

Open Joint Stock Company Lenenergo

Unaudited Interim Condensed Consolidated
Financial Statements
Prepared in accordance with
International Accounting Standard No. 34

For the six months ended 30 June 2009

Open Joint Stock Company Lenenergo

Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

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Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Board of Directors of OJSC Lenenergo

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position as at 30 June 2009 and the related interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income and changes in equity and interim condensed consolidated cash flow statement for the six-months then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Opinion

The accompanying interim condensed consolidated financial statements do not include comparative information for the interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income and changes in equity and interim condensed consolidated cash flow statement for the six-months ended 30 June 2008 and the related explanatory notes, as required by IAS 34 *Interim Financial Reporting*.



Qualified Opinion

Based on our review except for the effect on the interim condensed consolidated financial statements of the matter described in the Basis for Qualified Opinion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

1 November 2009
St. Petersburg, Russia

OJSC LENENERGO
Interim Condensed Consolidated Statement of Financial Position
as at 30 June 2009
(in thousands of Russian Rubles)

	Note	30 June 2009 (unaudited)	31 December 2008 (audited)
ASSETS			
Non-current assets			
Intangible assets	5	893,371	570,154
Property, plant and equipment	6	70,174,228	66,235,792
Advances for construction of property, plant and equipment	7	4,465,704	5,025,306
Available-for-sale investments	8	307,826	304,533
Other non-current assets		531,689	887,426
Total non-current assets		76,372,818	73,023,211
Current assets			
Cash and cash equivalents		737,781	2,498,850
Accounts receivable	9	1,605,722	1,209,336
Inventories		203,570	235,484
Other current assets	10	5,774,467	6,387,647
Total current assets		8,321,540	10,331,317
TOTAL ASSETS		84,694,358	83,354,528
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Ordinary shares		4,866,115	4,866,115
Preference shares		625,603	625,603
Share premium		5,548,880	5,548,880
Other reserves	12	28,818,375	28,857,780
Retained earnings		3,429,061	3,302,755
		43,288,034	43,201,133
Non-controlling interests		43,221	39,430
Total equity		43,331,255	43,240,563
Non-current liabilities			
Long-term borrowings	13	13,912,293	12,946,293
Deferred tax liabilities		5,467,845	5,863,986
Post-employment benefits liability		269,270	308,313
Other non-current liabilities	14	3,006,926	5,377,237
Total non-current liabilities		22,656,334	24,495,829
Current liabilities			
Short-term portion of long-term borrowings	13	603,011	436,143
Accounts payable and accrued expenses		4,091,324	4,521,033
Income tax payable		1,089,558	1,118,258
Other taxes payable		100,263	77,868
Other current liabilities	15	12,822,613	9,464,834
Total current liabilities		18,706,769	15,618,136
Total liabilities		41,363,103	40,113,965
TOTAL EQUITY AND LIABILITIES		84,694,358	83,354,528

General Director
Chief Accountant
1 November 2009



D.V. Ryabov
G.V. Kuznetsova

*The accompanying notes form an integral part of these
Interim Condensed Consolidated Financial Statements*

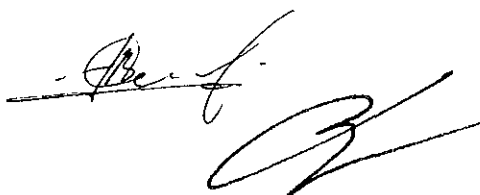
OJSC LENENERGO
Interim Condensed Consolidated Income Statement
for the six months ended 30 June 2009
(in thousands of Russian Rubles)

	Note	For the six months ended 30 June 2009 (unaudited)
Revenues	16	10,033,334
Operating expenses	17	(8,151,348)
Operating profit		1,881,986
Finance income		63,547
Finance expenses	18	(1,173,745)
Foreign exchange loss		(382,000)
Profit before tax		389,788
Income tax expense	19	(147,769)
Net profit		242,019
Attributed to:		
Equity holders		238,228
Non-controlling interests		3,791
Earnings per ordinary share – basic and diluted (Russian Rubles)		0.23

General Director

Chief Accountant

1 November 2009



D.V. Ryabov

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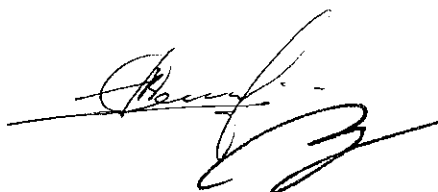
OJSC LENENERGO
Interim Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2009
(in thousands of Russian Rubles)

