

**OJSC INTERREGIONAL DISTRIBUTION GRID COMPANY OF VOLGA
CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013
(UNAUDITED)**

Contents

Consolidated Interim Condensed Statement of Financial Position	3
Consolidated Interim Condensed Statement of Comprehensive Income	4
Consolidated Interim Condensed Statement of Cash Flows	5
Consolidated Interim Condensed Statement of Changes in Equity	6
Notes to the Consolidated Interim Condensed Financial Statements	7–20

OJSC IDGC of Volga

Consolidated Interim Condensed Statement of Financial Position as at 30 June 2013

(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Note	30 June 2013 (unaudited)	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	7	37,992,090	37,020,153
Intangible assets		110,151	102,925
Other non-current assets		615,484	593,220
Total non-current assets		38,717,725	37,716,298
Current assets			
Inventories		1,650,766	1,081,621
Income tax receivable		232,631	230,577
Trade and other receivables		3,787,081	3,407,321
Prepayments for current assets		406,183	325,840
Cash and cash equivalents		443,244	2,088,351
Other current assets		14,287	17,192
Total current assets		6,534,192	7,150,902
TOTAL ASSETS		45,251,917	44,867,200
EQUITY AND LIABILITIES			
Share capital	8	17,857,780	17,857,780
Reserves		(385,166)	(457,472)
Retained earnings		7,825,251	7,840,117
Total equity		25,297,865	25,240,425
Non-current liabilities			
Deferred tax liabilities		2,220,679	1,980,839
Employee benefits		1,341,819	1,391,342
Loans and borrowings	9	9,953,602	10,718,545
Trade and other payables		349,492	384,626
Total non-current liabilities		13,865,592	14,475,352
Current liabilities			
Loans and borrowings	9	46,245	65,714
Trade and other payables		5,161,298	4,716,976
Income tax payable		244	6,960
Other taxes payable		880,673	361,773
Total current liabilities		6,088,460	5,151,423
Total liabilities		19,954,052	19,626,775
TOTAL EQUITY AND LIABILITIES		45,251,917	44,867,200

These consolidated interim condensed financial statements were approved by management on 28 August 2013 and were signed on its behalf by:

General Director

Ryabikin V.A

Chief Accountant

Tamlanova I.A



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 20.

OJSC IDGC of Volga

Consolidated Interim Condensed Statement of Comprehensive Income for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Revenue	10	22,912,035	24,487,296
Operating expenses	11	(22,094,920)	(22,394,305)
Other income and expenses, net		32,566	(38,482)
Operating profit		849,681	2,054,509
Finance income		10,286	29,422
Finance costs		(363,468)	(242,927)
Profit before income tax		496,499	1,841,004
Income tax expense		(220,283)	(441,022)
Profit for the period		276,216	1,399,982
Other comprehensive income			
Revaluation of net liabilities (assets) for defined benefit obligations		90,383	30,429
Income tax on other comprehensive income		(18,077)	(6,086)
Total other comprehensive income		72,306	24,343
Total comprehensive income for the period		348,522	1,424,325
Earnings per share - basic and diluted (in RUB)		0.0015	0.0078

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 20.

OJSC IDGC of Volga**Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2013
(Unaudited)***(in thousands of Russian Roubles, unless otherwise stated)*

	Note	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
OPERATING ACTIVITIES:			
Profit before income tax for the period		496,499	1,841,004
Adjustments for:			
Depreciation and amortisation	11	2,003,714	1,911,306
Allowance for impairment of accounts receivable	11	39,876	62,086
Reversal of provision for obsolescence		-	(12,102)
Finance costs		363,468	242,927
Finance income		(10,286)	(29,422)
Loss/(profit) on disposal of property, plant and equipment		2,034	(10,462)
Impairment of Construction in progress		-	(64)
Accounts payable written-off		(3,320)	(395)
Other non-cash transactions		-	18,376
Operating profit before working capital changes and income tax paid		2,891,985	4,023,254
Working capital changes:			
Increase in trade and other receivables		(419,401)	(615,920)
(Increase)/decrease in prepayments		(80,578)	27,511
Increase in inventories		(569,145)	(492,365)
Decrease in other current assets		2,905	2,675
(Increase)/decrease in other non-current assets		(22,264)	5,426
Increase/(decrease) in trade and other payables		66,201	(664,732)
Decrease in long-term liabilities		(7,423)	(108,246)
Increase in taxes payable other than income		518,900	575,185
Cash flows from operations before income taxes and interest paid		2,381,180	2,752,788
Income tax paid		(7,290)	566,878
Interest paid		(391,353)	(243,872)
Net cash flows from operating activities		1,982,537	3,075,794
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		(2,831,885)	(3,232,222)
Proceeds from disposal of property, plant and equipment		17,209	1,375
Acquisition of intangible assets		(32,039)	-
Interest received		10,286	28,840
Net cash flows used in investing activities		(2,836,429)	(3,202,007)
FINANCING ACTIVITIES:			
Proceeds from loans and borrowings		2,450,000	400,000
Repayment of loans and borrowings		(3,200,000)	(950,000)
Repayment of finance lease liabilities		(41,215)	(45,780)
Net cash flows used in financing activities		(791,215)	(595,780)
Net increase in cash and cash equivalents		(1,645,107)	(721,993)
Cash and cash equivalents at the beginning of the period		2,088,351	2,014,301
Cash and cash equivalents at the end of the period		443,244	1,292,308

