

**OJSC INTERREGIONAL DISTRIBUTION GRID COMPANY OF VOLGA
CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(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 | 7–17 |

OJSC IDGC of Volga

Consolidated Interim Condensed Statement of Financial Position as at 30 June 2011

(Unaudited)

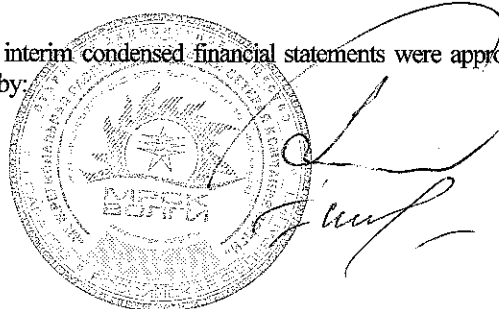
(in thousands of Russian Roubles, unless otherwise stated)

| | Note | 30 June 2011 | 31 December 2010 |
|--------------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 26,428,413 | 26,734,234 |
| Intangible assets | | 115,288 | 116,766 |
| Other non-current assets | | 693,437 | 615,203 |
| Total non-current assets | | 27,237,138 | 27,466,203 |
| Current assets | | | |
| Inventories | | 1,987,709 | 905,110 |
| Income tax receivable | | 547,197 | 199,612 |
| Trade and other receivables | | 2,955,726 | 2,278,764 |
| Prepayments for current assets | | 545,294 | 317,550 |
| Cash and cash equivalents | | 791,382 | 1,475,500 |
| Other current assets | | 17,032 | 21,646 |
| Total current assets | | 6,844,340 | 5,198,182 |
| TOTAL ASSETS | | 34,081,478 | 32,664,385 |
| EQUITY AND LIABILITIES | | | |
| Share capital | 8 | 17,857,780 | 17,857,780 |
| Retained earnings | | 5,385,089 | 3,842,932 |
| Total equity | | 23,242,869 | 21,700,712 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 1,326,388 | 954,180 |
| Employee benefits | | 737,618 | 738,563 |
| Loans and borrowings | 9 | 3,964,445 | 5,193,889 |
| Trade and other payables | | 247,223 | 252,211 |
| Total non-current liabilities | | 6,275,674 | 7,138,843 |
| Current liabilities | | | |
| Loans and borrowings | 9 | 95,597 | 88,453 |
| Trade and other payables | | 3,751,296 | 3,386,960 |
| Income tax payable | | 24 | 211 |
| Other taxes payable | | 716,018 | 349,206 |
| Total current liabilities | | 4,562,935 | 3,824,830 |
| Total liabilities | | 10,838,609 | 10,963,673 |
| TOTAL EQUITY AND LIABILITIES | | 34,081,478 | 32,664,385 |

These consolidated interim condensed financial statements were approved by management on 31 August 2011 and were signed on its behalf by:

General Director

Chief Accountant



Ryabikin V.A

Tamlanova I.A

OJSC IDGC of Volga

Consolidated Interim Condensed Statement of Comprehensive Income for the six months ended 30 June 2011

(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

| | | Six months ended 30 June 2011 | Six months ended 30 June 2010 |
|--|------|----------------------------------|----------------------------------|
| | Note | | |
| Revenue | 10 | 24,369,839 | 19,893,780 |
| Operating expenses | 11 | (22,398,139) | (19,006,237) |
| Other income and expenses, net | | (79,703) | (78,204) |
| Operating profit | | 1,891,997 | 809,339 |
| Finance income | | 33,266 | 7,449 |
| Finance costs | | (134,990) | (219,975) |
| Profit before income tax | | 1,790,273 | 596,813 |
| Income tax expense | | (248,116) | (213,472) |
| Profit for the period | | 1,542,157 | 383,341 |
| Total comprehensive income for the period | | 1,542,157 | 383,341 |
| Earnings per share - basic and diluted (in RUB) | | 0.0864 | 0.0215 |

