

**OJSC INTERREGIONAL DISTRIBUTION GRID COMPANY OF VOLGA  
CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2012  
(UNAUDITED)**

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**OJSC IDGC of Volga**

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	31 December 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	32,070,832	31,266,118
Intangible assets		95,344	105,338
Other non-current assets		596,302	603,445
<b>Total non-current assets</b>		<b>32,762,478</b>	<b>31,974,901</b>
<b>Current assets</b>			
Inventories		1,479,370	974,903
Income tax receivable		84,344	1,021,252
Trade and other receivables		4,259,254	3,706,673
Prepayments for current assets		404,542	430,870
Cash and cash equivalents		1,292,308	2,014,301
Other current assets		10,321	12,996
<b>Total current assets</b>		<b>7,530,139</b>	<b>8,160,995</b>
<b>TOTAL ASSETS</b>		<b>40,292,617</b>	<b>40,135,896</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	8	17,857,780	17,857,780
Retained earnings		6,726,724	5,607,448
<b>Total equity</b>		<b>24,584,504</b>	<b>23,465,228</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,707,991	1,623,997
Employee benefits		905,828	864,933
Loans and borrowings	9	6,341,451	6,921,232
Trade and other payables		237,618	195,754
<b>Total non-current liabilities</b>		<b>9,192,888</b>	<b>9,605,916</b>
<b>Current liabilities</b>			
Loans and borrowings	9	85,206	79,716
Trade and other payables		5,527,273	6,624,298
Income tax payable		1	5,943
Other taxes payable		902,745	354,795
<b>Total current liabilities</b>		<b>6,515,225</b>	<b>7,064,752</b>
<b>Total liabilities</b>		<b>15,708,113</b>	<b>16,670,668</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>40,292,617</b>	<b>40,135,896</b>

These consolidated interim condensed financial statements were approved by management on 24 August 2012 and were signed on its behalf by

General Director

Ryabikin V.A

Chief Accountant

Tamlenova I.A



**OJSC IDGC of Volga***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	Six months ended 30 June 2011
Revenue	10	24,487,296	24,369,839
Operating expenses	11	(22,543,147)	(22,398,139)
Other income and expenses, net		(38,781)	(79,703)
<b>Operating profit</b>		<b>1,905,368</b>	<b>1,891,997</b>
Finance income		28,840	33,266
Finance costs		(194,078)	(134,990)
<b>Profit before income tax</b>		<b>1,740,130</b>	<b>1,790,273</b>
Income tax expense		(420,847)	(248,116)
<b>Profit for the period</b>		<b>1,319,283</b>	<b>1,542,157</b>
<b>Total comprehensive income for the period</b>		<b>1,319,283</b>	<b>1,542,157</b>
Earnings per share - basic and diluted (in RUB)		0.0073	0.0864

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 17.

**OJSC IDGC of Volga****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	Six months ended 30 June 2011
<b>OPERATING ACTIVITIES:</b>			
<b>Profit before income tax for the period</b>		<b>1,740,130</b>	<b>1,790,273</b>
<b>Adjustments for:</b>			
Depreciation and amortisation		1,911,306	1,608,629
Provision/(Reversal of provision) for obsolescence		62,102	(515,844)
Allowance for obsolescence		(12,102)	(4,564)
Finance costs		194,078	134,990
Finance income		(28,840)	(33,266)
Profit on disposal of property, plant and equipment		(10,462)	(18,997)
Impairment of Construction in progress		(64)	-
Accounts payable written-off		(395)	(22,597)
Other non-cash transactions		18,376	(19,012)
<b>Operating profit before working capital changes and income tax paid</b>		<b>3,874,129</b>	<b>2,919,612</b>
<b>Working capital changes:</b>			
Increase in trade and other receivables		(615,936)	(166,670)
Decrease /(increase) in prepayments		27,511	(214,891)
Increase in inventories		(492,365)	(1,078,034)
Decrease in other current assets		2,675	5,232
Decrease /(increase) in other non-current assets		5,426	(77,600)
(Increase)/decrease in trade and other payables		(664,732)	556,305
(Increase)/decrease in long-term liabilities		40,895	(945)
Increase in taxes payable other than income		575,185	366,812
<b>Cash flows from operations before income taxes and interest paid</b>		<b>2,752,788</b>	<b>2,309,821</b>
Income tax paid		566,878	(223,680)
Interest paid		(243,872)	(122,488)
<b>Net cash flows from operating activities</b>		<b>3,075,794</b>	<b>1,963,653</b>
<b>INVESTING ACTIVITIES:</b>			
Acquisition of property, plant and equipment		(3,232,222)	(1,498,387)
Proceeds from disposal of property, plant and equipment		1,375	39,634
Proceeds from sale of investments		-	17
Interest received		28,840	33,266
<b>Net cash flows used in investing activities</b>		<b>(3,202,007)</b>	<b>(1,425,470)</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from loans and borrowings		400,000	3,050,000
Repayment of loans and borrowings		(950,000)	(4,235,000)
Repayment of finance lease liabilities		(45,780)	(37,300)
<b>Net cash flows used in financing activities</b>		<b>(595,780)</b>	<b>(1,222,300)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(721,993)</b>	<b>(684,118)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2,014,301</b>	<b>1,475,500</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1,292,308</b>	<b>791,382</b>

