

**OJSC INTERREGIONAL DISTRIBUTION GRID  
COMPANY OF CENTER AND VOLGA REGION  
CONSOLIDATED INTERIM CONDENSED  
FINANCIAL STATEMENTS  
FOR THE SIX MONTH ENDED 30 JUNE 2011  
(UNAUDITED)**

## **OJSC IDGC of Center and Volga Region**

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**OJSC IDGC of Center and Volga Region**  
**Consolidated Interim Condensed Statement of Financial Position as at 30 June 2011 (Unaudited)**

(in thousands of Russian Roubles, unless otherwise stated)

	Note	30 June 2011	31 December 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	47,839,260	45,135,110
Intangible assets		84,255	38,336
Other investments		555,681	539,384
Other non-current assets		341,892	322,611
<b>Total non-current assets</b>		<b>48,821,088</b>	<b>46,035,441</b>
<b>Current assets</b>			
Inventories		1,373,180	855,867
Income tax receivable		47,533	12,524
Trade and other receivables		4,996,659	4,807,729
Prepayments for current assets		500,137	128,890
Cash and cash equivalents		5,145,481	3,178,751
<b>Total current assets</b>		<b>12,062,990</b>	<b>8,983,761</b>
<b>TOTAL ASSETS</b>		<b>60,884,078</b>	<b>55,019,202</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	8	11,269,782	11,269,782
Reserves		36,263	45,985
Retained earnings		20,162,416	17,442,763
<b>Total equity attributable to equity holders of the Company</b>		<b>31,468,461</b>	<b>28,758,530</b>
Non-controlling interest		247	-
<b>Total equity</b>		<b>31,468,708</b>	<b>28,758,530</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		2,335,584	2,298,826
Employee benefits		1,274,964	1,200,188
Loans and borrowings	9	15,346,217	13,869,480
Trade and other payables		569,186	648,581
<b>Total non-current liabilities</b>		<b>19,525,951</b>	<b>18,017,075</b>
<b>Current liabilities</b>			
Loans and borrowings	9	1,105,980	1,678,113
Trade and other payables		7,844,836	6,092,315
Income tax payable		222,876	147,826
Current tax liabilities		715,727	325,343
<b>Total current liabilities</b>		<b>9,889,419</b>	<b>8,243,597</b>
<b>Total liabilities</b>		<b>29,415,370</b>	<b>26,260,672</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>60,884,078</b>	<b>55,019,202</b>

These consolidated interim condensed financial statements were approved by management on 29 August 2011 and were signed on its behalf by:

Director General

Ushakov E.V.

Chief Accountant

Rodionova I.U.

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 7 to 16.

**OJSC IDGC of Center and Volga Region**  
**Consolidated Interim Condensed Statement of Comprehensive Income for the six months ended**  
**30 June 2011 (Unaudited)**

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

	Note	Six month ended 30 June 2011	Six month ended 30 June 2010
Revenue	10	33,312,548	26,840,704
Operating expenses	11	(29,205,890)	(24,883,498)
Other income and expenses, net		116,650	147,636
<b>Operating profit</b>		<b>4,223,308</b>	<b>2,104,842</b>
Finance income		85,456	26,497
Finance costs		(516,845)	(553,944)
Share of profit/(loss) of equity accounted investee (net of income tax)	12		(4,632)
<b>Profit before income tax</b>		<b>3,791,931</b>	<b>1,572,763</b>
Income tax expense		(931,831)	(368,602)
<b>Profit for the period</b>		<b>2,860,100</b>	<b>1,204,161</b>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale financial assets		(12,153)	5,355
Income tax on other comprehensive income		2,431	(1,071)
<b>Other comprehensive income for the period, net of income tax</b>		<b>(9,722)</b>	<b>4,284</b>
<b>Total comprehensive income for the period</b>		<b>2,850,378</b>	<b>1,208,445</b>
<b>Profit attributable to:</b>			
Shareholders of the Company		2,860,653	1,204,161
Non-controlling interest		(553)	-
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		2,850,931	1,208,445
Non-controlling interest		(553)	-
<b>Earnings per share</b>	8		
Earnings per share – basic and diluted (in Russian roubles)		0.0254	0.0107

The consolidated interim condensed statement of comprehensive income 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 16.