OJSC IDGC of VolgaConsolidated Interim Condensed Statement of Changes in Equity for the six months ended 30 June 2013
(Unaudited)*(in thousands of Russian Roubles, unless otherwise stated)*

	Share capital	Reserves	Accumulated Profit	Total equity
As at 1 January 2012	17,857,780	(287,537)	5,609,469	23,179,712
Profit for the period	-	-	1,399,982	1,399,982
Other comprehensive income				
Revaluation of net liabilities (assets) for defined benefit obligations	-	30,429	-	30,429
Income tax on other comprehensive income	-	(6,086)	-	(6,086)
Total other comprehensive income	-	24,343	-	24,343
Total comprehensive income	-	24,343	1,399,982	1,424,325
Dividends	-	-	(200,007)	(200,007)
As at 30 June 2012	17,857,780	(263,194)	6,809,444	24,404,030
As at 1 January 2013	17,857,780	(457,472)	7,840,117	25,240,425
Profit for the period	-	-	276,216	276,216
Other comprehensive income				
Revaluation of net liabilities (assets) for defined benefit obligations	-	90,383	-	90,383
Income tax on other comprehensive income	-	(18,077)	-	(18,077)
Total other comprehensive income	-	72,306	-	72,306
Total comprehensive income	-	72,306	276,216	348,522
Dividends	-	-	(291,082)	(291,082)
As at 30 June 2013	17,857,780	(385,166)	7,825,251	25,297,865

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 20

OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (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 2013	31 December 2012
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 2013 the Russian Government owned 86,99% of the voting ordinary shares and 7.01 % of the preference shares of JSC Russian Grids (31 December 2012: 56,58% 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

This consolidated interim condensed financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2012. This consolidated interim condensed financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

(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.

OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

(c) Functional and presentation currency

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 2012.

Note 3. Significant accounting policies

Except for the adoption of the new standards and interpretations effective as of 1 January 2013, the accounting policies applied by the Group were consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2012.

Changes in accounting policies

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IAS 19 (Revised 2011) *Employee Benefits*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

Amendment to IAS 1 *Presentation of items of other comprehensive income*

The Amendment requires an entity to present separately items of other comprehensive income that could be reclassified in the future to profit or loss from those items that will never be reclassified to profit or loss. In addition, according to the Amendment the title of statement of comprehensive income was changed to statement of profit or loss and other comprehensive income. However, use of other titles is permitted.

IAS 19 (2011) *Employee Benefits*:

The standard has been significantly amended in relation to defined benefits plans, including the following:

- the corridor method is removed and, therefore, all changes in the present value of the defined benefit obligation and in the fair value of plan assets will be recognised immediately as they occur;
- remeasurements of the net defined benefit obligation (asset) are recognised only in other comprehensive income, the current ability to recognise all changes in the defined benefit obligation and plan assets in profit or loss is eliminated;
- the expected return on plan assets recognised in profit or loss will be calculated based on the rate used to discount the defined benefit obligation.

Besides, new disclosures, such as quantitative sensitivity analysis, are now required.

OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

The Group applied IAS 19 (2011) to its pension plan which is a defined benefit plan retrospectively beginning from 1 January 2012. As a result, past service costs are recognised in full amount as expense as at the earlier of the following dates: (a) the date of plan amendment or plan curtailment, and (b) the date when the related restructuring costs or termination benefits are recognised. Previously the entity recognised past service costs as an expense on the straight-line basis over the average period until the benefits become vested.

According to IAS 19 (2011) remeasurements of the net defined benefit obligation (asset) are recognised in other comprehensive income. Previously the Group applied the corridor method.

