

Translation of original Russian version



OJSC Irkutskenergo

Consolidated Financial Statements

For the year ended 31 December 2008

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Independent Auditors' Report

To Board of Directors of OJSC IrkutskEnergy

We have audited the accompanying consolidated financial statements of OJSC Irkutskenergo and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except for the matters described in the Basis for Qualified Opinion paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

June 8, 2009

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OJSC Irkutskenergo
Consolidated Balance Sheet as of 31 December 2008
(in thousands of Russian Roubles)

	Notes	2008	2007 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7	34,939,928	42,401,946
Goodwill	27	823,197	560,781
Intangible assets		108,742	120,000
Long-term accounts receivable	9	361,504	309,677
Long-term investments	8	2,202,478	209,771
Long-term promissory notes receivable	31	472,584	484,890
Deferred tax assets	29	138,030	-
Other non-current assets		158	-
		<u>39,054,621</u>	<u>44,087,065</u>
Current assets			
Inventories	10	2,396,618	1,766,981
Accounts receivable	9	5,405,706	2,301,538
VAT receivable		65,010	82,355
Cash and cash equivalents	13	870,994	280,040
Short-term investments	12	686,200	103,063
Short-term promissory notes receivable	31	94,737	94,737
Other current assets	11	97,096	214,747
		<u>9,616,361</u>	<u>4,843,461</u>
Total assets		<u><u>48,661,982</u></u>	<u><u>48,930,526</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	15	4,766,808	4,766,808
Treasury shares		(161,789)	-
Revaluation reserve		-	-
Retained earnings		22,662,147	32,281,855
Total equity		<u>27,267,166</u>	<u>37,048,663</u>
Non-current liabilities			
Long term loans	16	3,800	-
Long-term promissory notes payable	22	826,874	807,125
Long-term taxes payable	17	18,884	18,884
Finance lease obligations, net of current maturities	18	57,453	90,478
Deferred tax liability	29	1,944,173	2,668,783
Employee benefit liability	19	811,722	870,063
Site restoration provision		688,178	0
Other non-current liabilities	20	253,899	226,939
		<u>4,604,983</u>	<u>4,682,272</u>
Current liabilities			
Short-term loans	16	8,811,441	2,556,937
Current portion of long-term loans	16	19,026	-
Accounts payable	21	3,498,091	2,315,750
Short-term taxes payable	17	1,175,021	959,561
Short-term promissory notes payable	22	186,544	135,742
Other current liabilities	23	1,375,504	1,231,601
Short-term buy-back obligations		1,724,206	-
		<u>16,789,833</u>	<u>7,199,591</u>
Total liabilities		<u>21,394,816</u>	<u>11,881,863</u>
Total equity and liabilities		<u><u>48,661,982</u></u>	<u><u>48,930,526</u></u>

Signed and authorized for issue on behalf of the Board of Directors of
OAO Irkutskenergo
Sergey V Emdin General Director

Evgeny G. Filsh Director for Finance and Economy

The accompanying notes on pp 6 - 64 are integral part of these consolidated financial statements

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OJSC Irkutskenergo
Consolidated Income Statement
For the year ended 31 December 2008
(in thousands of Russian Roubles)

	Notes	2008	2007 (restated)
Continuing operations			
Operating revenues			
Electricity		29,080,195	13,888,096
Heat		9,895,888	8,515,135
Other		2,853,226	2,063,966
Total operating revenues		41,829,309	24,467,197
Cost of sales			
Fuel used in generation		(7,435,917)	(5,013,542)
Salaries and social expenditure	27	(3,945,200)	(3,346,857)
Repairs and maintenance		(3,231,276)	(2,831,375)
Materials		(1,757,116)	(746,186)
Water usage expenses		(531,518)	(436,828)
Insurance expenses		(198,934)	(240,546)
Depreciation		(1,985,228)	(1,782,940)
Purchased energy		(9,254,681)	(2,949,955)
Other expenses	24	(5,051,627)	(2,267,823)
Total cost of sales		(33,391,497)	(19,616,052)
Gross profit		8,437,812	4,851,145
Selling and distribution costs	31	(578,744)	(523,111)
General and administrative expenses	31	(1,125,848)	(1,036,623)
Taxes other than income tax	25	(1,454,651)	(1,314,744)
Foreign exchange differences		(63,059)	(258)
Other operating income	26	224,866	202,629
Other operating expenses	26	(331,928)	(435,095)
Profit from operating activities		5,108,448	1,743,943
Finance revenue		101,057	182,241
Finance costs		(358,881)	(224,612)
Profit before income tax		4,850,624	1,701,572
Income tax expense – current		(1,456,082)	(679,125)
Income tax expense – deferred		255,160	(234,237)
Total income tax expense	29	(1,200,922)	(913,362)
Profit for the year from continuing operations		3,649,702	788,210
Discontinued operations			
Profit after tax for the year from discontinued operation	14	1,859,550	1,552,805
Profit for the year		5,509,252	2,341,015
Attributable to:			
equity holders of the parent		5,509,252	2,328,116
minority interests		–	12,899
Earnings per share – basic and diluted (in Russian Roubles)	30	1.1634	0.4884
Earnings per share from continuing operations – basic and diluted	30	0.7707	0.1644

