

**OJSC INTERREGIONAL DISTRIBUTION GRID COMPANY OF VOLGA  
CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2014  
(UNAUDITED)**

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**OJSC IDGC of Volga**

Consolidated Interim Condensed Statement of Financial Position as at 30 June 2014

(Unaudited)

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

	Note	30 June 2014 (unaudited)	31 December 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	41,519,818	41,845,590
Intangible assets		113,267	146,442
Other non-current assets		537,628	568,213
<b>Total non-current assets</b>		<b>42,170,713</b>	<b>42,560,245</b>
<b>Current assets</b>			
Inventories		1,713,533	1,184,245
Income tax receivable		2,838	839,796
Trade and other receivables		4,971,688	4,404,890
Prepayments for current assets		209,043	320,905
Cash and cash equivalents		853,385	1,056,150
Other current assets		17,761	18,945
<b>Total current assets</b>		<b>7,768,248</b>	<b>7,824,931</b>
<b>TOTAL ASSETS</b>		<b>49,938,961</b>	<b>50,385,176</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	8	17,857,780	17,857,780
Reserves		(590,348)	(647,541)
Retained earnings		9,349,270	8,999,909
<b>Total equity</b>		<b>26,616,702</b>	<b>26,210,148</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		3,101,124	3,012,993
Employee benefits		1,299,520	1,367,080
Loans and borrowings	9	13,700,000	13,900,000
Trade and other payables		311,150	270,782
<b>Total non-current liabilities</b>		<b>18,411,794</b>	<b>18,550,855</b>
<b>Current liabilities</b>			
Loans and borrowings	9	20,865	36,626
Trade and other payables		3,633,228	5,001,742
Provisions		52,813	25,746
Income tax payable		891	800
Other taxes payable		1,202,668	559,259
<b>Total current liabilities</b>		<b>4,910,465</b>	<b>5,624,173</b>
<b>Total liabilities</b>		<b>23,322,259</b>	<b>24,175,028</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>49,938,961</b>	<b>50,385,176</b>

These consolidated interim condensed financial statements were approved by management on 28 August 2014 and were signed on its behalf by:

Acting General Director

Deputy General Director on Technical Affairs —

Chief Engineer

Pavlov O.G.

Chief Accountant

Tamlenova I.A.



**OJSC IDGC of Volga**

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2014 (Unaudited)

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

	Note	Six months ended 30 June	Six months ended 30 June
Revenue	10	22,888,701	22,912,035
Operating expenses	11	(22,000,749)	(22,094,920)
Other income and expenses, net		41,233	32,566
<b>Operating profit</b>		<b>929,185</b>	<b>849,681</b>
Finance income		35,143	10,286
Finance costs		(523,766)	(363,468)
<b>Profit before income tax</b>		<b>440,562</b>	<b>496,499</b>
Income tax expense		(73,064)	(220,283)
<b>Profit for the period</b>		<b>367,498</b>	<b>276,216</b>
<b>Other comprehensive income</b>			
Revaluation of net liabilities (assets) for defined benefit obligations		71,491	90,383
Income tax on other comprehensive income		(14,298)	(18,077)
<b>Total other comprehensive income</b>		<b>57,193</b>	<b>72,306</b>
<b>Total comprehensive income for the period</b>		<b>424,691</b>	<b>348,522</b>
Earnings per share - basic and diluted (in RUB)		0.0021	0.0015

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 2014  
(Unaudited)*(in thousands of Russian Roubles, unless otherwise stated)*