The application of the revised standard had the following impact on the financial position of the Group:

1 January 2012

	<u>As previously reported</u>	<u>Effect of changes in accounting policies</u>	<u>As restated</u>
Employee benefits	864,933	356,896	1,221,829
Deferred tax liabilities	1,623,997	(71,380)	1,552,617
Total liabilities	16,670,668	285,516	16,956,184
Reserves	-	(287,537)	(287,537)
Retained earnings	5,607,448	2,021	5,609,469
Total equity	23,465,228	(285,516)	23,179,712

31 December 2012

	<u>As previously reported</u>	<u>Effect of changes in accounting policies</u>	<u>As restated</u>
Employee benefits	892,527	498,815	1,391,342
Deferred tax liabilities	2,080,602	(99,763)	1,980,839
Total liabilities	19,227,724	399,051	19,626,775
Reserves	-	(457,472)	(457,472)
Retained earnings	7,781,696	58,421	7,840,117
Total equity	25,639,476	(399,051)	25,240,425

OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

The application of the revised standard had the following effect on the comprehensive income of the Group for the six months ended 30 June 2012:

	<u>As previously reported</u>	<u>Effect of changes in accounting policies</u>	<u>As restated</u>
Operating expenses	(22,543,446)	149,141	(22,394,305)
Operating profit	1,905,368	149,141	2,054,509
Finance costs	(194,660)	(48,267)	(242,927)
Profit before income tax	1,740,130	100,874	1,841,004
Income tax expense	(420,847)	(20,175)	(441,022)
Profit for the period	1,319,283	80,699	1,399,982
Other comprehensive income			
Revaluation of net liabilities (assets) for defined benefit obligations	-	30,429	30,429
Income tax on other comprehensive income	-	(6,086)	(6,086)
Total other comprehensive income	-	24,343	24,343
Total comprehensive income	1,319,283	105,042	1,424,325

The effect on the comprehensive income of the Group for the six months ended 30 June 2013 due to the application of the revised standard was as follows:

	<u>Effect of changes in accounting policies</u>
Operating expenses	24,904
Operating profit	24,904
Finance costs	(48,283)
Profit before income tax	(23,379)
Income tax expense	4,676
Profit for the period	(18,703)
Other comprehensive income	
Revaluation of net liabilities (assets) for defined benefit obligations	90,383
Income tax on other comprehensive income	(18,077)
Total other comprehensive income	72,306
Total comprehensive income	53,603

OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

• **IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements**

IFRS 10 introduces a single control model that applies to all entities including special purpose entities. IFRS 10 supersedes a part of previously effective IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. The new standard changes the definition of control such that an investor controls an investee when:

- it has power over the investee;
- it is exposed, or has rights, to variable returns from its involvement with the investee, and
- it has the ability to affect those returns through its power over the investee (i.e. there is a link between power and returns).

This standard had no impact on the consolidation of the Group's investees.

• **IFRS 13 Fair Value Measurement**

IFRS 13 supersedes the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. Comparative disclosure information is not required for periods before the date of initial application.

The application of IFRS 13 has not had a significant impact on the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures of fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required by IAS 34.16A(j) for the consolidated interim condensed financial report. The Group has presented those disclosures in Note 15.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2012.

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 2012.

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.

OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

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 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 2013 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

(i) Information about reportable segments for the six months ended 30 June 2013

	Transmission							Total
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region	Mordovia region	
Revenue:								
Electricity transmission	4,735,188	4,265,584	4,790,740	1,114,549	1,733,677	1,411,201	1,027,068	19,078,007
Connection to the electricity network	10,357	20,109	13,511	5,523	6,229	12,415	23,713	91,857
Other revenue	-	-	-	3,588,519	-	-	-	3,588,519
	7,861	61,181	9,289	6,644	4,775	6,337	1,830	153,589
Total revenue from external customers	4,753,406	4,346,874	4,813,540	4,715,235	1,744,681	1,429,953	1,052,611	22,911,972
Inter-segment revenue							60,935	60,935
Total revenue	4,753,406	4,346,874	4,813,540	4,715,235	1,744,681	1,429,953	1,052,611	22,972,907
Segment profit/(loss) before income tax	(76,926)	130,445	(131,210)	223,112	25,882	(146,988)	(117,641)	(105,083)

Segment assets as at 30 June 2013 are presented below

	Transmission							Total
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region	Mordovia region	
Segment assets	16,924,712	10,984,146	15,240,738	5,211,107	4,125,385	3,820,054	2,977,423	59,508,645
<i>Including property, plant and equipment</i>	15,649,142	9,375,854	13,496,758	4,095,268	3,545,468	3,344,992	2,386,873	51,998,601