**OJSC IDGC of Center and Volga Region**  
**Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2011**  
**(Unaudited)**

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

Notes	Six month ended 30 June 2011	Six month ended 30 June 2010
<b>OPERATING ACTIVITIES:</b>		
<b>Profit before income tax</b>	<b>3,791,931</b>	<b>1,572,763</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	1,938,877	1,855,749
Allowance for impairment of accounts receivable	(55,151)	(27,585)
Finance costs, net	431,389	527,447
Gain on disposal of property, plant and equipment	(133,243)	(58,031)
Accounts payable written-off	(32)	(29)
Income from surplus of assets	(38)	(39,662)
Share of (income)/loss of equity accounted investee (net of income tax)	(12)	4,632
Adjustment for other non-cash transactions	(3,885)	260
<b>Cash from operating activities before changes in working capital</b>	<b>5,969,836</b>	<b>3,835,544</b>
<b>Working capital changes:</b>		
Change in trade and other receivables	(120,546)	310,564
Change in prepayments for current assets	(371,225)	(128,042)
Change in inventories	(536,661)	(194,764)
Change in financial assets related to employee benefit fund	1,799	(103,475)
Change in trade and other payables	798,938	316,904
Change in employee benefits	74,776	103,320
Change in taxes payable other than income	364,043	290,332
<b>Cash flows from operations before income taxes and interest paid</b>	<b>6,180,960</b>	<b>4,430,383</b>
Income tax paid	(852,493)	(439,073)
Interest paid	(581,543)	(663,449)
<b>Net cash flows from operating activities</b>	<b>4,746,924</b>	<b>3,327,861</b>
<b>INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment and intangible assets	(3,826,277)	(1,369,056)
Proceeds from sale of property, plant and equipment	126,552	3,361
Interest received	41,119	21,180
Proceeds from disposal of other investments	14,087	5,317
<b>Net cash flows used in investing activities</b>	<b>(3,644,519)</b>	<b>(1,339,198)</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from loans and borrowings	1,705,478	2,324,261
Repayment of loans and borrowings	(818,544)	(2,563,086)
Dividends paid	-	(977)
Payment of finance lease liabilities	(22,609)	(37,358)
<b>Net cash flows from/(used in) financing activities</b>	<b>864,325</b>	<b>(277,160)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,966,730</b>	<b>1,711,503</b>
<b>Cash and cash equivalents at 1 January</b>	<b>3,178,751</b>	<b>2,501,533</b>
<b>Cash and cash equivalents at 30 June</b>	<b>5,145,481</b>	<b>4,213,036</b>

The consolidated interim condensed statement of cash flows 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 16.

**OJSC IDGC of Center and Volga Region**  
**Consolidated Interim Condensed Statement Of Changes In Equity for the six months ended**  
**30 June 2011 (Unaudited)**

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

	Share capital	Available-for-sale investments revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2010</b>	<b>11,269,782</b>	<b>32,611</b>	<b>16,607,876</b>	<b>27,910,269</b>	-	<b>27,910,269</b>
Profit for the period	-	-	1,204,161	1,204,161	-	1,204,161
Other comprehensive income	-	4,284	-	4,284	-	4,284
<b>Total comprehensive income for the period</b>				<b>1,208,445</b>	-	<b>1,208,445</b>
<b>Balance at 30 June 2010</b>	<b>11,269,782</b>	<b>36,895</b>	<b>17,812,037</b>	<b>29,118,714</b>	-	<b>29,118,714</b>
<b>Balance at 1 January 2011</b>	<b>11,269,782</b>	<b>45,985</b>	<b>17,442,763</b>	<b>28,758,530</b>	-	<b>28,758,530</b>
Effect on changes in non-controlling interest				-	800	800
Profit for the period			2,860,653	2,860,653	(553)	2,860,100
Other comprehensive income		(9,722)		(9,722)	-	(9,722)
<b>Total comprehensive income for the period</b>				<b>2,850,931</b>	<b>(553)</b>	<b>2,850,378</b>
Dividends			(141,000)	(141,000)	-	(141,000)
<b>Balance at 30 June 2011</b>	<b>11,269,782</b>	<b>36,263</b>	<b>20,162,416</b>	<b>31,468,461</b>	<b>247</b>	<b>31,468,708</b>

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 16.