	Note	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
<b>OPERATING ACTIVITIES:</b>			
Profit before income tax for the period		440,562	496,499
<b>Adjustments for:</b>			
Depreciation and amortisation	11	2,505,448	2,003,714
Allowance for impairment of accounts receivable	11	149	39,876
Finance costs		523,766	363,468
Finance income		(35,143)	(10,286)
Loss/(profit) on disposal of property, plant and equipment		(12,220)	2,034
Accounts payable written-off		(2,173)	(3,320)
Other non-cash transactions		14,485	-
<b>Operating profit before working capital changes and income tax paid</b>		<b>3,434,874,</b>	<b>2,891,985</b>
<b>Working capital changes:</b>			
Increase in trade and other receivables		(547,599)	(419,401)
(Increase)/decrease in prepayments		111,869	(80,578)
Increase in inventories		(529,288)	(569,145)
Decrease in other current assets		1,184	2,905
(Increase)/decrease in other non-current assets		30,585	(22,264)
Increase/(decrease) in trade and other payables		(851,882)	66,201
Decrease in long-term liabilities		(48,989)	(7,423)
Increase in taxes payable other than income		643,409	518,900
<b>Cash flows from operations before income taxes and interest paid</b>		<b>2,244,166</b>	<b>2,381,180</b>
Income tax paid		818,463	(7,290)
Interest paid		(555,374)	(391,353)
<b>Net cash flows from operating activities</b>		<b>2,507,255</b>	<b>1,982,537</b>
<b>INVESTING ACTIVITIES:</b>			
Acquisition of property, plant and equipment		(2,532,817)	(2,831,885)
Proceeds from disposal of property, plant and equipment		22,833	17,209
Acquisition of intangible assets		(21,120)	(32,039)
Interest received		35,143	10,286
<b>Net cash flows used in investing activities</b>		<b>(2,495,961)</b>	<b>(2,836,429)</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from loans and borrowings		3,350,000	2,450,000
Repayment of loans and borrowings		(3,550,000)	(3,200,000)
Repayment of finance lease liabilities		(14,060)	(41,215)
<b>Net cash flows used in financing activities</b>		<b>(214,060)</b>	<b>(791,215)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(202,766)</b>	<b>(1,645,107)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>1,056,150</b>	<b>2,088,351</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>853,385</b>	<b>443,244</b>

**OJSC IDGC of Volga****Consolidated Interim Condensed Statement of Changes in Equity for the six months ended 30 June 2014  
(Unaudited)***(in thousands of Russian Roubles, unless otherwise stated)*

	<b>Share capital</b>	<b>Reserves</b>	<b>Accumulated Profit</b>	<b>Total equity</b>
<b>As at 1 January 2013</b>	<b>17,857,780</b>	<b>(457,472)</b>	<b>7,840,117</b>	<b>25,240,425</b>
Profit for the period	-	-	276,216	276,216
<b>Other comprehensive income</b>				
Revaluation of net liabilities (assets) for defined benefit obligations	-	90,383	-	90,383
Income tax on other comprehensive income	-	(18,077)	-	(18,077)
<b>Total other comprehensive income</b>	-	<b>72,306</b>	-	<b>72,306</b>
<b>Total comprehensive income</b>	-	<b>72,306</b>	<b>276,216</b>	<b>348,522</b>
Dividends	-	-	(291,082)	(291,082)
<b>As at 30 June 2013</b>	<b>17,857,780</b>	<b>(385,166)</b>	<b>7,825,251</b>	<b>25,297,865</b>
<b>As at 1 January 2014</b>	<b>17,857,780</b>	<b>(647,541)</b>	<b>8,999,909</b>	<b>26,210,148</b>
Profit for the period	-	-	367,498	367,498
<b>Other comprehensive income</b>				
Revaluation of net liabilities (assets) for defined benefit obligations	-	71,491	-	71,491
Income tax on other comprehensive income	-	(14,298)	-	(14,298)
<b>Total other comprehensive income</b>	-	<b>57,193</b>	-	<b>57,193</b>
<b>Total comprehensive income</b>	-	<b>57,193</b>	<b>367,498</b>	<b>424,691</b>
Dividends	-	-	(18,137)	(18,137)
<b>As at 30 June 2014</b>	<b>17,857,780</b>	<b>(590,348)</b>	<b>9,349,270</b>	<b>26,616,702</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 2014 (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 2014	31 December 2013
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 2014 the Russian Government owned 86,32% of the voting ordinary shares and 7.01 % of the preference shares of JSC Russian Grids (31 December 2013: 83,32% 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 2014 (Unaudited)

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

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### **(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 2013.

### **Note 3. Significant accounting policies**

Except as described below, the accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013.