	Note	For the six months ended 30 June 2009 (unaudited)
Net profit		242,019
Unrealized gain on available-for-sale financial assets	12	3,293
Income tax effect	12	(659)
Unrealized gain on available-for-sale financial assets, net of tax		<u>2,634</u>
Other comprehensive income, net of tax		<u>2,634</u>
Total comprehensive income, net of tax		<u><u>244,653</u></u>
Attributable to:		
Equity holders of the parent		240,862
Non-controlling interests		3,791

General Director

Chief Accountant

1 November 2009



D.V. Ryabov

G.V. Kuznetsova

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OJSC LENENERGO

Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2009 (in thousands of Russian Rubles)

	Attributable to equity holders of the parent						Non-	Total equity
	Ordinary shares	Preference shares	Share premium	Other reserves	Retained earnings	Total	controlling interest	
As at 1 January 2009	4,866,115	625,603	5,548,880	28,857,780	3,302,755	43,201,133	39,430	43,240,563
Profit for the period (unaudited)	-	-	-	-	238,228	238,228	3,791	242,019
Other comprehensive income, net of tax (unaudited)	-	-	-	2,634	-	2,634	-	2,634
Total comprehensive income (unaudited)	-	-	-	2,634	238,228	240,862	3,791	244,653
Release of asset revaluation reserve on disposed property plant and equipment items, net of tax (unaudited)	-	-	-	(42,039)	42,039	-	-	-
Dividends for 2008 (unaudited)	-	-	-	-	(153,961)	(153,961)	-	(153,961)
As at 30 June 2009 (unaudited)	4,866,115	625,603	5,548,880	28,818,375	3,429,061	43,288,034	43,221	43,331,255

General Director

Chief Accountant

1 November 2009



D.V. Ryabov

G.V. Kuznetsova

*The accompanying notes form an integral part of these
Interim Condensed Consolidated Financial Statements*

OJSC LENENERGO
Interim Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2009
(in thousands of Russian Rubles)

	Note	For the six months ended 30 June 2009 (unaudited)
Cash flow from operating activities		
Profit before tax		389,788
Adjustments to reconcile profit before tax and net cash flow from operating activities:		
Loss on disposal of property, plant and equipment		53,764
Finance income		(63,547)
Depreciation of property, plant and equipment	6, 17	1,968,060
Amortization of intangible assets	5, 17	58,560
Finance expenses	18	1,173,745
Foreign exchange loss		382,000
Net movement in the provision for impairment of receivables	11, 17	111,356
Non-cash settlement of technological connection revenue	16	(187,861)
Net income for the defined benefit plan		(25,030)
Provision for impairment of inventories	17	31,877
Net movements in other provisions		(72,864)
Operating cash flows before changes in working capital		3,819,848
Decrease in accounts payable and accrued expenses		(1,691,263)
Increase in other current liabilities		3,203,820
Decrease in other non-current liabilities		(2,031,819)
Increase in trade and other receivables		(520,178)
Decrease in taxes payable other than income tax		(199,863)
Decrease in other current assets		323,118
Cash generated from operations		2,903,663
Interest paid		(456,292)
Income tax paid		(386,954)
Pension benefits paid		(14,013)
Net cash generated from operating activities		2,046,404

*The accompanying notes form an integral part of these
Interim Condensed Consolidated Financial Statements*

OJSC LENENERGO
Interim Condensed Consolidated Cash Flow Statement (continued)
(in thousands of Russian Rubles)

	Note	For the six months ended 30 June 2009 (unaudited)
Cash flow from investment activities		
Purchases of property, plant and equipment		(3,043,268)
Decrease in advances for construction of property, plant and equipment		550,449
Proceeds from disposal of property, plant and equipment		1,378
Interest received		39,186
Net cash used in investment activities		(2,452,255)
Cash flow from financing activities		
Payment of finance lease liabilities		(1,355,218)
Total cash used in financing activities		(1,355,218)
Net decrease in cash and cash equivalents		(1,761,069)
Cash and cash equivalents at the beginning of the period		2,498,850
Cash and cash equivalents at the end of the period		737,781

General Director

D.V.Ryabov

Chief Accountant

G.V.Kuznetsova

1 November 2009

*The accompanying notes form an integral part of these
Interim Condensed Consolidated Financial Statements*

OJSC Lenenergo
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
for the six months ended 30 June 2009
(in thousands of Russian Rubles)

1. Corporate information

Open joint stock company of Electricity and Electrification Lenenergo (hereinafter “the Company”) was established on 22 January 1993 as the successor of the rights and obligations of state-owned enterprise Electricity and Electrification Industrial Association Lenenergo to the extent specified in the privatization plan dated 22 December 1992. On 1 October 2005, as a result of corporate restructuring through the spin off of electricity generation and sales, heat generation, distribution and sales businesses, the Company retained the electricity transmission networks. Currently the Company provides electricity transmission and network connection services to the consumers.