**OJSC IDGC of Volga**

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)

	<b>Share capital</b>	<b>Accumulated Profit</b>	<b>Total equity</b>
<b>As at 1 January 2011</b>	<b>17,857,780</b>	<b>3,842,932</b>	<b>21,700,712</b>
Total comprehensive income for the period	-	1,542,157	1,542,157
<b>As at 30 June 2011</b>	<b>17,857,780</b>	<b>5,385,089</b>	<b>23,242,869</b>
<b>As at 1 January 2012</b>	<b>17,857,780</b>	<b>5,607,448</b>	<b>23,465,228</b>
Total comprehensive income for the period	-	1,319,283	1,319,283
Dividends	-	(200,007)	(200,007)
<b>As at 30 June 2012</b>	<b>17,857,780</b>	<b>6,726,724</b>	<b>24,584,504</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 17

## **OJSC IDGC of Volga**

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)

### **Note 1. Background**

#### **(a) The Group and its operations**

Open Joint-Stock Company "Interregional Distribution Grid Company of Volga" (hereafter, the "Company" or OJSC IDGC of Volga) 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 29 June 2007 based on Resolution no. 191p 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 42/44 Pervomayskaya Street, Saratov, Russian Federation, 410031.

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

The Group's significant subsidiaries are:

Name	% owned	
	30 June 2012	31 December 2011
OJSC Chuvashskaya avtotransportnaya kompaniya	99.99	99.99
OJSC Sanatoriy Solnechny	99.99	99.99
OJSC Sotsialnaya Sfera-M	100	100
OJSC Energoservis Volgi	100	100

As at 30 June 2012 the Russian Government owned 55.95% of the voting ordinary shares and 7.01 % of the preference shares of IDGC Holding (31 December 2011: 55.95% of the voting ordinary shares and 7.01 % of the preference shares), which in turn owned 67,63% 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 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 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) Basis of measurement**

The Consolidated Interim Condensed Financial Statements are prepared on the historical cost basis except for:

- Financial investments classified as available-for-sale are stated at fair value;
- Property, plant and equipment were revalued to determine deemed cost as part of the adoption of IFRSs as at 1 January 2006.

#### **(c) Functional and presentation currency**

## **OJSC IDGC of Volga**

*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)*

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The national currency of the Russian Federation is the Russian rouble (“RUB”), which is the functional currency for Company and its’ subsidiaries 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 Financial Statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those 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 for the year ended 31 December 2011.

### **Note 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 for the year ended 31 December 2011.

### **Note 4. Determination of fair value**

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

In preparing these consolidated interim condensed financial statements, the methods for determination of fair values were the same as those applied to the consolidated financial statements for the year ended 31 December 2011.

### **Note 5. Financial risk management**

The goals and policies of financial risk management of the Group are consistent with those operated in the year ended 31 December 2011.

### **Note 6. Operating segments**

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

The Group’s primary activity is the provision of electricity transmission services within the 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 analyses the financial information of the segments reported in the 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 the Management Board the following reporting segments were identified:

- Transmission Segments – Mordovia region, Chuvashia region, Orenburg region, Penza region, Samara region, Saratov region, Ulianovsk region – branches of IDGC Volga;
- Other Segments – other Group companies.