#### *Changes in accounting policies*

Several other new standards and amendments apply for the first time in 2014. 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:

- *Amendments to IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*  
The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal.

- *Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*

Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.

- *Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements- Investment Entities*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under *IFRS 10 Consolidated Financial Statements*.

- *Interpretation 21 Levies (IFRIC 21)*

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

In preparing the consolidated financial statements for the year ended 31 December 2013, the Group early adopted the *Amendments to IAS 32 Financial Instrument: Presentation - Offsetting Financial Assets and Financial Liabilities*. Amendments clarify assets and liabilities offsetting rules and introduce new related disclosure requirements. 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 2013.



## **OJSC IDGC of Volga**

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2014 (Unaudited)

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

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### **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 2013.

### **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 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 2014 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

**(i) Information about reportable segments for the six months ended 30 June 2014**

	Transmission						Total		
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region		Mordovia region	
<b>Revenue:</b>									
Electricity transmission	5,071,660	4,833,149	5,050,550	3,024,141	1,939,650	1,617,904	1,096,050	-	22,633,104
Connection to the electricity network	10,079	17,906	16,762	7,217	8,620	14,708	5,589	-	80,881
Other revenue	32,381	59,468	10,496	9,804	2,999	7,514	2,300	55,944	180,906
<b>Total revenue from external customers</b>	<b>5,114,120</b>	<b>4,910,523</b>	<b>5,077,808</b>	<b>3,041,162</b>	<b>1,951,269</b>	<b>1,640,126</b>	<b>1,103,939</b>	<b>55,944</b>	<b>22,894,891</b>
Inter-segment revenue	-	-	-	-	-	-	-	61,222	61,222
<b>Total revenue</b>	<b>5,114,120</b>	<b>4,910,523</b>	<b>5,077,808</b>	<b>3,041,162</b>	<b>1,951,269</b>	<b>1,640,126</b>	<b>1,103,939</b>	<b>117,166</b>	<b>22,956,113</b>
<b>Segment profit/(loss) before income tax</b>	<b>(336,064)</b>	<b>61,898</b>	<b>152,556</b>	<b>110,129</b>	<b>175,753</b>	<b>(28,242)</b>	<b>(111,961)</b>	<b>(5,248)</b>	<b>18,821</b>

**Segment assets as at 30 June 2014 are presented below**

	Transmission						Total		
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region		Mordovia region	
<b>Segment assets</b>									
Including property, plant and equipment	17,502,602	12,278,527	16,228,596	5,591,915	4,413,607	3,971,449	3,282,524	238,551	63,507,771
	15,574,653	10,406,346	14,307,987	4,334,057	3,664,694	3,400,438	2,682,930	108,885	54,479,990

**OJSC IDGC of Volga**  
Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2014 (Unaudited)  
(in thousands of Russian Roubles, unless otherwise stated)

**(ii) 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		Other
<b>Revenue:</b>									
Electricity transmission	4,733,188	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	7,861	61,181	9,289	3,588,519	-	-	-	55,672	3,588,519
<b>Total revenue from external customers</b>	<b>4,753,406</b>	<b>4,346,874</b>	<b>4,813,540</b>	<b>4,715,235</b>	<b>1,744,681</b>	<b>1,429,953</b>	<b>1,052,611</b>	<b>55,672</b>	<b>22,911,972</b>
Inter-segment revenue								60,935	
<b>Total revenue</b>	<b>4,753,406</b>	<b>4,346,874</b>	<b>4,813,540</b>	<b>4,715,235</b>	<b>1,744,681</b>	<b>1,429,953</b>	<b>1,052,611</b>	<b>116,607</b>	<b>22,972,907</b>
<b>Segment profit/(loss) before income tax</b>	<b>(76,926)</b>	<b>130,445</b>	<b>(131,210)</b>	<b>223,112</b>	<b>25,882</b>	<b>(146,988)</b>	<b>(117,641)</b>	<b>(11,757)</b>	<b>(105,083)</b>

