)	(4,667,319)	-	(1,686,599)	(13,917,525)
Net book value						
At 1 January 2010	5,627,356	21,730,304	12,449,729	4,218,962	2,186,252	46,212,603
At 30 June 2010	5,625,708	21,209,931	11,718,156	5,246,781	2,278,620	46,079,196
At 1 January 2011	6,091,210	22,566,101	13,346,505	3,561,255	2,745,840	48,310,911
At 30 June 2011	5,964,198	21,816,979	12,661,049	5,555,958	2,644,861	48,643,045

OJSC IDGC of Urals
Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2011
(in thousands of Russian Roubles, unless otherwise stated)
Investment property

	2011	2010
Cost		
Balance at 1 January	117,664	249,589
Additions	-	4,084
Disposals	(2,861)	(684)
Balance as at 30 June	114,803	252,989
Depreciation		
Balance as at 1 January	(19,347)	(26,146)
Depreciation charge	(2,132)	(2,549)
Disposals	-	684
Balance as at 30 June	(21,479)	(28,011)
Net book value		
Balance as at 1 January	98,317	223,443
Balance as at 30 June	93,324	224,978

As at 30 June 2011 the fair value of investment property amounted to RUR 301.3 million (31 December 2010: RUR 315.2 million).

Note 7. Investments in equity accounted investee

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

	Carrying value as at 1 January 2010	Share of profit of associates	Carrying value as at 30 June 2010
OJSC “Kurganenergo”	665,070	136,235	801,305
Total investments in equity accounted investee	665,070	136,235	801,305
	Carrying value as at 1 January 2011	Share of profit of associates	Carrying value as at 30 June 2011
OJSC “Kurganenergo”	931,375	125,685	1,057,060
Total investments in equity accounted investee	931,375	125,685	1,057,060

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

	30 June 2011	31 December 2010
Total assets	3,438,524	2,517,300
Total liabilities	(1,281,259)	(616,534)
	Six months ended 30 June 2011	Six months ended 30 June 2010
Revenue	1,576,094	1,412,327
Expenses	(1,319,595)	(1,134,297)
Profit for the period	256,499	278,030

OJSC IDGC of Urals**Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2011***(in thousands of Russian Roubles, unless otherwise stated)***Note 8. Equity***Share capital*

	30 June 2011	31 December 2010
Number of ordinary shares authorized, issued and fully paid	87,430,485,711	87,430,485,711
Par value (in RUR)	0.10	0.10
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 RUR 29.1 billion as at 30 June 2011 (31 December 2010: RUR 27.4 billion).

During six months ended 30 June 2011 at the annual shareholders meeting the decision was approved to declare and to pay dividends for 2010 of RUR 258.8 million. Dividends amounted to RUR 0.003 per share.

During six months ended 30 June 2011 the Group paid dividends of RUR 10.4 million (six months ended 30 June 2010: 17.5 million). Dividends payable by the Group of RUR 284.4 million are included in Trade and other payables in the consolidated interim condensed statement of financial position as of 30 June 2011 (31 December 2010: RUR 1 thousand).

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 2011	Six months ended 30 June 2010
Weighted average number of ordinary shares issued	87,430,485,711	87,430,485,711
Profit attributable to the shareholders of the Company	2,589,047	1,324,330
Earnings per share (in RUR)	0.0296	0.0151

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

	Nominal interest rate,%		Year of maturity	30 June 2011	31 December 2010
	30 June 2011	31 December 2010			
<i>Bank loans</i>					
JSB "Gazprombank"	7.21% - 9.00%	7.21 - 8.50%	2012-2015	2,836,072	3,637,414
JSB "Sberbank of Russia"	7.70% - 7.75%	7.75 - 9.00%	2012-2016	1,220,660	2,395,842
JSB "Ural Bank for Reconstruction and Development"	7.65 - 8.28%	7.65%	2012-2016	738,146	336,000
JSB "NOMOS-BANK"	12.00% - 14.50%	12.00 - 14.50%	2012-2013	1,592	11,842
<i>Unsecured bond issues</i>	8.60%	8.60%	2012	219	219
Total				4,796,689	6,381,317

OJSC IDGC of Urals**Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2011***(in thousands of Russian Roubles, unless otherwise stated)***Short-term loans and borrowings**

Name of lender	Nominal interest rate, %		30 June 2011	31 December 2010
	30 June 2011	31 December 2010		
<i>Bank loans</i>				
JSB "Sberbank of Russia"	7.70 – 9.00%	9.00%	249,996	249,996
JSB "Ural Bank for Reconstruction and Development"	7.65 – 8.28%	7.65%	216,607	64,000
JSB "Gazprombank"	8.50% - 9.00%	8.50% - 9.00%	202,778	350,146
JSB "Metallinvestbank"	10.00 – 15.00%	15.00%	28,726	12,000
JSB "NOMOS-BANK"	11.00% - 14.50%	11.00% - 14.50%	26,542	22,583
Other			630	630
Total			725,279	699,355

During six months ended 30 June 2011 the Group raised or repaid the following significant borrowings:

- The Group raised loan from JSB "Sberbank of Russia" in the amount of RUR 603 million at interest rate of 7.70% with the maturity in 2016.
- The Group raised loan from JSB "Ural Bank for Reconstruction and Development" in the amount of RUR 554 million at interest rate of 8.28% with the maturity in 2016.
- The Group repaid loan of JSB "Sberbank of Russia" in the amount of RUR 2 billion.
- The Group repaid loan of "Gazprombank" in the amount of RUR 800 million.