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 2011
(Unaudited)***(in thousands of Russian Roubles, unless otherwise stated)*

| | Note | Six months ended 30 June 2011 | Six months ended 30 June 2010 |
|--|------|----------------------------------|----------------------------------|
| OPERATING ACTIVITIES: | | | |
| Profit before income tax for the period | | 1,790,273 | 596,813 |
| Adjustments for: | | | |
| Depreciation and amortisation | | 1,608,629 | 1,377,949 |
| (Reversal)/accrual of impairment of accounts receivable | | (515,844) | 842,819 |
| Allowance for obsolescence | | (4,564) | (9) |
| Finance costs | | 134,990 | 219,975 |
| Finance income | | (33,266) | (7,449) |
| (Profit)/loss on disposal of property, plant and equipment | | (18,997) | 27,010 |
| Accounts payable written-off | | (22,597) | (13,019) |
| Other non-cash transactions | | (19,012) | (343,440) |
| Operating profit before working capital changes and income tax paid | | 2,919,612 | 2,700,649 |
| Working capital changes: | | | |
| Increase in trade and other receivables | | (166,670) | (1,024,600) |
| Increase in prepayments | | (214,891) | (122,218) |
| Increase in inventories | | (1,078,034) | (197,583) |
| Decrease /(increase) in other current assets | | 5,232 | (57,042) |
| (Increase)/decrease in other non-current assets | | (77,600) | 88,401 |
| Increase in trade and other payables | | 556,305 | 1,350,130 |
| Decrease in long-term liabilities | | (945) | (38,979) |
| Increase in taxes payable other than income tax | | 366,812 | 105,532 |
| Cash flows from operations before income taxes and interest paid | | 2,309,821 | 2,804,290 |
| Income tax paid | | (223,680) | (455,645) |
| Interest paid | | (122,488) | (208,345) |
| Net cash flows from operating activities | | 1,963,653 | 2,140,300 |
| INVESTING ACTIVITIES: | | | |
| Acquisition of property, plant and equipment | | (1,498,387) | (652,436) |
| Proceeds from disposal of property, plant and equipment | | 39,634 | 911 |
| Proceeds from sale of investments | | 17 | 606,370 |
| Interest received | | 33,266 | 1,288 |
| Net cash flows used in investing activities | | (1,425,470) | (43,867) |
| FINANCING ACTIVITIES: | | | |
| Proceeds from loans and borrowings | | 3,050,000 | 3,805,001 |
| Repayment of loans and borrowings | | (4,235,000) | (5,754,110) |
| Repayment of finance lease liabilities | | (37,300) | (122,768) |
| Net cash flows used in financing activities | | (1,222,300) | (2,071,877) |
| Net increase in cash and cash equivalents | | (684,118) | 24,556 |
| Cash and cash equivalents at the beginning of the period | | 1,475,500 | 425,060 |
| Cash and cash equivalents at the end of the period | | 791,382 | 449,616 |

OJSC IDGC of Volga**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 | Accumulated Profit | Total equity |
|---|----------------------|---------------------------|---------------------|
| Balance at 1 January 2010 | 17,857,780 | 3,275,433 | 21,133,213 |
| Total comprehensive income for the period | - | 383,341 | 383,341 |
| Balance at 30 June 2010 | 17,857,780 | 3,658,774 | 21,516,554 |
| Balance at 1 January 2011 | 17,857,780 | 3,842,932 | 21,700,712 |
| Total comprehensive income for the period | - | 1,542,157 | 1,542,157 |
| Balance at 30 June 2011 | 17,857,780 | 5,385,089 | 23,242,869 |

OJSC IDGC of Volga

Notes to 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 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 2011 | 31 December 2010 |
| OJSC Chuvashskaya avtotransportnaya kompaniya | 99.99 | 99.99 |
| OJSC Sanatoriy Solnechny | 99.99 | 99.99 |
| OJSC Sotsialnaya Sfera-M | 100 | 100 |
| OJSC Volga Energoservice | 100 | - |

In January 2011, in accordance with decision of the Board of Directors of the Company on 23 December 2010, OJSC Volga Energoservice with a capital of RUR 1,000 thousand was established by the Company. The company was the sole founder of OJSC Volga Energoservice. The main activity of the subsidiary will be the assessment and reduction of energy resources in energy supply systems.

As at 30 June 2011 the Government of the Russian Federation owned 55.95% of the shares of IDGC Holding (as at 31 December 2010 – 54.99%), 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 2010.