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 the Management Board with similar items in these Consolidated 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 revenue and profit before income tax, as included in the internal management reports that are



**OJSC IDGC of Volga**

*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)*

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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 Volga**

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)

**(i) Information about reportable segments for the six months ended 30 June 2012**

	Transmission							Other	Total
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region	Mordovia region		
<b>Revenue:</b>									
Electricity transmission	4,473,810	8,110,670	4,836,263	2,491,902	1,737,333	1,569,781	970,120	-	<b>24,189,879</b>
Connection to the electricity network	34,402	9,153	13,980	4,963	5,849	10,313	11,151	-	<b>89,811</b>
Other revenue	9,117	61,022	11,004	8,905	2,513	7,370	2,134	111,927	<b>213,992</b>
<b>Total segment revenues</b>	<b>4,517,329</b>	<b>8,180,845</b>	<b>4,861,247</b>	<b>2,505,770</b>	<b>1,745,695</b>	<b>1,587,464</b>	<b>983,405</b>	<b>111,927</b>	<b>24,493,682</b>
<b>Segment profit/(loss) before income tax</b>	<b>143,308</b>	<b>452,358</b>	<b>436,431</b>	<b>(43,076)</b>	<b>402,981</b>	<b>86,775</b>	<b>(118,940)</b>	<b>(21,498)</b>	<b>1,338,339</b>

Segment assets as at 30 June 2012 are presented below

	Transmission							Other	Total
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region	Mordovia region		
<b>Segment assets</b>	<b>16,725,943</b>	<b>10,165,625</b>	<b>14,364,137</b>	<b>4,456,678</b>	<b>3,996,905</b>	<b>3,699,706</b>	<b>2,711,606</b>	<b>198,585</b>	<b>56,319,185</b>
<i>Including property, plant and equipment</i>	14,666,671	8,131,180	12,436,131	3,500,853	3,178,057	3,015,045	2,116,754	101,042	47,145,733

**OJSC IDGC of Volga**

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)

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

	Transmission							Other	Total
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region	Mordovia region		
<b>Revenue:</b>									
Electricity transmission	4,466,891	8,006,126	4,639,697	2,617,984	1,751,393	1,607,545	1,038,619	-	24,128,255
Connection to the electricity network	8,817	5,451	1,866	5,149	13,895	10,418	2,231	-	47,827
Other revenue	8,155	76,419	13,620	15,383	3,217	14,328	2,822	107,091	241,035
<b>Total segment revenues</b>	<b>4,483,863</b>	<b>8,087,996</b>	<b>4,655,183</b>	<b>2,638,516</b>	<b>1,768,505</b>	<b>1,632,291</b>	<b>1,043,672</b>	<b>107,091</b>	<b>24,417,117</b>
<b>Segment profit/(loss) before income tax</b>	<b>(38,543)</b>	<b>402,802</b>	<b>473,682</b>	<b>401,654</b>	<b>133,353</b>	<b>154,273</b>	<b>(70,825)</b>	<b>(15,944)</b>	<b>1,440,452</b>

**Segment assets as at 31 December 2011 are presented below**

	Transmission							Other	Total
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region	Mordovia region		
<b>Segment assets</b>	<b>17,274,142</b>	<b>9,905,723</b>	<b>13,799,249</b>	<b>4,013,019</b>	<b>3,715,651</b>	<b>3,494,724</b>	<b>2,596,438</b>	<b>245,941</b>	<b>55,044,887</b>
<i>Including property, plant and equipment</i>	14,910,283	8,405,193	12,781,660	3,528,671	3,145,151	3,034,502	2,217,873	106,284	48,129,617

**OJSC IDGC of Volga**

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)

**(iii) Reconciliation of profit before tax of reportable segments**

Reconciliation between the calculation of profit before tax of reportable segments and a similar item in these financial statements is presented below:

	Six months ended 30 June 2012	Six months ended 30 June 2011
<b>Total profit before income tax for reportable segments</b>	<b>1,338,339</b>	<b>1,440,452</b>
Adjustment for property, plant and equipment	402,789	359,573
Provisions relate to the legal proceedings and unsettled claims	-	(72,653)
Adjustment on intangible assets	544	9,060
Adjustment for finance lease	18,154	4,033
Accrued salaries and wages	-	(128,979)
Bad debt allowance adjustment	-	89,350
Retirement benefit obligations recognition	(40,060)	19,605
Other adjustments	20,364	69,832
<b>Profit before tax per Statement of Comprehensive Income</b>	<b>1,740,130</b>	<b>1,790,273</b>

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

**OJSC IDGC of Volga**

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)

