



OAO Irkutskenergo

Consolidated Financial Statements

*For the year ended 31 December 2005
with Report of Independent Auditors*

ОАО Irkutskenergo

Consolidated Balance Sheet at 31 December 2005

(in thousands of Russian Roubles)

	Notes	2005	2004
ASSETS			
Non-current assets			
Property, plant and equipment	5	40,644,308	39,421,681
Intangible assets		43,513	25,966
Long-term accounts receivable	6	472,879	565,141
Long-term investments	7	380,511	344,846
Long-term promissory notes receivable	25	504,397	512,080
		<u>42,045,608</u>	<u>40,869,714</u>
Current assets			
Inventories	8	1,758,230	1,307,158
Accounts receivable	6	1,595,338	1,408,099
Other current assets	9	1,079,765	784,315
Short-term investments	10	836,008	886,162
Short-term promissory notes receivable	25	94,737	94,737
Cash and cash equivalents	11	1,627,308	1,046,607
		<u>6,991,386</u>	<u>5,527,078</u>
Total assets		<u><u>49,036,994</u></u>	<u><u>46,396,792</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	4,766,808	4,766,808
Revaluation reserve		2,025,804	2,146,362
Retained earnings		31,808,278	30,024,441
		<u>38,600,890</u>	<u>36,937,611</u>
Non-current liabilities			
Long-term promissory notes payable	13	733,616	705,486
Long-term taxes payable	14	293,470	330,626
Long-term lease payables	15	94,118	44,083
Deferred tax liability	16	3,996,524	3,894,672
Post-employment benefits	17	883,687	776,157
Other non-current liabilities		113,637	39,984
		<u>6,115,052</u>	<u>5,791,008</u>
Current liabilities			
Short-term loans	18	847,719	904,585
Accounts payable	19	1,473,703	1,053,259
Short-term taxes payable	14	1,048,276	1,065,100
Short-term promissory notes payable	13	161,019	161,736
Other current liabilities	20	790,335	483,493
		<u>4,321,052</u>	<u>3,668,173</u>
Total shareholders' equity and liabilities		<u><u>49,036,994</u></u>	<u><u>46,396,792</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

OAO Irkutskenergo
 Consolidated Income Statement
 For the Year Ended 31 December 2005

(In thousands of Russian Roubles, except for per share data)

	Notes	2005	2004
Operating revenues			
Electricity		12,402,175	11,734,100
Heat		6,485,332	6,531,506
Other		657,307	534,436
Total operating revenues		19,544,814	18,800,042
Cost of sales			
Fuel used in generation		(3,746,328)	(3,913,594)
Salaries and social expenditure		(2,209,793)	(1,882,378)
Repairs and maintenance		(2,905,872)	(2,845,749)
Materials		(295,514)	(289,927)
Water usage expenses		(346,953)	(323,944)
Insurance expenses		(565,303)	(502,939)
Depreciation		(2,003,598)	(1,974,390)
Other expenses		(2,301,910)	(1,856,181)
Total cost of sales		(14,375,271)	(13,589,102)
Gross profit		5,169,543	5,210,940
Selling and distribution expenses		(378,273)	(244,197)
General and administrative expenses		(497,644)	(385,528)
Taxes other than income tax	21	(1,433,193)	(1,354,323)
Other operating expenses	22	(127,336)	(748,276)
Profit from operating activities		2,733,097	2,478,616
Interest income		243,718	105,751
Interest expense		(167,006)	(134,426)
Profit before income tax		2,809,809	2,449,941
Total income tax expense	16	(946,531)	(964,281)
Net profit for the year		1,863,278	1,485,659
Earnings per share – basic and diluted (in Roubles)	24	0.3909	0.3117

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OA O Irkutskenergo
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2005
(In thousands of Russian Roubles)

	Year ended 31 December 2005	2004
Cash flows from operating activities		
Net profit	1,863,278	1,485,659
Adjustments to reconcile net profit to net cash flows from operating activities:		
Depreciation	2,021,821	1,984,947
Interest expense	167,006	134,426
Interest income	(243,718)	(105,751)
Income tax expense	946,531	964,281
Increase in allowance for doubtful accounts receivable	72,794	322,268
Impairment of property, plant and equipment	149,348	–
Write-off of accounts receivable	–	409,876
Loss on receivables restructuring	26,220	–
Gain on sales of investments	37,995	(7,553)
Loss / (gain) on sales of property, plant and equipment and other assets	53,713	(86,145)
Release of contingency loss	–	(12,600)
Proceeds from hurricane disaster settlement	–	62,537
Changes in assets and liabilities:		
Trade accounts receivable	(358,676)	50,213
Other current assets	(295,450)	(89,000)
Inventories	(451,072)	(47,683)
Payables and accruals	918,670	(71,771)
Interest paid	(46,864)	(62,991)
Interest received	140,035	25,287
Income tax paid	(859,209)	(330,179)
Net cash flows from operating activities	4,142,422	4,625,821
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,628,411)	(2,314,438)
Proceeds from sales of property, plant and equipment	57,184	102,806
Proceeds from sales of long-term investments	–	10,000
Purchases of short-term investments	(634,272)	(2,017,221)
Purchase of minority interest in subsidiary	–	(60,874)
Proceeds from sales of short-term investments	986,651	1,304,862
Issuance of loans	(123,600)	–
Net cash used in investing activities	(3,342,448)	(2,974,865)
Cash flows from financing activities		
Proceeds from borrowings	6,699,700	4,709,584
Repayments of borrowings	(6,481,400)	(4,844,884)
Decrease in promissory notes payable	(237,573)	(513,603)
Dividends paid	(200,000)	(174,227)
Net cash flows used in financing activities	(219,273)	(823,130)
Net increase in cash and cash equivalents	580,701	827,826
Cash and cash equivalents at the beginning of the year	1,046,607	218,781
Cash and cash equivalents at the end of the year	1,627,308	1,046,607

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 Consolidated Statement of Changes in Shareholders' Equity
 For the Year Ended 31 December 2005

(In thousands of Russian Roubles, except for share data)

	<u>Issued capital</u>		<u>Revaluation reserve</u>	<u>Retained earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
At 31 December 2003	4,766,807,700	4,766,808	–	28,576,303	33,343,111
Fair value revaluation of property, plant and equipment	–	–	2,984,945	–	2,984,945
Depreciation transfer for property, plant and equipment	–	–	(150,980)	150,980	–
Disposal transfer for property, plant and equipment	–	–	(6,009)	6,009	–
Deferred income tax on revaluation	–	–	(681,594)	–	(681,594)
Net profit	–	–	–	1,485,659	1,485,659
Dividends	–	–	–	(174,227)	(174,227)
Purchase of minority interest in subsidiary	–	–	–	(20,283)	(20,283)
At 31 December 2004	4,766,807,700	4,766,808	2,146,362	30,024,441	36,937,612
Depreciation transfer for property, plant and equipment	–	–	(149,518)	149,518	–
Disposal transfer for property, plant and equipment	–	–	(9,111)	9,111	–
Deferred income tax on revaluation	–	–	38,071	(38,071)	–
Net profit	–	–	–	1,863,278	1,863,278
Dividends	–	–	–	(200,000)	(200,000)
At 31 December 2005	4,766,807,700	4,766,808	2,025,804	31,808,278	38,600,890

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