**OJSC IDGC of Center and Volga Region**  
**Notes of the Consolidated Interim Condensed Financial Statements for the six months ended**  
**30 June 2011 (Unaudited)**

*(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 Center and Volga Region” (hereafter, the “Company”) and its subsidiaries (together referred to as the “Group”) comprise Russian open joint stock companies as defined in the Civil Code of the Russian Federation. The Company was set up on 28 June 2007 based on Resolution no. 193p of 22 June 2007 and pursuant to the Board of Directors’ decision (board of directors’ meeting minutes no. 250 of 27 April 2007) of the Russian Open Joint-Stock Company RAO “United Energy Systems of Russia” (hereafter, “RAO UES”).

The Company’s registered office is Rozhdestvenskaya Street, Nizhniy Novgorod, 603950, Russian Federation.

The Group’s principal activity is the transmission and distribution of electricity and the connection of customers to the electricity grid.

The Group consists of the Company and its subsidiaries:

<b>Name</b>	<b>30 June 2011 % owned</b>	<b>31 December 2010 % owned</b>
OJSC “Luchinskoye Agricultural Enterprise”	100.00	100.00
OJSC “Motor Vehicle Plant”	100.00	100.00
OJSC “Berendeyevskoye”	100.00	100.00
CJSC “Svet”	100.00	100.00
OJSC “Energetik Sanatorium-Preventorium”	100.00	100.00
OJSC “Interregional energoservice company “Energoefficiency technologies”	51.00	51.00

In December 2010 the Company established a subsidiary OJSC “Interregional energoservice company“ Energoefficiency technologies” (further OJSC“ IEC “Energoefficiency technologies”). The Company owned 51 % shares of OJSC “IEC “Energoefficiency technologies”. The contribution to the share capital was performed by cash in January 2011.

As at 30 June 2011 and 31 December 2010, the Government of the Russian Federation owned 52.70% shares of IDGC Holding, which in turn owned 50.40% of the Company.

The Government of the Russian Federation influences the Group’s activities through setting power transmission and distribution tariffs.

**(b) 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.

**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.

**(d) Use of judgments and estimates**

The preparation of consolidated 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.

**OJSC IDGC of Center and Volga Region**  
**Notes of the Consolidated Interim Condensed Financial Statements for the six months ended**  
**30 June 2011 (Unaudited)**

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

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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. Significant accounting policies**

Except as described below, 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.

*Accounting for defined benefit post-employment plans*

Pension costs for an interim period are calculated by using actuarially determined pension liabilities calculated at the end of the prior financial year adjusted for the significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

**Note 4. Determination of fair values**

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

In preparing these consolidated interim condensed financial statements, the methods for determination of fair values were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2010.

**Note 5. Operating segments**

The Management Board of the Company has been determined as the Group is 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 the Company) and segments relating to other activities (represented by separate legal entities).

The Management Board regularly evaluates and analyzes the financial information of the segments reported in statutory financial statements of respective segments.

In accordance with 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 - Ivanovo region, Kaluga region, Kirov region, Mari El region, Nizhniy Novgorod region, Ryazan region, Tula region, Udmurtiya region, Vladimir region – branches of IDGC of Center and Volga Region;
- Other Segments – other Group companies.

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

Segment items are based on financial information reported in statutory accounts and can differ significantly from those for financial statements prepared under IFRS. The reconciliation of items measured as reported to 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.