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

	Land and buildings	Transmission networks	Equipment for electricity transformation	Construction in progress	Other	Total
<b>Cost</b>						
Balance as 1 January 2011	7,795,032	15,696,235	8,067,725	1,411,445	4,797,254	37,767,691
Additions	24,913	10,465	2,157	1,153,881	117,608	1,309,024
Transfers	79,158	53,268	28,231	(182,312)	21,655	-
Disposals	(5,115)	(3,532)	(1,553)	(14,267)	(14,783)	(39,250)
<b>Balance as 30 June 2011</b>	<b>7,893,988</b>	<b>15,756,436</b>	<b>8,096,560</b>	<b>2,368,747</b>	<b>4,921,734</b>	<b>39,037,465</b>
Balance as 1 January 2012	9,800,944	17,716,635	9,333,030	2,260,049	6,375,182	45,485,840
Additions	3,655	6,196	11,603	2,559,868	127,914	2,709,236
Transfers	41,859	135,596	81,387	(290,542)	31,700	-
Disposals	(2,114)	(8,697)	(337)	(3,234)	(22,540)	(36,922)
<b>Balance as 30 June 2012</b>	<b>9,844,344</b>	<b>17,849,730</b>	<b>9,425,683</b>	<b>4,526,141</b>	<b>6,512,256</b>	<b>48,158,154</b>
<b>Accumulated depreciation</b>						
Balance as 1 January 2011	(1,490,164)	(5,708,111)	(1,821,567)	-	(2,013,615)	(11,033,457)
Depreciation for the period	(291,355)	(739,327)	(255,559)	-	(307,695)	(1,593,936)
Disposals	1,985	2,328	969	-	13,059	18,341
<b>Balance as 30 June 2011</b>	<b>(1,779,534)</b>	<b>(6,445,110)</b>	<b>(2,076,157)</b>	<b>-</b>	<b>(2,308,251)</b>	<b>(12,609,052)</b>
Balance as 1 January 2012	(2,142,603)	(7,208,485)	(2,332,125)	-	(2,536,509)	(14,219,722)
Depreciation for the period	(372,830)	(795,838)	(291,625)	-	(433,709)	(1,894,002)
Disposals	626	4,156	249	-	21,371	26,402
<b>Balance as 30 June 2012</b>	<b>(2,514,807)</b>	<b>(8,000,167)</b>	<b>(2,623,501)</b>	<b>-</b>	<b>(2,948,847)</b>	<b>(16,087,322)</b>
<b>Net book value</b>						
At 1 January 2011	6,304,868	9,988,124	6,246,158	1,411,445	2,783,639	26,734,234
At 30 June 20101	6,114,454	9,311,326	6,020,403	2,368,747	2,613,483	26,428 413
At 1 January 2012	7,658,341	10,508,150	7,000,905	2,260,049	3,838,673	31,266,118
At 30 June 2012	7,329,537	9,849,563	6,802,182	4,526,141	3,563,409	32,070,832

**Note 8. Equity***Share capital*

	30 June 2011	31 December 2010
Number of ordinary shares authorised, issued and fully paid	178,577,801,146	178,577,801,146
Par value (in RUB)	0,1	0,1
<b>Total share capital (in RUB)</b>	<b>17,857,780,115</b>	<b>17,857,780,115</b>

*Dividends paid and declared*

In accordance with the 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 2012 the Company had retained earnings, including the profit for the current period, of RUB 6,726,724 thousand (as at 31 December 2011: RUB 5,403,524 thousand).

In June 2012 General Meeting of Shareholders of JSC "MRSC Volga declared dividends in the amount of 0.00112 rub. per ordinary share. Total dividends amounted to 200,007 thousand rubles. On 30 June 2012 dividends are not paid.

**OJSC IDGC of Volga**

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)

**Earnings per share**

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

	Six months ended 30 June 2012	Six months ended 30 June 2011
Weighted average number of ordinary shares issued	178,577,801,146	178,577,801,146
Profit attributable to the shareholders	1,319,283	1,542,157
Weighted average earnings per ordinary share – basic (in RUB)	0.0073	0.0086

**Note 9. Loans and borrowings****Non-current borrowings**

	Effective interest rate, %	Currency	Year of maturity	30 June 2012	31 December 2011
<b>Loans and borrowings</b>					
Including:					
OJSC Sberbank	7,00-7,66	RUB	2013-2015	5,250,000	5,800,000
OJSC Gazprombank	9,50-11,00	RUB	2015	1,050,000	1,050,000
Finance lease liability				126,657	150,948
<b>Total non-current debt</b>				<b>6,426,657</b>	<b>7,000,948</b>
Less:					
current portion of finance lease liability				(85,206)	(79,716)
<b>Total</b>				<b>6,341,451</b>	<b>6,921,232</b>

Loans and borrowings represent primarily credit lines.