**Segment assets as at 31 December 2013 are presented below**

	Transmission							Total	
	Saratov region	Orenburg region	Samara region	Penza region	Ulianovsk region	Chuvashia region	Mordovia region		Other
<b>Segment assets</b>									
Including property, plant and equipment	17,571,278	12,123,738	16,494,808	5,637,549	4,297,295	4,052,524	3,260,387	234,695	63,672,274
	16,038,279	10,907,031	14,819,662	4,498,811	3,715,727	3,488,239	2,720,534	108,151	56,296,434

## OJSC IDGC of Volga

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2014 (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 2014	Six months ended 30 June 2013
<b>Total profit before income tax for reportable segments</b>	<b>18,821</b>	<b>(105,083)</b>
Adjustment for property, plant and equipment	397,835	550,775
Adjustment on intangible assets	6,648	52,595
Adjustment for finance lease	14,448	20,934
Retirement benefit obligations recognition	4,562	(22,467)
Other adjustments	(1,752)	(255)
<b>Profit before tax per Statement of Comprehensive Income</b>	<b>440,562</b>	<b>496,499</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.

### 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 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)
<b>Balance as 30 June 2013</b>	<b>11,282,558</b>	<b>20,446,485</b>	<b>11,653,985</b>	<b>4,755,104</b>	<b>9,523,815</b>	<b>57,661,947</b>
Balance as 1 January 2014	13,380,305	22,585,581	13,362,488	2,763,517	11,419,970	63,511,866
Additions	581	1,181	467	1,948,915	199,335	2,150,479
Transfers	56,801	370,657	129,401	(557,106)	247	-
Disposals	(4,989)	(20,360)	(4,238)	(15,030)	(15,418)	(60,035)
<b>Balance as 30 June 2014</b>	<b>13,432,698</b>	<b>22,937,059</b>	<b>13,488,118</b>	<b>4,140,296</b>	<b>11,604,134</b>	<b>65,602,305</b>
<b>Accumulated depreciation</b>						
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
<b>Balance as 30 June 2013</b>	<b>(3,032,492)</b>	<b>(9,315,114)</b>	<b>(3,297,892)</b>	<b>-</b>	<b>(4,024,359)</b>	<b>(19,669,857)</b>
Balance as 1 January 2014	(3,364,114)	(9,970,312)	(3,662,203)	-	(4,669,642)	(21,666,271)
Depreciation for the period	(394,053)	(786,264)	(421,893)	-	(848,944)	(2,451,154)
Disposals	1,900	14,680	3,074	-	15,284	34,938
<b>Balance as 30 June 2014</b>	<b>(3,756,267)</b>	<b>(10,741,896)</b>	<b>(4,081,022)</b>	<b>-</b>	<b>(5,503,302)</b>	<b>(24,082,487)</b>
<b>Net book value</b>						
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
At 1 January 2014	10,016,191	12,615,269	9,700,285	2,763,517	6,750,328	41,845,590
At 30 June 2014	9,676,431	12,195,163	9,407,096	4,140,296	6,100,832	41,519,818

**OJSC IDGC of Volga**

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2014 (Unaudited)

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

	30 June 2014	31 December 2013
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 2014 the Company had retained earnings, including the profit for the current period, of RUB 5,818,911 thousand (as at 31 December 2013: RUB 5,948,849 thousand).

In June 2014 General Meeting of Shareholders of JSC "MRSC Volga" declared dividends in the amount of 0.0001 Rub. per ordinary share. Total dividends amounted to RUB 18,137 thousand. On 30 June 2014 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	367,498	276,216
Weighted average earnings per ordinary share – basic (in RUB)	0.0021	0.0015

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

	Effective interest rate, %	Currency	Year of maturity	30 June 2014	31 December 2013
<b>Loans and borrowings</b>					
Unsecured bank facility*	7.0-9.0	RUB	2015-2018	13,700,000	13,900,000
Finance lease liability			2014	5,451	17,809
<b>Total non-current debt</b>				<b>13,700,000</b>	<b>13,917,809</b>
Less:					
current portion of finance lease liability				(5,451)	(17,809)
<b>Total</b>				<b>13,700,000</b>	<b>13,900,000</b>

Loans and borrowings represent primarily credit lines.