(b) Basis of measurement

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

- Financial assets classified as available-for-sale are stated at fair value;

OJSC IDGC of Volga

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

(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

- 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

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 2010.

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 2010.

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 2010.

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 2010.

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.

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

OJSC IDGC of Volga

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

(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

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 before tax 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 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 | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| | Saratov region | Orenburg region | Samara region | Penza region | Ulianovsk region | Chuvashia region | | Mordovia region |
| Revenue: | | | | | | | | |
| 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 |
| Total segment revenues | 4,483,863 | 8,087,996 | 4,655,183 | 2,638,516 | 1,768,505 | 1,632,291 | 1,043,672 | 24,417,117 |
| Segment profit/(loss) before income tax | (38,543) | 402,802 | 473,682 | 401,654 | 133,353 | 154,273 | (70,825) | 1,440,452 |

Segment assets as at 30 June 2011 are presented below

| | Transmission | | | | | | Total | |
|--|-------------------|------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|
| | Saratov region | Orenburg region | Samara region | Penza region | Ulianovsk region | Chuvashia region | | Mordovia region |
| Segment assets | 16,182,199 | 8,819,608 | 12,869,151 | 3,564,584 | 3,331,604 | 3,286,869 | 2,252,275 | 50,485,942 |
| <i>Including property, plant and equipment</i> | 13,629,682 | 7,263,189 | 12,007,779 | 3,058,265 | 2,808,903 | 2,808,132 | 1,942,172 | 43,618,439 |

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

(in thousands of Russian Roubles, unless otherwise stated)

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

| | Transmission | | | | | | Total | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|----------------|-----------------|-------------------|
| | Saratov region | Orenburg region | Samara region | Penza region | Ulianovsk region | Chuvashia region | | Mordovia region | Other |
| Revenue: | | | | | | | | | |
| Electricity transmission | 5,180,031 | 4,117,561 | 3,938,888 | 2,148,210 | 1,876,395 | 1,271,298 | 915,206 | - | 19,447,589 |
| Connection to the electricity network | 7,324 | 103,098 | 60,638 | 1,595 | 1,802 | 2,982 | 9,112 | - | 186,551 |
| Other revenue | 110,945 | 26,402 | 4,662 | 32,835 | 2,348 | 14,411 | 1,273 | 113,688 | 306,564 |
| Total segment revenues | 5,298,300 | 4,247,061 | 4,004,188 | 2,182,640 | 1,880,545 | 1,288,691 | 925,591 | 113,688 | 19,940,704 |
| Segment profit/(loss) before income tax | 397,254 | (10,199) | (186,584) | 145,083 | 48,281 | (89,061) | 44,467 | (5,378) | 717,031 |

Segment assets as at 31 December 2010 are presented below

| | Transmission | | | | | | Total | | |
|--|-------------------|------------------|-------------------|------------------|------------------|------------------|------------------|-----------------|-------------------|
| | Saratov region | Orenburg region | Samara region | Penza region | Ulianovsk region | Chuvashia region | | Mordovia region | Other |
| Segment assets | 15,270,217 | 7,860,830 | 13,074,378 | 3,401,469 | 3,352,593 | 3,265,874 | 2,263,583 | 177,685 | 48,666,629 |
| <i>Including property, plant and equipment</i> | 13,857,113 | 7,449,274 | 12,349,499 | 3,096,004 | 2,833,270 | 2,847,820 | 2,037,338 | 100,418 | 44,570,736 |

OJSC IDGC of Volga

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

(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 2011 | Six months ended 30 June 2010 |
|---|----------------------------------|----------------------------------|
| Total profit before income tax for reportable segments | 1,440,452 | 717,031 |
| Adjustment for property, plant and equipment | 359,573 | 475,197 |
| Provisions relate to the legal proceedings and unsettled claims | (72,653) | (416,992) |
| Adjustment on intangible assets | 9,060 | 84 |
| Adjustment for finance lease | 4,033 | (24,173) |
| Accrued salaries and wages | (128,979) | (84,739) |
| Bad debt allowance adjustment | 89,350 | (40,746) |
| Retirement benefit obligations recognition | 19,605 | (4,302) |
| Other adjustments | 69,832 | (24,547) |
| Profit before tax per Statement of Comprehensive Income | 1,790,273 | 596,813 |