As at 30 June 2009 the Group comprised OJSC Lenenergo and its subsidiaries: CJSC Lenenergospetsremont (100%), OJSC Kurortenergo (92.56%) and OJSC Tsarskoselskaya Energeticheskaya Compania (96.95%) (hereinafter collectively referred to as “the Group”). The latter two companies were acquired in September and November of 2008 via CJSC Lenenergospetsremont.

Relations with the state and current legislation

The Group is under control of OJSC MRSK Holding (hereinafter “MRSK-Holding”), which as at 30 June 2009 and 31 December 2008 owned 45.71% of the Group’s share capital, including 50.31% of voting ordinary shares, and which in turn is controlled by the Russian Federation. The Group provides services to a number of entities controlled by or closely related to the state. In addition, a number of the Group’s suppliers are state-controlled entities.

The government directly influences the Group’s operations through the regulation of wholesale electricity sales by the Federal Service on Tariffs (FST) and of retail electricity sales by Regional Electricity commissions for St. Petersburg and Leningrad Region. The Group sets electricity transmission tariffs for its customers based on regulated tariffs. The Russian Federation government’s economic, social and other policies can have a material effect on the Group’s operations.

Financial position and liquidity

As at 30 June 2009 the Group’s current liabilities exceeded its current assets by 10,385,229 (31 December 2008: 5,286,819). The Group’s net profit for the six months ended 30 June 2009 was 242,019, including 238,228 attributed to equity holders of the parent. For the six months ended 30 June 2009 the Group generated cash flow from operating activities of 2,046,404.

As at 30 June 2009 the Group experienced a decline in most liquidity ratios. The ongoing global financial crisis caused instability in the stock markets affecting the financial situation, operating performance and general economic outlook for the Group. Thus, current ratio, being current assets divided by current liabilities, decreased from 0.66 as at 31 December 2008 to 0.44 as at 30 June 2009; quick assets ratio, being current receivables and cash (including cash equivalents) divided by current liabilities, decreased from 0.24 as at 31 December 2008 to 0.13 as at 30 June 2009.

In the reporting period the change in the liquidity ratios was affected by the following:

-
- 1) Increase in short-term obligations mainly due to the increase of advances received for technological connection to electricity grids (Note 15).
 - 2) Decrease in cash and cash equivalents balance as at respective reporting dates mainly due to significant increase in cash outflow related to investment activities in the first half of 2009.

For the six months ended 30 June 2009 the Group did not attract additional borrowings.

OJSC Lenenergo
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
(continued)

1. Corporate information (continued)

Financial position and liquidity (continued)

The Group's management continues to monitor compliance with financial performance requirements set forth in the loan agreement with Barclay's Bank concluded in December 2007 (Note 13). As at 30 June 2009 the Group's financial performance indicators were in line with the covenants imposed by the respective loan.

The Group's management is taking the following measures to improve the Group's financial and liquidity position:

- 1) Adjustment of the Group's investments into power lines and equipment:
 - the emphasis was shifted from the construction of new electric power supplies and other power equipment to completion of the previously launched projects having high stage of completion in order to ensure additional operating cash flows within relatively short period of time;
 - measures are being taken to decrease the construction period from 2-2.5 years to one year and thus to accelerate cash inflows from customers for technological connection to the electricity grids;
 - several engineering and construction works were suspended and some investment projects may be deferred or scaled down commensurate with the financing needed to support the Group's current operations.
- 2) Negotiating with federal and regional governments and regulators on increases in tariffs to support adequate long-term investments into electricity transmission and distribution assets of the Group. For the six months ended 30 June 2009 the average increase in transmission regulated tariffs comprised 35%.
- 3) Improving operating efficiency of the Group through implementing programs to reduce technological losses on transmission of electricity through the Group's own network and operating expenses.
- 4) Implementing improved financial budgeting procedures with a strong focus on timely collection of receivables; restructuring of liabilities to enable their repayment over a longer period.
- 5) Negotiating favorable terms for attracting additional borrowings.
- 6) Gradually transferring from assets-settled to cash-settled technological connections to the Group's network.

The above measures are expected to ensure cash inflows sufficient to finance operations till at least 30 June 2010, including refinancing of short-term liabilities under the existing borrowings.

OJSC Lenenergo
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
(continued)

2. Basis of presentation of the financial statements and accounting policies

2.1 Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and comprise the financial statements of OJSC Lenenergo and its subsidiaries.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2008. The management of the Group believes that the notes to the interim condensed consolidated financial statements are sufficient to provide an explanation of events and transactions to enable users to understand the changes in financial position and performance of the Group since year end. In the opinion of the Group's management, the business is not subject to material seasonal fluctuations.

These interim condensed consolidated financial statements may not be necessarily indicative of the financial results for any later interim periods or for the whole year.