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



**OJSC IDGC of Center and Volga Region**  
**Notes of the Consolidated Interim Condensed Financial Statements for the six months ended**  
**30 June 2011 (Unaudited)**

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

**(i) Information about reportable segments for the six months ended 30 June 2011**

	Transmission										Total
	Nizhny Novgorod region	Vladimir region	Tula region	Kaluga region	Kirov region	Udmurtiya region	Mari El region	Ivanovo region	Ryazan region	Other	
Power transmitting	11,267,479	3,309,280	3,769,944	3,055,299	2,732,211	3,326,865	1,434,150	998,956	2,801,126	13,929	32,709,239
Connection to the power network	47,855	40,609	9,339	176,347	32,086	1,088	18,238	7,583	31,946	-	365,091
Other revenue	22,608	7,232	25,477	32,044	17,378	24,561	8,760	7,259	27,822	369,739	542,880
<b>Total segment revenues</b>	<b>11,337,942</b>	<b>3,357,121</b>	<b>3,804,760</b>	<b>3,263,690</b>	<b>2,781,675</b>	<b>3,352,514</b>	<b>1,461,148</b>	<b>1,013,798</b>	<b>2,860,894</b>	<b>383,668</b>	<b>33,617,210</b>
Segment profit/(loss) before income tax	1,065,934	255,636	855,191	705,903	(5,026)	518,288	251,294	(53,213)	353,209	1,417	3,948,633
<b>Segment assets</b>	<b>23,092,490</b>	<b>5,485,927</b>	<b>9,473,332</b>	<b>7,908,951</b>	<b>3,798,267</b>	<b>4,270,458</b>	<b>2,176,676</b>	<b>2,875,870</b>	<b>6,425,510</b>	<b>583,415</b>	<b>66,090,896</b>
<i>Including property, plant and equipment</i>	19,625,958	4,671,473	7,789,588	7,105,213	2,976,531	3,591,444	1,435,780	2,530,419	5,945,708	370,991	56,043,105

**(ii) Information about reportable segments for the six months ended 30 June 2010**

	Transmission										Total
	Nizhny Novgorod region	Vladimir region	Tula region	Kaluga region	Kirov region	Udmurtiya region	Mari El region	Ivanovo region	Ryazan region	Other	
Power transmitting	9,018,391	2,698,740	3,004,022	2,301,058	2,454,659	2,742,681	1,066,034	971,962	2,083,519	12,184	26,353,250
Connection to the power network	51,212	12,606	14,834	112,061	36,718	8,705	4,839	21,300	45,659	-	307,934
Other revenue	23,139	17,466	15,553	32,106	15,160	22,937	8,905	7,248	18,631	301,629	462,774
<b>Total segment revenues</b>	<b>9,092,742</b>	<b>2,728,812</b>	<b>3,034,409</b>	<b>2,445,225</b>	<b>2,506,537</b>	<b>2,774,323</b>	<b>1,079,778</b>	<b>1,000,510</b>	<b>2,147,809</b>	<b>313,813</b>	<b>27,123,958</b>
Segment profit/(loss) before income tax	(293,606)	153,745	521,060	228,101	515,938	203,202	(29,914)	49,515	101,218	1,929	1,451,188
<b>Segment assets</b>	<b>22,479,189</b>	<b>4,589,573</b>	<b>6,247,663</b>	<b>6,436,303</b>	<b>3,917,279</b>	<b>3,432,627</b>	<b>2,531,170</b>	<b>2,906,701</b>	<b>5,911,595</b>	<b>496,384</b>	<b>58,948,484</b>
<i>Including property, plant and equipment</i>	19,077,811	4,045,706	5,315,753	5,500,305	2,796,681	2,843,779	1,331,290	2,488,100	5,447,749	316,640	49,163,814

**OJSC IDGC of Center and Volga Region**  
**Notes of the Consolidated Interim Condensed Financial Statements for the six months ended**  
**30 June 2011 (Unaudited)**

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

**(iii) Reconciliations of reportable segment profit and loss**

Reconciliation of reportable segment profit and loss measured as reported to the Management Board with similar item in these Financial Statements is presented in the table below.