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 2011

(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 |
|----------------------------------|--------------------|-----------------------|--|--------------------------|--------------------|---------------------|
| Deemed cost/cost | | | | | | |
| Balance at 1 January 2010 | 6,491,549 | 14,568,076 | 6,633,830 | 1,817,429 | 4,091,491 | 33,602,375 |
| Additions | 645 | 1,715 | 2,772 | 609,860 | 81,815 | 696,807 |
| Transfers | 120,624 | 26,258 | 26,544 | (262,142) | 88,716 | - |
| Disposals | (879) | (5,629) | (8,072) | (1,264) | (35,842) | (51,686) |
| Balance at 30 June 2010 | 6,611,939 | 14,590,420 | 6,655,074 | 2,163,883 | 4,226,180 | 34,247,496 |
| Balance at 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) |
| Balance at 30 June 2011 | 7,893,988 | 15,756,436 | 8,096,560 | 2,368,747 | 4,921,734 | 39,037,465 |
| Accumulated depreciation | | | | | | |
| Balance at 1 January 2010 | (1,070,886) | (4,416,230) | (1,356,537) | - | (1,489,606) | (8,333,259) |
| Depreciation for the period | (229,771) | (632,333) | (218,418) | - | (266,746) | (1,347,268) |
| Disposals | 732 | 2,091 | 1,572 | - | 16,076 | 20,471 |
| Balance at 30 June 2010 | (1,299,925) | (5,046,472) | (1,573,383) | - | (1,740,276) | (9,660,056) |
| Balance at 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 |
| Balance at 30 June 2011 | (1,779,534) | (6,445,110) | (2,076,157) | - | (2,308,251) | (12,609,052) |
| Net book value | | | | | | |
| At 1 January 2010 | 5,420,663 | 10,151,846 | 5,277,293 | 1,817,429 | 2,601,885 | 25,269,116 |
| At 30 June 2010 | 5,312,014 | 9,543,948 | 5,081,691 | 2,163,883 | 2,485,904 | 24,587,440 |
| 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 2011 | 6,114,454 | 9,311,326 | 6,020,403 | 2,368,747 | 2,613,483 | 26,428,413 |

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 RUR) | 0.1 | 0.1 |
| Total share capital (in RUR) | 17,857,780,115 | 17,857,780,115 |

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 5,403,524 thousand (as at 31 December 2010: RUB 4,451,332 thousand).

For the six month ended 30 June 2011 The Group neither declared nor paid dividends.

OJSC IDGC of Volga

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

(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 2011 | Six months ended 30 June 2010 |
|---|----------------------------------|----------------------------------|
| Weighted average number of ordinary shares issued | 178,577,801,146 | 178,577,801,146 |
| Profit attributable to the shareholders | 1,542,157 | 383,341 |
| Weighted average earnings per ordinary share – basic (in RUR) | 0.0864 | 0.0215 |

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

| | Effective interest rate, % | Currency | Year of maturity | 30 June 2011 | 31 December 2010 |
|---|-------------------------------|----------|------------------|------------------|---------------------|
| Loans and borrowings | | | | | |
| Including: | | | | | |
| OJSC Sberbank | 7.00-7.29 | RUR | 2012-2013 | 2,950,000 | 2,990,000 |
| OJSC Gazprombank | 7.28-7.30 | RUR | 2012-2015 | 900,000 | 1,495,000 |
| OJSC Alfa-Bank | 7.6 | RUR | 2012 | - | 550,000 |
| Finance lease liability | | | | 210,042 | 247,342 |
| Total non-current debt | | | | 4,060,042 | 5,282,342 |
| Current portion of finance lease liability | | | | (95,597) | (88,453) |
| Total | | | | 3,964,445 | 5,193,889 |

Current borrowings

| | 30 June 2011 | 31 December 2010 |
|--|---------------|------------------|
| Current portion of finance lease liability | 95,597 | 88,453 |
| Total | 95,597 | 88,453 |

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

The Group raised bank loans in the amount of RUB 3,050,000 thousand at interest rate of 7.00-7.29% from OJSC Sberbank. Bank loans must be repaid in 2012-2015.