These interim condensed consolidated financial statements are in Russian Rubles, with all amounts rounded to thousands, except where stated otherwise.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of new Standards and Interpretations as of 1 January 2009, as stated below:

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures are presented in Note 22, and the liquidity risk disclosures are not materially impacted by these amendments.

IAS 1 Presentation of Financial Statements (revised)

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

OJSC Lenenergo
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
(continued)

2. Basis of presentation of the financial statements and accounting policies (continued)

2.2 Significant accounting policies (continued)

IAS 23 Borrowing Costs (revised)

The standard has been revised to require capitalisation of borrowing costs on qualifying assets subject to certain exemptions effective from 1 January 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed. The Group qualifies for the exemption from borrowing cost capitalization according to IAS 23 (4) since its qualified assets are measured at fair value. The selection of non-capitalization alternative was stated as an accounting policy choice.

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

IFRIC 13 Customer Loyalty Programmes

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The adoption of these amendments did not have any impact on the financial position or performance of the Group as the Group does not maintain loyalty programs.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The Group's embedded derivative (swap agreement) is separable and reliably measurable, so this interpretation did not have any impact on the financial position or performance of the Group.

IFRIC 15 Agreements for the Construction of Real Estate

This interpretation defined criteria for construction contracts and principles of revenue recognition to be accounted under IAS 11 *Construction Contracts* and IAS 18 *Revenue*. The adoption of this interpretation did not have any impact on the financial position or performance of the Group.

OJSC Lenenergo
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
(continued)

2. Basis of presentation of the financial statements and accounting policies (continued)

2.2 Significant accounting policies (continued)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. As the Group does not hold investments in foreign operation it has no impact on the financial position or results.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to fair value of swap, available-for-sale investments and property, plant and equipment, assessment for impairment of goodwill and property, plant and equipment. Actual results could differ from these estimates.

3. Segment information

The Group operates in one industry segment, being the provision of electricity transmission services and technological connection to the electricity grids to domestic customers in one geographic area, i.e. St. Petersburg and Leningrad region. The results of this segment and assets and liabilities are presented in the interim consolidated statement of comprehensive income and the interim consolidated statement of financial position.

An analysis of revenue by service type is disclosed in Note 16.

All of the Group's assets are located within the territory of St. Petersburg and Leningrad Region.

The Group had no individual customers, other than the Government of the Russian Federation and its related parties (Note 21) that accounted for greater than 10% of its revenue for the six months ended 30 June 2009.

4. Impairments and changes in fair value of non-current assets

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. The key assumptions used to determine the recoverable amount were discussed in annual statements for the year ended 31 December 2008. As at 30 June 2009, the Group didn't identify any factors indicating to potential impairment of goodwill, accordingly, no impairment was recognized.

OJSC Lenenergo
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
(continued)

4. Impairments and changes in fair value of non-current assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Based on these criteria, the Group identified a decrease in fair value of 71,622 related to its investments into the shares of OJSC Petersburg Sales Company, which was recognised within the Statement of Comprehensive Income.

In 2008 the Group recognised a decrease in fair value of 322,300 with respect to OJSC FSK UES. As at 30 June 2009 due to improved market conditions, the fair value of the investment increased by 74,915 and the Group recognised a partial reversal of the previously recognized impairment of 59,932 (net of tax) in the Interim Condensed Consolidated Statement of Comprehensive Income.

Property, plant and equipment

The last revaluation was carried out as at 31 December 2008 by an independent appraiser. Management believes that as of 30 June 2009 no material changes in the fair value of property, plant and equipment have occurred. Based on the analysis performed as at 30 June 2009, the Group did not identify any impairment indicators for property, plant and equipment.

OJSC Lenenergo

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
(continued)

5. Intangible assets

	<u>Accounting software</u>	<u>Certificates Access right</u>	<u>Goodwill</u>	<u>Total</u>
Cost				
As at 31 December 2008	269,440	88,641	- 312,833	670,914
Additions for the period	3,093	4,869	373,815 -	381,777
As at 30 June 2009 (unaudited)	272,533	93,510	373,815 312,833	1,052,691
Amortization and impairment				
As at 31 December 2008	(65,131)	(35,629)	- -	(100,760)
Charge for the period	(45,000)	(13,560)	- -	(58,560)
As at 30 June 2009 (unaudited)	(110,131)	(49,189)	- -	(159,320)
Net book value as at 31 December 2008	<u>204,309</u>	<u>53,012</u>	<u>- 312,833</u>	<u>570,154</u>
Net book value as at 30 June 2009 (unaudited)	<u>162,402</u>	<u>44,321</u>	<u>373,815 312,833</u>	<u>893,371</u>

For the six months ended 30 June 2009 the Group acquired the right to connect end users to the electricity networks in Roschino, Leningrad Region. The respective intangible asset of 373,815 is assessed to have an indefinite useful life and is not amortised, but tested for impairment on an annual basis.