OJSC IDGC of Volga
Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

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

	Transmission					Total			
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region		Chuvashia region	Mordovia region	Other
Revenue:									
Electricity transmission	4,473,810	8,110,670	4,836,263	2,491,902	1,737,333	1,569,781	970,120		24,189,879
Connection to the electricity network	34,402	9,153	13,980	4,963	5,849	10,313	11,151		89,811
Other revenue	9,117	61,022	11,004	8,905	2,513	7,370	2,134		158,390
Total revenue from external customers	4,517,329	8,180,845	4,861,247	2,505,770	1,745,695	1,587,464	983,405		24,438,080
Inter-segment revenue								55,602	55,602
Total revenue	4,517,329	8,180,845	4,861,247	2,505,770	1,745,695	1,587,464	983,405	111,927	24,493,682
Segment profit/(loss) before income tax	143,308	452,358	436,431	(43,076)	402,981	86,775	(118,940)	(21,498)	1,338,339

Segment assets as at 31 December 2012 are presented below

	Transmission					Total			
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region		Chuvashia region	Mordovia region	Other
Segment assets	17,659,712	10,572,165	15,123,751	4,806,082	4,271,776	4,067,878	3,241,753	262,959	60,006,076
<i>Including property, plant and equipment</i>	15,902,605	9,713,861	13,523,401	4,173,550	3,521,860	3,378,543	2,425,895	106,847	52,746,562

OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (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 2013	Six months ended 30 June 2012
Total profit before income tax for reportable segments	(105,083)	1,338,339
Adjustment for property, plant and equipment	550,775	402,789
Adjustment on intangible assets	52,595	23,616
Adjustment for finance lease	20,934	18,154
Retirement benefit obligations recognition	(22,467)	60,814
Other adjustments	(255)	(2,708)
Profit before tax per Statement of Comprehensive Income	496,499	1,841,004

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.

Note 7. Property, plant and equipment

	Land and buildings	Transmission networks	Equipment for electricity transformation	Construction in progress	Other	Total
Cost						
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)
Balance as 30 June 2012	9,844,344	17,849,730	9,425,683	4,526,141	6,512,256	48,158,154
Balance as 1 January 2013	11,222,495	19,915,589	11,514,133	2,808,995	9,273,035	54,734,247
Additions	4,936	312	4,047	2,738,027	222,757	2,970,079
Transfers	55,229	538,000	138,441	(782,077)	50,407	-
Disposals	(102)	(7,416)	(2,636)	(9,841)	(22,384)	(42,379)
Balance as 30 June 2013	11,282,558	20,446,485	11,653,985	4,755,104	9,523,815	57,661,947
Accumulated depreciation						
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
Balance as 30 June 2012	(2,514,807)	(8,000,167)	(2,623,501)	-	(2,948,847)	(16,087,322)
Balance as 1 January 2013	(2,705,261)	(8,690,068)	(2,935,786)	-	(3,382,979)	(17,714,094)
Depreciation for the period	(327,272)	(628,302)	(363,473)	-	(659,854)	(1,978,901)
Disposals	41	3,256	1,367	-	18,474	23,138
Balance as 30 June 2013	(3,032,492)	(9,315,114)	(3,297,892)	-	(4,024,359)	(19,669,857)
Net book value						
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
At 1 January 2013	8,517,234	11,225,521	8,578,347	2,808,995	5,890,056	37,020,153
At 30 June 2013	8,250,066	11,131,371	8,356,093	4,755,104	5,499,456	37,992,090

OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)

*(in thousands of Russian Roubles, unless otherwise stated)***Note 8. Equity****Share capital**

	30 June 2013	31 December 2012
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
Total share capital (in RUB)	17,857,780,115	17,857,780,115

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 2013 the Company had retained earnings, including the profit for the current period, of RUB 5,665,141 thousand (as at 31 December 2012: RUB 6,211,963 thousand).

In June 2013 General Meeting of Shareholders of JSC "MRSC Volga" declared dividends in the amount of 0.00163 Rub. per ordinary share. Total dividends amounted to RUB 291,082 thousand. On 30 June 2013 dividends are not paid.

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 2013	Six months ended 30 June 2012
Weighted average number of ordinary shares issued	178,577,801,146	178,577,801,146
Profit attributable to the shareholders	276,216	1,399,982
Weighted average earnings per ordinary share – basic (in RUB)	0.0015	0.0078

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

	Effective interest rate, %	Currency	Year of maturity	30 June 2013	31 December 2012
Loans and borrowings					
Unsecured bank facility*	7.0-9.9	RUB	2014-2015	9,950,000	10,700,000
Finance lease liability			2018	37,968	70,172
Total non-current debt				9,987,968	10,770,172
Less:					
current portion of finance lease liability				(34,366)	(51,627)
Total				9,953,602	10,718,545

Loans and borrowings represent primarily credit lines.