**Current borrowings**

	30 June 2012	31 December 2011
Current portion of finance lease liability	85,206	79,716
<b>Total</b>	<b>85,206</b>	<b>79,716</b>

All loans and borrowings listed above are bank borrowings with fixed interest rate.

The effective interest rate is the market interest rate applicable to the loan at the date of its receipt.

As of 30 June 2012 and 31 December 2011 all loans and borrowings were unsecured.

**OJSC IDGC of Volga**

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)***Note 10. Revenue**

During the six months ended 30 June 2012 revenue amounted to RUB 24,487,296 thousand (six months ended 30 June 2011: RUB 24,369,839 thousand) and included revenue from electricity distribution services in the amount of RUB 24,241,280 thousand (six months ended 30 June 2011: RUB 24,128,255 thousand), revenue from technological connection services in the amount of RUB 94,144 thousand (six months ended 30 June 2011: RUB 62,871 thousand) and other revenue in the amount of RUB 151,872 thousand (six months ended 30 June 2011: RUB 178,713 thousand).

**Note 11. Operating expenses**

During the six months ended 30 June 2012 operating expenses amounted to RUB 22,543,147 thousand (six months ended 30 June 2011: RUB 22,398,139 thousand) and included electricity transmission expenses in the amount of RUB 8,080,201 thousand (six months ended 30 June 2011: RUB 8,499,765 thousand), costs of purchased electricity for compensation of technological losses in the amount of RUB 6,332,223 thousand (six months ended 30 June 2011: RUB 6,804,120 thousand), personnel costs in the amount of RUB 4,263,463 thousand (six months ended 30 June 2011: RUB 3,985,201 thousand), depreciation and amortization of property, plant and equipment and intangible assets in the amount of RUB 1,911,306 thousand (six months ended 30 June 2011: RUB 1,608,629 thousand.) and accrual of impairment of accounts receivable in the amount of RUB 62,102 thousand (six months ended 30 June 2011: reversal of impairment of accounts receivable in the amount of RUB 515,844 thousand).

**Note 12. Related parties****(a) Control relationships**

As at 30 June 2012 and at 31 December 2011 IDGC Holding was the parent company of the Company.

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

The majority of the Group's related party transactions are with the subsidiaries of former RAO UES and other state controlled entities.

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

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

	Six months ended 30 June 2012	Six months ended 30 June 2011
<b>Revenue:</b>		
Other sales	179	2,712
<b>Operating expenses:</b>		
Other expenses	(38,459)	(109,456)

Related party transactions are based on normal market prices.

The Group had the following significant balances with the Parent's subsidiaries and associates:

	30 June 2012	31 December 2011
Accounts receivable and prepayments	2,614	938
Accounts payable	(23,637)	(14,779)

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

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

Revenue from state-controlled entities for the period ended 30 June 2012 constitutes 16% (Six months ended 30 June 2011: 21%) of total revenue. Almost all of it is the proceeds from the transfer of power.

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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)

Electricity transmission expenses occurred by operations with state-controlled entities for the period ended 30 June 2012 constitute 40% (Six months ended 30 June 2011: 45%) of total transmission expenses.

Interest expense accrued on loans from Sberbank constitute 79% (Six months ended 30 June 2011: 69%) of total interest accrued.

**(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 and social security contributions.

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

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Members of Board of Directors	Top management	Members of Board of Directors	Top management
Salaries and bonuses	7,435	23,864	5,808	17,953

**Note 13. Commitments****Capital commitments**

As at 30 June 2012 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment for RUB 3,100,267 thousand (31 December 2011: RUR 616 725 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 property, plant and equipment, 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**

The Group is a party to certain legal proceedings arising in the ordinary course of business. Management believes that it has provided adequately for all Group liabilities based on its assessment of the possible decision on the litigation with counterparties.

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



**OJSC IDGC of Volga**

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(in thousands of Russian Roubles, unless otherwise stated)

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**Environmental matters**

The Company 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. Company 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.

**Note 15. Events after the reporting period**

In June 2012 the Company decided to issue two series of bonds to the number of 3,000,000 and 4,000,000, a nominal value of 1,000 rubles. The issue was registered in July 2012, the coupon rate is not currently defined.