6. Property, plant and equipment

	<u>Production premises</u>	<u>Power lines</u>	<u>Equipment, power equipment, sub-stations</u>	<u>Other</u>	<u>Assets under construction</u>	<u>Total</u>
Cost						
As at 31 December 2008	12,395,759	57,406,179	19,738,420	8,820,729	14,511,774	112,872,861
Additions	250,185	801	1,756,067	1,790	3,953,454	5,962,297
Disposals	(597)	(5,199)	(9,622)	(16,657)	(43,018)	(75,093)
Transfer	799,086	690,741	1,033,478	308,762	(2,832,067)	-
As at 30 June 2009 (unaudited)	13,444,433	58,092,522	22,518,343	9,114,624	15,590,143	118,760,065
Accumulated depreciation, revaluation and impairment						
As at 31 December 2008	(2,038,102)	(30,306,847)	(5,417,947)	(6,982,034)	(1,892,139)	(46,637,069)
Charge for the period	(208,826)	(1,145,026)	(496,380)	(117,828)	-	(1,968,060)
Disposals	118	2,804	3,499	12,871	-	19,292
As at 30 June 2009 (unaudited)	(2,246,810)	(31,449,069)	(5,910,828)	(7,086,991)	(1,892,139)	(48,585,837)
Net book value as at 31 December 2008	<u>10,357,657</u>	<u>27,099,332</u>	<u>14,320,473</u>	<u>1,838,695</u>	<u>12,619,635</u>	<u>66,235,792</u>
Net book value as at 30 June 2009 (unaudited)	<u>11,197,623</u>	<u>26,643,453</u>	<u>16,607,515</u>	<u>2,027,633</u>	<u>13,698,004</u>	<u>70,174,228</u>

OJSC Lenenergo

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (continued)

6. Property, plant and equipment (continued)

As at 30 June 2009 the net book value of property, plant and equipment received under finance lease contracts was as follows:

	Power equipment	Vehicles	Total
Cost			
As at 31 December 2008	2,603,585	34,828	2,638,413
Additions	1,755,918	-	1,755,918
As at 30 June 2009 (unaudited)	<u>4,359,503</u>	<u>34,828</u>	<u>4,394,331</u>
Accumulated depreciation			
As at 31 December 2008	(82,900)	(22,818)	(105,718)
Charge for the period	(73,863)	(5,805)	(79,668)
As at 30 June 2009 (unaudited)	<u>(156,763)</u>	<u>(28,623)</u>	<u>(185,386)</u>
Net book value as at 31 December 2008	<u>2,520,685</u>	<u>12,010</u>	<u>2,532,695</u>
Net book value as at 30 June 2009 (unaudited)	<u>4,202,740</u>	<u>6,205</u>	<u>4,208,945</u>

Property, plant and equipment under finance lease were pledged as security for the respective finance lease agreements.

Acquisitions under finance lease of 1,755,918 were excluded from the interim condensed consolidated cash flow statement, so investing activities in the interim condensed consolidated cash flow statement represent actual cash transactions.

7. Advances for construction of property, plant and equipment

Advances of 4,465,704 paid to construction contractors (31 December 2008: 5,025,306) are stated net of impairment provision of 113,329 (31 December 2008: 110,805). Movements in the provision for impairment of advances to construction contractors are disclosed in Note 11.

8. Available-for-sale investments

	% Shareholding	30 June 2009 (unaudited)	31 December 2008
OJSC Petersburg Sales Company	12.5%	124,378	196,000
OJSC FSK UES	0.051%	146,615	71,700
OJSC North-West Energy Management Company	12.5%	36,700	36,700
Other	-	133	133
Total		<u>307,826</u>	<u>304,533</u>

The fair value of quoted ordinary shares (OJSC FSK UES) was determined by reference to published price quotations in an active market.

The fair value of unquoted ordinary and preference shares was estimated using either representative company method using industry multipliers within sales comparison approach (for OJSC Petersburg Sales Company) or income approach (for OJSC North-West Energy Management Company) using the weighted-average cost of capital ranging from 16.9% to 18.5%.

OJSC Lenenergo
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
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9. Accounts receivable

	30 June 2009 (unaudited)	31 December 2008
Trade receivables net of impairment provision of 762,016 (2008: 631,427)	1,177,586	1,035,210
Other accounts receivable net of impairment provision of 49,055 (2008: 63,533)	428,136	174,126
Total	1,605,722	1,209,336

Management determined the provision for impairment of receivables based on specific customer solvency, industry-specific payment trends, subsequent receipts and settlements and analysis of expected future cash flows. The Group analyses the ability of debtors to fulfill the payment obligation on a regular basis and creates provision for impairment that represents the estimate of potential losses in respect of trade and other receivables (Note 11). The components of this provision are a specific provision for individual losses. Management believes that the Group will be able to realise the net receivable amount through direct collections and non-cash settlements, and therefore the recorded value approximates their fair value. Movements in the provision for impairment of accounts receivable are disclosed in Note 11.