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Consolidated Statement of Cash Flows
For the year ended 31 December 2008
(in thousands of Russian Roubles)

	Notes	2008	2007 (restated)
Operating activities:			
Net profit for the period, including:		5,509,252	2,341,015
Profit for the period from continuing operations		3,649,702	788,210
Profit for the period from discontinued operations	14	1,859,550	1,552,805
Adjustments to reconcile net profit to net cash flows from operating activities:			
Depreciation		2,909,778	2,603,680
Profit from acquisition of subsidiaries		(2,924)	-
Interest income		(101,129)	(49,837)
Interest expense		339,578	122,879
Income tax expense		1,558,065	966,405
Increase/decrease of allowance for doubtful accounts receivable		43,877	(252,282)
Impairment of property, plant and equipment		71,554	8,497
Write-off of accounts receivable		45,683	257,007
Foreign exchange differences		63,059	-
Unwinding interest for leasing		51,306	58,233
Write-off of investments for sale		-	172,042
Gain on receivables/payables restructuring		(39,843)	(81,269)
Gain on sales of investments		-	(60,149)
(Gain)/loss on disposal of property, plant and equipment and other assets		(6,864)	116,348
Change in current assets and liabilities:			
Increase in trade and other receivables		(3,593,760)	(400,745)
Decrease/(increase) in other current assets		134,838	208,004
Decrease/(increase) in inventories		(712,275)	67,760
Increase in payables and accruals		3,140,425	946,512
Income tax paid		(1,840,236)	(977,335)
Net cash from operating activities		7,570,384	6,046,765
Investing activities			
Purchase of property, plant and equipment		(9,866,885)	(7,513,448)
Proceeds from sale of property, plant and equipment		6,864	22,122
Proceeds from acquisition of subsidiaries		18,861	18,900
Proceeds from sale of short-term investments		47,570	112,398
Repayment (issuance) of loans granted		(1,308,774)	41,424
Net cash used in investing activities		(11,102,364)	(7,318,604)
Financing activities			
Proceeds from borrowings		36,710,602	9,133,490
Repayments of borrowings		(30,838,406)	(7,671,703)
Increase in promissory notes payable		-	(10,013)
Purchase of shares		(1,359,485)	-
Dividends paid		(177,568)	(358,321)
Interest paid		(251,129)	(76,565)
Interest received		38,920	12,053
Net cash used in financing activities		4,122,934	1,028,941
Net increase (decrease) in cash and cash equivalents		590,954	(242,898)
Cash and cash equivalents at the beginning of the year		280,040	522,938
Cash and cash equivalents at the end of the year		870,994	280,040
Significant non-cash transaction for the period			
1) Acquisition of OOO Trailing (Note 5)		(1,429,880)	-
2) Non-cash redemption of accounts receivable (Note 9)		571,559	35,977

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Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2008

(in thousands of Russian Roubles)

	Share capital		Treasury shares		Revaluation reserve	Retained earnings	Total	Minority interest	Total equity
	Notes.	Shares	Amount	Shares					
As of 31 December 2006		4,766,807,700	4,766,808	-	9,770,260	32,047,612	46,584,680	162,514	46,747,194
Effect of changes in accounting policies	7; 3.26	-	-	-	(9,770,260)	(1,735,552)	(11,505,812)	-	(11,505,812)
As of 31 December 2006 (restated)		4,766,807,700	4,766,808	-	-	30,312,060	35,078,868	162,514	35,241,382
Net profit		-	-	-	-	2,328,116	2,328,116	12,899	2,341,015
Total income and expense for the year		-	-	-	-	2,328,116	2,328,116	12,899	2,341,015
Dividends		-	-	-	-	(358,321)	(358,321)	-	(358,321)
Sale of a subsidiary		-	-	-	-	-	-	(175,413)	(175,413)
As of 31 December 2007		4,766,807,700	4,766,808	-	-	32,281,855	37,048,663	-	37,048,663
Buy-back of shares	15	-	-	(161,788,640)	(161,789)	(2,921,902)	(3,083,691)	-	(3,083,691)
Reorganization by spinning off of network assets	14	-	-	-	-	(11,847,068)	(11,847,068)	-	(11,847,068)
Total income and expense for the year recognized directly in equity		-	-	-	(161,789)	(14,768,970)	(14,930,759)	-	(14,930,759)
Net profit		-	-	-	-	5,509,252	5,509,252	-	5,509,252
Total income and expense for the year		-	-	-	-	(9,259,718)	(9,421,507)	-	(9,421,507)
Dividends		-	-	-	-	(359,990)	(359,990)	-	(359,990)
As of 31 December 2008		4,766,807,700	4,766,808	(161,788,640)	(161,789)	22,662,147	27,267,166	-	27,267,166

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