Current borrowings

	30 June 2013	31 December 2012
Current portion of finance lease liability	34,366	51,627
Accrued interest payable	11,879	14,087
Total	46,245	65,714

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

OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

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

During the six months ended 30 June 2013 the Group received the following significant bank loans:

	Nominal interest rate, %	Currency	Year of maturity	Amount
Issued				
Unsecured bank facility*	9	RUB	2015	2,450,000

During the six months ended 30 June 2013 the Group repaid the following significant bank loans:

	Amount
Repaid	
Unsecured bank facility*	3,200,000

* All bank loans were received from OJSC "Sberbank" that is a state-controlled entity.

Note 10. Revenue

During the six months ended 30 June 2013 revenue amounted to RUB 22,912,035 thousand (six months ended 30 June 2012: RUB 24,487,296 thousand) and included revenue from electricity transmission services in the amount of RUB 19,078,007 thousand (six months ended 30 June 2012: RUB 24,241,280 thousand), revenue from electricity sales in the amount of RUB 3,588,519 thousand (six months ended 30 June 2012: no revenue from electricity sales), revenue from technological connection services in the amount of RUB 94,771 thousand (six months ended 30 June 2012: RUB 94,144 thousand) and other revenue in the amount of RUB 150,738 thousand (six months ended 30 June 2012: RUB 151,872 thousand).

Note 11. Operating expenses

During the six months ended 30 June 2013 operating expenses amounted to RUB 22,094,920 thousand (six months ended 30 June 2012: RUB 22,394,305 thousand) and included electricity transmission expenses in the amount of RUB 8,375,347 thousand (six months ended 30 June 2012: RUB 8,080,201 thousand), costs of purchased electricity for compensation of technological losses in the amount of RUB 2,672,969 thousand (six months ended 30 June 2012: RUB 6,332,223 thousand), personnel costs in the amount of RUB 4,745,471 thousand (six months ended 30 June 2012: RUB 4,114,322 thousand), depreciation and amortization of property, plant and equipment and intangible assets in the amount of RUB 2,003,714 thousand (six months ended 30 June 2012: RUB 1,911,306 thousand) and accrual of impairment of accounts receivable in the amount of RUB 39,876 thousand (six months ended 30 June 2012: RUB 62,086 thousand).

Note 12. Related parties

(a) Control relationships

As at 30 June 2013 and at 31 December 2012 JSC Russian Grids was the parent company of the Company.

Transactions with the parent company were as follows:

	Six months ended 30 June 2013	Account payables as at 30 June 2013	Six months ended 30 June 2012	Account payables as at 30 June 2012
Operating expenses:				
Management services	105,823	12,487	109,220	12,888

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 JSC Russian Grids.

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

OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

(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 2013	Six months ended 30 June 2012
Revenue:	1,045	1,090
Connection services	187	-
Rent	733	989
Other sales	125	101
Operating expenses:	4,982,203	4,895,350
Electricity transmission	4,976,123	4,864,386
Rent expenses	557	1,401
Repair and maintenance costs	265	216
Other expenses	5,258	29,347

Related party transactions are based on normal market prices.

(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 2013 constitutes 22% (six months ended 30 June 2012: 21%) of total revenue. Almost all of the revenue is the proceeds from the electricity transmission.

Electricity transmission expenses (including compensation of technological losses) occurred by operations with state-controlled entities for the period ended 30 June 2013 constitute 8% (Six months ended 30 June 2012: 4%) of total transmission expenses.

Interest expense accrued on loans from Sberbank constitute 100% (Six months ended 30 June 2012: 79%) 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:

OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Six months ended 30 June 2013		Six months ended 30 June 2012	
	Members of Board of Directors	Top management	Members of Board of Directors	Top management
Salaries and bonuses	12,972	28,426	12,229	29,363

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

As at 30 June 2013 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment for RUB 4,170,436 thousand (as at 31 December 2012: RUR 824 159 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.

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.

OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2013 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

Note 15. Financial instruments.**(a) Fair value hierarchy**

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices from observable current market transactions.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	30 June 2013	31 December 2012
Level 1	530,648	512,295
Level 2	-	-
Level 3	-	-
Total	530,648	512,295

The financial instruments of the Group carried at fair value represent available-for-sale investments.

(b) Fair values

Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amounts.