For trade and other receivables which are neither past due nor impaired at the balance sheet date, no information is available to indicate that the debtors may default on their obligations, as the Group monitors debtors on an ongoing basis and periodically reconciles receivable balances. Trade and other receivables bear no interest and are generally repaid within a calendar year.

10. Other current assets

	30 June 2009 (unaudited)	31 December 2008
VAT receivable net of impairment provision of 40,473 (2008: 65,154)	3,401,541	3,109,880
Fair value of the derivative instrument	1,561,641	1,891,854
Prepayments and advances given to suppliers net of impairment provision of 28,729 (2008: 21,710)	517,002	1,094,070
Promissory notes	284,118	243,159
Income tax and other taxes receivable	8,800	6,701
Short-term bank deposit	-	40,000
Other current assets	1,365	1,983
Total	5,774,467	6,387,647

Fair value of the derivative instrument (interest rate and currency swap contract concluded for the long-term USD-denominated bank loan) is calculated by discounting future cash flows determined by conditions and payments schedule of the swap agreement using forward rates of similar instruments at the reporting date. The Group did not designate the above derivative as hedging instrument. Therefore, this financial instrument was classified as financial asset at fair value through profit and loss, with the loss of 330,213 for the 6 months of 2009 included in finance expense (Note 18).

Promissory notes issued by OJSC Bank Tavrichesky stated at amortized cost and maturing in November 2009 and January 2010 were received in settlement of trade accounts receivable.

Movements in the provision for impairment of VAT receivable, prepayments and advances to suppliers are disclosed in Note 11.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements
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11. Impairment provision for accounts receivable and advances given

Movements in the provision for impairment of receivables were as follows:

	Trade receivables	VAT receivable	Advances to suppliers	Advances for construction	Other receivables	Total
As at 31 December 2008	631,427	65,154	21,710	110,805	63,533	892,629
Charge	194,245	-	14,177	5,951	336	214,709
Utilized	-	-	-	-	(10,383)	(10,383)
Released	(63,656)	(24,681)	(7,158)	(3,427)	(4,431)	(103,353)
As at 30 June 2009 (unaudited)	762,016	40,473	28,729	113,329	49,055	993,602

12. Equity

Distributable earnings

Distributable earnings of all entities included in the Group are limited to their respective retained earnings, as mandated by statutory accounting rules. Statutory net profit of the Company as at 30 June 2009 amounted to 1,732,256.

Dividend declared

On 11 June 2009, the Annual General Shareholders' Meeting declared dividends of 153,961 on preference shares in respect of 2008. Dividends on the preference shares amounted to 1.6508 Ruble per share. By 30 June 2009 these dividends for 2008 were not paid (Note 15).

Other reserves

	Asset revaluation reserve	Net unrealised gains on available-for- sale investments	Total
As at 31 December 2008	28,753,090	104,690	28,857,780
Unrealized gain on available-for-sale financial assets, net of tax effect of 659	-	2,634	2,634
Release of asset revaluation reserve on disposed property, plant and equipment items, net of tax effect of 10,510	(42,039)	-	(42,039)
As at 30 June 2009 (unaudited)	28,711,051	107,324	28,818,375

Asset revaluation reserve is used to record increases in the fair value of property, plant and equipment and assets under construction and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Net unrealized gains reserve accumulates changes in the fair value of available-for-sale investments.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements (continued)

13. Long-term borrowings

	Currency	Effective interest rate	Maturity date	30 June 2009 (unaudited)	31 December 2008
Bonds issued by the Group					
series 02	Rubles	8.54%	2012	2,985,772	2,981,472
series 03	Rubles	8.02%	2012	2,984,754	2,981,534
		Libor +			
Long-term bank loans	USD	1.25%	2010	6,226,246	5,834,784
Finance lease liabilities	Rubles		2011	2,318,532	1,584,646
Total long-term debt				14,515,304	13,382,436
Less: current portion				(603,011)	(436,143)
Long-term debt, net of current portion				13,912,293	12,946,293

Bonds

For the six months ended 30 June 2009 the Group fully met its coupon obligations under the 4th coupon of the 2nd and 3rd bond issues in the total amount of 127,740 and 119,970, respectively.

Loans

As at 30 June 2009 and for the six months then ended, the Group complied with all restrictions and covenants imposed by the syndicated loan agreement with Barclay's Bank.