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 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".

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 the Company's Parent, its subsidiaries and associates

Transactions with the Company's parent, its subsidiaries and associate include transactions with JSC "IDGC Holding", its subsidiaries and associates:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Operating expenses		
Other expenses	114,519	133,020

OJSC IDGC of Urals**Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2011***(in thousands of Russian Roubles, unless otherwise stated)***Transactions with state controlled entities**

The Group had the following significant transactions with state-controlled entities:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Revenue		
Electricity transmission and electricity sales	1,941,564	2,712,739
Revenue from connection services	24,562	32,489
Revenue from other services	30,825	37,849
Operating expenses		
Electricity transmission paid to distribution grids and purchased electricity	8,663,671	7,417,900
Other expenses	194,246	138,232

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 2011		Six months ended 30 June 2010	
	Members of Board of Directors	Key management personnel	Members of Board of Directors	Key management personnel
Salaries and bonuses	9,303	47,619	2,647	55,313

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 2011

(in thousands of Russian Roubles, unless otherwise stated)

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

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

Segment items as at 30 June 2011 are presented below:

	Electricity transmission			Electricity sales		Other segments	Total
	Chelyabenergo	Permenergo	Sverdlovenegero	OJSC “Ekaterinburg Electric Grid Company”	OJSC “Ekaterinburgenergosbyt”	All other Group Companies	
Segment assets	10,297,531	13,964,047	14,598,549	10,017,358	1,294,857	5,191,218	55,363,560
<i>Including property, plant and equipment</i>	<i>8,364,730</i>	<i>12,858,591</i>	<i>11,647,736</i>	<i>8,410,236</i>	<i>5,832</i>	<i>219,717</i>	<i>41,506,842</i>

OJSC IDGC of Urals

Notes to the Consolidated Interim Condensed Financial Statements for six months ended 30 June 2011

(in thousands of Russian Roubles, unless otherwise stated)

Segment items for six months ended 30 June 2010 are presented below:

	Electricity transmission			Electricity sales		Other segments	Total
	Chelyabenergo	Permenergo	Sverdlovenergo	OJSC “Ekaterinburg Electric Grid Company”	OJSC “Ekaterinburgenergosbyt”	All other Group Companies	
Electricity transmission	7,453,572	6,028,020	11,253,845	1,883,635	-	-	26,619,072
Electricity sales	-	-	-	-	5,812,285	-	5,812,285
Connection services	116,547	174,301	161,331	46,263	-	148	498,590
Other services	33,565	50,715	54,752	41,574	-	1,012,946	1,193,552
Total segment revenues, including	7,603,684	6,253,036	11,469,928	1,971,472	5,812,285	1,013,094	34,123,499
<i>External revenues</i>	<i>7,592,358</i>	<i>6,252,383</i>	<i>9,391,800</i>	<i>83,262</i>	<i>5,522,046</i>	<i>258,015</i>	<i>29,099,864</i>
<i>Inter-segment revenue</i>	<i>11,326</i>	<i>653</i>	<i>2,078,128</i>	<i>1,888,210</i>	<i>290,239</i>	<i>755,079</i>	<i>5,023,635</i>
Segment operating profit	144,082	685,624	503,447	851,402	145,880	9,697	2,340,132

Segment items as at 30 June 2010 are presented below:

	Electricity transmission			Electricity sales		Other segments	Total
	Chelyabenergo	Permenergo	Sverdlovenergo	OJSC “Ekaterinburg Electric Grid Company”	OJSC “Ekaterinburgenergosbyt”	All other Group Companies	
Segment assets	10,532,717	13,986,075	15,194,544	9,133,727	1,519,236	496,716	50,863,015
<i>Including property, plant and equipment</i>	<i>8,395,988</i>	<i>12,849,024</i>	<i>11,771,882</i>	<i>7,634,324</i>	<i>6,475</i>	<i>203,540</i>	<i>40,861,233</i>

OJSC IDGC of Urals**Notes to the consolidated interim financial statements for six months ended 30 June 2010**

(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 2011	Six months ended 30 June 2010
Total segment profit before income tax	2,694,125	2,340,132
Adjustment for accounts payable and provisions accrued	(455,946)	(574,991)
Adjustment for property, plant and equipment	(266,340)	(168,165)
Adjustment for impairment of accounts receivable	428,871	(322,489)
Accrual of bonuses and unused vacation provision	397,787	450,176
Share of profit of equity accounted investees	125,685	136,235
Adjustments for financial lease	97,736	(156,144)
Adjustment for employee benefits	8,921	50,886
Head Office loss (unallocated)	(122,653)	(187,094)
Other adjustments	117,105	59,222
Profit before income tax for the period per Statement of Comprehensive Income	3,025,291	1,627,768

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

As at 30 June 2011 the Group has outstanding commitments for the acquisition and construction of property, plant and equipment of RUR 3.9 billion (31 December 2010: RUR 3.0 billion).

Note 13. Contingencies***Insurance***

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not generally available. The Group does not have full coverage for its stations, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Litigation

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

Taxation

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

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

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

Environmental matters

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

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

Other contingencies

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

Note 14. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2010

Note 15. Events subsequent to the reporting date

In July 2011 the Group entered into 3 credit line agreements with JSB "Sberbank of Russia" for the amount of RUR 2,31 billion and bearing interest at 7.70% with the maturity in 2016.