Reconciliation of profit before income tax:

	<b>Six months ended</b>	<b>Six months ended</b>
	<b>30 June 2011</b>	<b>30 June 2010</b>
<b>Total profit before income tax for reportable segments</b>	<b>3,948,633</b>	<b>1,451,188</b>
Adjustment for depreciation of property, plant and equipment	64,664	(81,041)
Adjustment for allowance for impairment of debt	48,083	(224,540)
Adjustment for accrued liabilities	-	388,609
Retirement benefit obligations recognition	(46,326)	154
Other adjustments	(229,075)	43,024
Unallocated amounts	16,086	4,252
Other adjustments	(10,134)	(8,883)
<b>Profit before tax per Statement of Comprehensive Income</b>	<b>3,791,931</b>	<b>1,572,763</b>

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

**Note 6. 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.

**OJSC IDGC of Center and Volga Region**  
**Notes of the Consolidated Interim Condensed Financial Statements for the six months ended**  
**30 June 2011 (Unaudited)**

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

**Note 7. Property, plant and equipment**

	<b>Land and buildings</b>	<b>Transmission networks</b>	<b>Equipment for electricity transmission</b>	<b>Construction in progress</b>	<b>Other</b>	<b>Total</b>
Balance at 31 December 2009	<b>4,902,815</b>	<b>22,809,018</b>	<b>12,469,179</b>	<b>5,533,268</b>	<b>6,088,274</b>	<b>51,802,554</b>
Additions	1,330	41,135	5,000	1,780,619	50,597	1,878,681
Transfer	23,494	634,612	97,621	(862,137)	106,410	-
Disposals	(6,606)	(4,148)	(686)	(170,355)	(15,082)	(196,877)
Balance at 30 June 2010	<b>4,921,033</b>	<b>23,480,617</b>	<b>12,571,114</b>	<b>6,281,395</b>	<b>6,230,199</b>	<b>53,484,358</b>
<b><i>Depreciation</i></b>						
Balance at 31 December 2009	<b>(675,675)</b>	<b>(6,090,159)</b>	<b>(2,889,387)</b>	-	<b>(1,700,943)</b>	<b>(11,356,164)</b>
Depreciation charge	(130,987)	(878,921)	(460,733)	-	(353,944)	(1,824,585)
Disposals	233	1,260	677	-	8,510	10,680
Balance at 30 June 2010	<b>(806,429)</b>	<b>(6,967,820)</b>	<b>(3,349,443)</b>	-	<b>(2,046,377)</b>	<b>(13,170,069)</b>
<b><i>Net book value</i></b>						
At 31 December 2009	<b>4,227,140</b>	<b>16,718,859</b>	<b>9,579,792</b>	<b>5,533,268</b>	<b>4,387,331</b>	<b>40,446,390</b>
At 30 June 2010	<b>4,114,604</b>	<b>16,512,797</b>	<b>9,221,671</b>	<b>6,281,395</b>	<b>4,183,822</b>	<b>40,314,289</b>

	<b>Land and buildings</b>	<b>Transmission networks</b>	<b>Equipment for electricity transmission</b>	<b>Construction in progress</b>	<b>Other</b>	<b>Total</b>
Balance at 31 December 2010	<b>5,337,472</b>	<b>26,277,338</b>	<b>14,381,278</b>	<b>6,404,343</b>	<b>7,647,488</b>	<b>60,047,919</b>
Additions	526	1,440	7,715	4,029,577	610,054	4,649,312
Transfer	105,567	838,502	417,771	(1,419,017)	57,177	-
Disposals	(6,386)	(6,587)	(9,328)	(4,565)	(37,229)	(64,095)
Balance at 30 June 2011	<b>5,437,179</b>	<b>27,110,693</b>	<b>14,797,436</b>	<b>9,010,338</b>	<b>8,277,490</b>	<b>64,633,136</b>
<b><i>Depreciation</i></b>						
Balance at 31 December 2010	<b>(916,418)</b>	<b>(7,814,767)</b>	<b>(3,786,675)</b>	-	<b>(2,394,949)</b>	<b>(14,912,809)</b>
Depreciation charge	(136,663)	(906,084)	(456,108)	-	(431,101)	(1,929,956)
Disposals	751	5,442	9,271	-	33,425	48,889
Balance at 30 June 2011	<b>(1,052,330)</b>	<b>(8,715,409)</b>	<b>(4,233,512)</b>	-	<b>(2,792,625)</b>	<b>(16,793,876)</b>
<b><i>Net book value</i></b>						
At 31 December 2010	<b>4,421,054</b>	<b>18,462,571</b>	<b>10,594,603</b>	<b>6,404,343</b>	<b>5,252,539</b>	<b>45,135,110</b>
At 30 June 2011	<b>4,384,849</b>	<b>18,395,284</b>	<b>10,563,924</b>	<b>9,010,338</b>	<b>5,484,865</b>	<b>47,839,260</b>