Finance lease commitments

As at 30 June 2009 the Group entered into new lease agreements for electricity transmission equipment and transportation vehicles which have been delivered to the Group by the reporting date and, therefore, are recognized in these interim condensed consolidated financial statements. Future minimum lease payments under finance lease are as follows:

	During the next year	During 2-5 years	Over 5 years	Total
As at 31 December 2008				
Future minimum lease payments	859,055	1,592,408	-	2,451,463
Less: future interest expenses	(422,912)	(443,905)	-	(866,817)
Present value of future minimum lease payments	436,143	1,148,503	-	1,584,646
As at 30 June 2009 (unaudited)				
Future minimum lease payments	1,200,804	2,428,287	-	3,629,091
Less: future interest expenses	(597,793)	(712,766)	-	(1,310,559)
Present value of future minimum lease payments	603,011	1,715,521	-	2,318,532

All lease agreements are fully secured against the Group's leased assets (Note 6).

As at 30 June 2009 the Group's primary lessors were LLC Sevzapleasing and LLC Rosgazleasing. In the first half of 2009 effective interest rate on lease liabilities ranged from 20.47% to 71.48% p.a.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements
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13. Long-term borrowings (continued)

The Group had entered into a number of finance leases under which equipment was not received as at 30 June 2009. Accordingly, the liabilities arising from the above financial leases are not reported in these interim condensed consolidated financial statements. The present value of future minimum lease payments under these agreements as at 30 June 2009 is 854,600 (31 December 2008: 3,031,863). Future interest expense is 617,859 (31 December 2008: 2,279,553). As at 30 June 2009 the Group paid advances of 500,364 under these leases (31 December 2008: 933,439).

14. Other non-current liabilities

	30 June 2009 (unaudited)	31 December 2008
Long-term advances received	2,966,193	5,293,574
Trade accounts payable	40,733	83,663
Total	3,006,926	5,377,237

15. Other current liabilities

	30 June 2009 (unaudited)	31 December 2008
Advances received	12,668,652	9,464,834
Dividends payable	153,961	-
Total	12,822,613	9,464,834

16. Revenue

	For the six months ended 30 June 2009 (unaudited)
Network transmission of electricity	9,564,955
Technological losses at the normal expected level	(2,096,910)
Network transmission of electricity, net of normal (expected) losses	7,468,045
Technological connection to electricity grids	2,240,951
Other revenue	324,338
Total	10,033,334

Technological connection fees of 187,861 were settled by way of contribution of property, plant and equipment from the customers.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements (continued)

17. Operating expenses

	For the six months ended 30 June 2009 (unaudited)
Transmission fee	3,259,617
Depreciation (Note 6)	1,968,060
Payroll and payroll taxes	1,304,527
Repairs and maintenance	251,522
Rent	230,522
Provision for impairment of receivables (Note 11)	111,356
Electric metering services	149,064
Raw materials and supplies	101,758
Telecommunication and information services	99,299
Taxes other than income tax	80,408
Consulting, legal and audit services	68,897
Social expenses	68,176
Amortisation of intangible assets (Note 5)	58,560
Internal security expenses	53,977
Utilities	45,904
Provision for impairment of inventories	31,877
Agency services	21,588
Other operating expenses	246,236
Total	8,151,348

18. Finance expenses

	For the six months ended 30 June 2009 (unaudited)
Interest expense on finance leases	338,974
Change in fair value of swap	330,213
Interest expense on bonds	256,291
Interest expense on loans	216,898
Other finance expenses	31,369
Total	1,173,745

19. Income tax

Starting from 1 January 2009 the Russian Government changed the income tax rate from 24% to 20%.

	For the six months ended 30 June 2009 (unaudited)
Current income tax:	
Current income tax charge	544,569
Deferred income tax:	
Relating to origination and reversal of temporary differences	(396,800)
Income tax expense	147,769

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements
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19. Income tax (continued)

Reconciliation between tax expense and accounting profit multiplied by tax rate for the six months ended 30 June 2009 is as follows:

	For the six months ended 30 June 2009 (unaudited)
Accounting profit before tax	389,788
Theoretical tax expense at statutory income tax rate of 20%	77,958
Non-deductible expenses	69,811
Income tax expense	147,769

20. Commitments and contingencies

Capital commitments

Future capital expenditures for which contracts have been signed amounted to 15,561,943 as at 30 June 2009 (31 December 2008: 15,338,332).