The Group repaid bank loans in the amount of RUB 3,090,000 thousand at interest rate of 7.20-7.29% from OJSC Sberbank, in the amount of RUB 595,000 thousand at interest rate of 7.30% from OJSC Gazprombank and in the amount of RUB 550,000 thousand at interest rate of 7.60% from OJSC Alfa-Bank.

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

As of 30 June 2011 and 31 December 2010 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 2011

(Unaudited)

*(in thousands of Russian Roubles, unless otherwise stated)***Note 10. Revenue**

During the six months ended 30 June 2011 revenue amounted to RUB 24,369,839 thousand (six months ended 30 June 2010: RUB 19,893,780 thousand) and included revenue from electricity distribution services in the amount of RUB 24,128,255 thousand (six months ended 30 June 2010: RUB 19,447,589 thousand), revenue from technological connection services in the amount of RUB 62,871 thousand (six months ended 30 June 2010: RUB 227,021 thousand) and other revenue in the amount of RUB 178,713 thousand (six months ended 30 June 2010: RUB 219,170 thousand).

Note 11. Operating expenses

During the six months ended 30 June 2011 operating expenses amounted to RUB 22,398,139 thousand (six months ended 30 June 2010: RUB 19,006,237 thousand) and included electricity transmission expenses in the amount of RUB 8,499,765 thousand (six months ended 30 June 2010: RUB 6,665,099 thousand), costs of purchased electricity for compensation of technological losses in the amount of RUB 6,804,120 thousand (six months ended 30 June 2010: RUB 5,091,211 thousand), personnel costs in the amount of RUB 3,985,201 thousand (six months ended 30 June 2010: RUB 3,316,619 thousand), depreciation and amortization of property, plant and equipment and intangible assets in the amount of RUB 1,608,629 thousand (six months ended 30 June 2010: RUB 1,377,949 thousand.) and reversal of impairment of accounts receivable in the amount of RUB 515,844 thousand (six months ended 30 June 2010: accrual of impairment of accounts receivable in the amount of RUB 842,819 thousand).

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

As at 30 June 2011 and at 31 December 2010 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 2011 | Six months ended 30 June 2010 |
|----------------------------|----------------------------------|----------------------------------|
| Revenue: | | |
| Other sales | 2,712 | - |
| Operating expenses: | | |
| Other expenses | (109,456) | (128,520) |

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 2011 | 31 December 2010 |
|-------------------------------------|--------------|------------------|
| Accounts receivable and prepayments | 938 | - |
| Accounts payable | (14,779) | (21,136) |

(c) Transactions with other state controlled entities

In the normal course of business the Group enters into transactions with other entities under Government control. Revenue for electricity transmission is based on the tariffs determined by the government. Bank loans are provided on the basis of market rates.

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

OJSC IDGC of Volga

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

(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

| | Six months ended 30 June 2011 | Six months ended 30 June 2010 |
|----------------------------|----------------------------------|----------------------------------|
| Revenue: | | |
| Electricity transmission | 5,147,316 | 3,663,487 |
| Connection services | 4,105 | 12,313 |
| Other sales | 20,587 | 14,233 |
| Operating expenses: | | |
| Electricity transmission | (5,939,368) | (4,405,466) |
| Purchased electricity | (915,770) | (809,805) |
| Interest expense | (83,725) | (93,247) |
| Other expenses | (431,306) | (119,560) |

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

| | 30 June 2011 | 31 December 2010 |
|-------------------------------------|--------------|------------------|
| Accounts receivable and prepayments | 1,172,351 | 691,998 |
| Accounts payable | (701,929) | (287,382) |
| Loans and borrowings | (2,950,000) | (2,990,000) |

(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:

| | Six months ended 30 June 2011 | | Six months ended 30 June 2010 | |
|----------------------|----------------------------------|----------------|----------------------------------|----------------|
| | Members of Board of Directors | Top management | Members of Board of Directors | Top management |
| Salaries and bonuses | 5,808 | 17,953 | 6,556 | 20,205 |

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 RUR 2,369,141 thousand (31 December 2010: RUR 150,162 thousand.).

OJSC IDGC of Volga

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

(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

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. The management does not believe that these matters will have a material adverse effect on the Group's financial position and operating results.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, 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 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 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.

Note 15. Events after the reporting period

During the period from the reporting date to the date of approval of these consolidated interim condensed financial statements there were no significant events.