**Current borrowings**

	30 June 2014	31 December 2013
Current portion of finance lease liability	5,451	17,809
Accrued interest payable	15,414	18,817
<b>Total</b>	<b>20,865</b>	<b>36,626</b>

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 2014 (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 2014 the Group received the following significant bank loans:

	Nominal interest rate, %	Currency	Year of maturity	Amount
<b>Issued</b>				
Unsecured bank facility*	8.26 - 9	RUB	2015-2018	3,350,000

During the six months ended 30 June 2014 the Group repaid the following significant bank loans:

	Amount
<b>Repaid</b>	
Unsecured bank facility*	3,550,000

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

**Note 10. Revenue**

During the six months ended 30 June 2014 revenue amounted to RUB 22,888,701 thousand (six months ended 30 June 2013: RUB 22,912,035 thousand) and included revenue from electricity transmission services in the amount of RUB 22,625,726 thousand (six months ended 30 June 2013: RUB 19,078,007 thousand), revenue from technological connection services in the amount of RUB 83,403 thousand (six months ended 30 June 2013: RUB 94,771 thousand) and other revenue in the amount of RUB 179,572 thousand (six months ended 30 June 2013: RUB 150,738 thousand).

**Note 11. Operating expenses**

During the six months ended 30 June 2014 operating expenses amounted to RUB 22,000,749 thousand (six months ended 30 June 2013: RUB 22,094,920 thousand) and included electricity transmission expenses in the amount of RUB 8,726,120 thousand (six months ended 30 June 2013: RUB 8,375,347 thousand), costs of purchased electricity for compensation of technological losses in the amount of RUB 3,057,431 thousand (six months ended 30 June 2013: RUB 2,672,969 thousand), personnel costs in the amount of RUB 5,141,276 thousand (six months ended 30 June 2013: RUB 4,745,471 thousand), depreciation and amortization of property, plant and equipment and intangible assets in the amount of RUB 2,505,448 thousand (six months ended 30 June 2013: RUB 2,003,714 thousand).

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

As at 30 June 2014 and at 31 December 2013 JSC Russian Grids was the parent company of the Company.

Transactions with the parent company were as follows:

	Six months ended 30 June 2014	Account payables as at 30 June 2014	Six months ended 30 June 2013	Account payables as at 30 June 2013
<b>Operating expenses:</b>				
Management services	(105,823)	12,487	(105,823)	12,487
Other expenses	(11,512)	-	-	-

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 2014 (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 2014	Six months ended 30 June 2013
<b>Revenue:</b>	<b>12,722</b>	<b>1,045</b>
Connection services	-	187
Rent	1,281	733
Other sales	11,441	125
<b>Operating expenses:</b>	<b>4,926,401</b>	<b>4,982,203</b>
Electricity transmission	4,861,815	4,976,123
Technological connection services	58,950	-
Rent expenses	594	557
Repair and maintenance costs	231	265
Other expenses	4,811	5,258

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 2014 constitutes 20% (six months ended 30 June 2013: 22%) 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 2014 constitute 14% (Six months ended 30 June 2012: 8%) of total transmission expenses.

Interest expense accrued on loans from Sberbank constitute 100% (Six months ended 30 June 2013: 100%) 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 2014		Six months ended 30 June 2013	
	Members of Board of Directors	Top management	Members of Board of Directors	Top management
Salaries and bonuses	10,379	27,763	12,972	28,426

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

As at 30 June 2014 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment for RUB 3,530,813 thousand (as at 31 December 2013: RUB 2,467,774 thousand).

## **OJSC IDGC of Volga**

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2014 (Unaudited)

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

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### **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.

### **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)



**OJSC IDGC of Volga**

Notes to the Consolidated Interim Condensed Financial Statements for the six months ended 30 June 2014 (Unaudited)

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

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	30 June 2014	31 December 2013
Level 1	513,585	505,091
Level 2	-	-
Level 3	-	-
<b>Total</b>	<b>513,585</b>	<b>505,091</b>

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.