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**Note 8. Equity**

**Share capital**

	<b>30 June 2011</b>	<b>31 December 2010</b>
Number of ordinary shares authorised, issued and fully paid	112,697,817,043	112,697,817,043
Par value (in RUB)	0.10	0.10
<b>Total share capital (in RUB)</b>	<b>11,269,781,704</b>	<b>11,269,781,704</b>

**Dividends paid and declared**

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 30 June 2011 the Company had retained earnings, including the profit for the current period, of RUB 8,104,225 thousand (as at 31 December 2010: RUB 5,520,957 thousand).

At the annual shareholders meeting held on 14 June 2011 the decision was made to declare dividends of RUB 141 million for the year 2010. In 2010 the Company did not declare dividends for the year 2009.

Dividends per share as at 30 June 2011 were RUB 0.0013 (31 December 2010: nil).

**Earnings per share**

The calculation of earnings per share is based upon the profit for the current period and the outstanding number of ordinary shares. The Company has no dilutive potential ordinary shares.

	<b>30 June 2011</b>	<b>30 June 2010</b>
Weighted average number of ordinary shares issued	112,697,817,043	112,697,817,043
Profit attributable to the shareholders	2,860,653	1,204,161
Weighted average earnings per ordinary share – basic and diluted (in RUB)	0.0254	0.0107

**Note 9. Loans and borrowings**

**Non-current borrowings**

	<b>Effective interest rate, %</b>	<b>Currency</b>	<b>Year of maturity</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
<b>Loans and borrowings</b>					
including:					
OJSC Sberbank	8	RUB	2011	37,760	79,760
OJSC Gazprombank	7.5-8	RUB	2012-2016	6,755,127	6,049,649
OJSC TransCreditBank	8	RUB	2011-2012	500,000	1,000,000
OJSC Sviaz-Bank	7.92-10	RUB	2012-2014	6,297,916	5,297,916
Barclays Bank	7.65-7.92	RUB	2013-2014	2,000,000	2,000,000
OJSC Rosselkhozbank	16	RUB	2011-2012	2,458	3,277
Promissory notes	10	RUB	2011-2020	281,035	499,164
Non-current finance lease liability				11,319	21,112
<b>Total non-current debt</b>				<b>15,885,615</b>	<b>14,950,878</b>
Less current portion of non-current loans				(539,398)	(1,081,398)
<b>Total</b>				<b>15,346,217</b>	<b>13,869,480</b>

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**Current borrowings**

<b>Creditor</b>	<b>Effective interest rate, %</b>	<b>Currency</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
<b>Current borrowings including:</b>				
OJSC Sberbank	8	RUB	12	45
OJSC Gazprombank	7.5-8	RUB	28,278	29,220
OJSC Sviaz-Bank	7.92-10	RUB	769	881
Promissory notes	10.0	RUB	517,963	538,748
Current portion of non-current loans		RUB	539,398	1,081,398
Current finance lease liability			19,560	27,821
<b>Total</b>			<b>1,105,980</b>	<b>1,678,113</b>

**Note 10. Revenue**

	<b>Six month ended 30 June 2011</b>	<b>Six month ended 30 June 2010</b>
Electricity transmission	32,695,344	26,305,492
Connection services	365,091	305,344
Other revenue	252,113	229,868
<b>Total</b>	<b>33,312,548</b>	<b>26,840,704</b>

Other revenues are comprised of repair, construction, maintenance services, rent services and transport services.

**Note 11. Operating expenses**

	<b>Six month ended 30 June 2011</b>	<b>Six month ended 30 June 2010</b>
Electricity transmission	11,564,237	9,751,728
Purchased electricity	6,581,438	6,095,795
Personnel costs	6,030,550	4,548,815
Depreciation and amortisation	1,938,877	1,855,749
Repair and maintenance	898,596	579,124
Materials	709,592	555,946
Consulting, legal and audit services	307,368	286,163
Electricity and heat power for own needs	247,999	222,857
Management fee	136,397	160,500
Rent	124,568	115,504
Taxes other than income tax	101,269	93,237
Insurance	99,438	123,423
Security services	92,201	54,667
Electricity metering services	73,596	80,573
Communication services	64,474	58,952
Land surveying	46,339	25,661
Transportation expenses	24,903	39,972
Social expenditures and charity expenses	18,713	15,842
Bank commission	10,057	21,422
Allowance for impairment of debts	(55,151)	(27,585)
Gain on the disposal of property, plant and equipment	(133,243)	(58,031)
Other expenses	323,672	283,184
<b>Total</b>	<b>29,205,890</b>	<b>24,883,498</b>

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**Note 12. Related parties**

**(a) Control relationships**

As at 30 June 2011 and 31 December 2010 IDGC Holding was the parent company of the Company.

The party with ultimate control over the Company is the Government of the Russian Federation, which held the majority of the voting rights of IDGC Holding.

**(b) Transactions with the parent and entities under common control of the parent**

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

	Six months ended 30 June 2011	Six months ended 30 June 2010
<b>Expenses</b>		
Other expenses	136,397	160,513
	136,397	160,513

All outstanding balances with related parties are to be settled in cash within a year of the Statement of financial position date. None of the balances are secured.

Balances on settlements were as follows:

	30 June 2011	31 December 2010
Accounts receivable and prepayments	17,181	2,540
Less: Allowance for impairment of debts	-	(2,148)
Accounts payable and accrued liabilities	(16,095)	(18,941)

Related party revenue for electricity transmission and connection services is based on the tariffs determined by the Government; other related party transmissions are based on normal market prices.

**(c) Transactions with other state controlled entities**

In the normal course of business the Group enters into transactions with other entities under Government control. Prices for electricity and heat are based on tariffs set by the Federal Service on Tariffs and the regional services on tariffs. Bank loans are provided on the basis of market rates.

Estimate of the important transaction of the Group with other entities under Government control were as follows:

- revenue from transaction with other entities under Government control is approximately 2.4% during the six months ended 30 June 2011 of the total amount of revenue (six months ended 30 June 2010: less than 1%)
- operating expenses received from other entities under Government control is approximately 34% during the six months ended 30 June 2011 of total amount of operating expenses received from entities (six months ended 30 June 2010: 35%)

The Group had the following significant loans and borrowings balances with state-controlled entities:

	30 June 2011	31 December 2010
Loans and borrowings	(13,903,355)	(12,470,138)

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**(d) Transactions with management and close family members**

There are no transactions or balances with key management and their close family members, except for remuneration in the form of salary and bonuses.

Compensation is paid to members of the Board of Directors and Top management for their services in full time management positions. The compensation is made up of a contractual salary, non-cash benefits, and performance bonuses depending on results for the period according to Russian statutory financial statements.

Members of the Board of Directors and the Top management of the Group received the following remuneration:

	<b>Six months ended 30 June 2011</b>		<b>Six months ended 30 June 2010</b>	
	<b>Members of Board</b>		<b>Members of Board</b>	
	<b>of Directors</b>	<b>Top management</b>	<b>of Directors</b>	<b>Top management</b>
<b>Salaries and bonuses</b>	9,062	61,258	3,431	42,480

**Note 13. Commitments**

***Capital commitments***

As at 30 June 2011 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment for RUB 7,049,210 thousand (as at 31 December 2010: RUB 4,468,206 thousand).

**Note 14. 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 yet 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.

***Legal proceedings***

The Group is a party to certain legal proceedings arising in the ordinary course of business.

In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group.

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

***Environmental matters***

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

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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***

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 would have individual legal circumstances and respective estimation would 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.