Guarantees issued

As at 30 June 2009 the Group provided the following guarantees for the loans granted by OJSC Bank VTB Severo-Zapad to the Group's lessor (CJSC Rosgazleasing):

Guarantee	Underlying loan agreement	Maturity date	Amount of loan guaranteed
	#107/07 dated		
CJSC Rosgazleasing	22 August 2007	22 August 2012	53,180
	#108/07 dated		
CJSC Rosgazleasing	22 August 2007	22 August 2012	242,290

Tax legislation

The existing Russian tax, currency and customs legislation allows for various interpretations and is prone to frequent changes. Interpretation by the Group's management of the legislation in place when applicable to the Group's transactions and activities may be challenged by the appropriate regional or federal authorities. Recent events that occurred in the Russian Federation are indicative of the fact that tax authorities may assume a tougher stance with regard to interpretation of legislation and review of tax returns. Consequently, tax authorities may challenge transactions and accounting methods that they had never challenged before. As a result, significant additional taxes, penalties and fines may be accrued. It is not possible to determine amounts of constructive claims or evaluate probability of their negative outcome. Tax audits may cover a period of three calendar years immediately preceding the reporting one. Under certain circumstances, tax authorities may review earlier accounting periods.

As at 30 June 2009 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements
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21. Related party transactions

Parent company

From 1 July 2008 as a result of restructuring the Group was transferred under the control of MRSK-Holding, legal successor of RAO UES of Russia ("RAO UES").

Significant transactions and balances with MRSK-Holding are as follows:

	For the six months ended 30 June 2009 (unaudited)	
Consulting, legal and audit services	<u>48,000</u>	
	30 June 2009 (unaudited)	31 December 2008
Trade account payable	<u>49,862</u>	<u>44,198</u>

Other related parties

Other related parties include entities under MRSK-Holding control. Significant transactions with other related parties and balances outstanding are as follows:

	For the six months ended 30 June 2009 (unaudited)	
Revenue from electricity transmission (OJSC PSC)	<u>6,491,360</u>	
Purchase of compensation electricity in the amount of technological losses (OJSC PSC)	<u>(1,995,180)</u>	
Cost of electricity transmission through the federal grid (OJSC FSK UES)	<u>(1,658,418)</u>	
	30 June 2009 (unaudited)	31 December 2008
<i>Accounts receivable, including:</i>		
Trade receivables	237,402	205,992
OJSC PSC	236,903	201,125
Others	499	4,867
Advances given	24,855	241,086
OJSC PSC	4,412	216,695
OJSC FSK UES	19,212	19,956
Others	1,231	4,435
<i>Accounts payable, including:</i>		
Trade payables	364,887	281,738
OJSC FSK UES	333,226	268,307
OJSC PSC	20,181	7,050
OJSC TGK-1	5,749	3,098
Others	67	3,283
Advances received	12,083	8,725
GUP Svet	5,787	5,787
OJSC TGK-1	6,296	2,938
Dividends received	16,072	26,365
OJSC PSC	15,472	21,077
OJSC North-West Energy Management Company	-	4,888
Other	600	400

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements
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21. Related party transactions (continued)

	30 June 2009 (unaudited)	31 December 2008
Available-for-sale investments	307,693	304,400
OJSC PSC	124,378	196,000
OJSC FSK UES	146,615	71,700
OJSC North-West Energy Management Company	36,700	36,700

State-controlled entities

In the course of its operating activities the Group is also engaged in transactions with state-controlled entities. The Group had the following material transactions with state-controlled entities:

	For the six months ended 30 June 2009 (unaudited)
Revenue from electricity transmission	1,445,191
Revenue from technological connection	242,620
Other revenue	17,492
Cost of electricity transmission through other distribution grids	(1,134,549)

The Group had the following material balances arising from transactions with state-controlled entities:

	30 June 2009 (unaudited)	31 December 2008
<i>Accounts receivable net of impairment provision</i>		
Trade accounts receivable	463,257	229,345
Advances given	30,100	16,258
Other accounts receivable	2,057	29,433
<i>Accounts payable</i>		
Advances received	1,522,326	1,453,221
Short-term trade accounts payable	64,115	75,784
Long-term trade accounts payable	66,000	132,028
Other accounts payable	592	5,708

Revenues and purchases from related parties are measured at regulated tariffs where applicable, in other cases revenues and purchases from related parties are measured at normal market prices. There have been no guarantees provided or received for any related party receivable or payable. As at 30 June 2009 the Group has recorded provision for impairment of receivables from related parties of 219,629 (31 December 2008: 243,660) and recognised a related income from the release of provision for the six months ended 30 June 2009 of 24,031.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements
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21. Related party transactions (continued)

The Group had the following cash balances on current accounts with state-controlled banks:

	30 June 2009 (unaudited)	31 December 2008
OJSC Vneshtorgbank	228,461	262,744
OJSC Northwest bank of Sberbank	142,040	1,200,598
Total	370,501	1,463,342

Compensation to key management personnel

Key management personnel comprise general director of the Company and his deputies, including finance director and chief accountant, as well as members of the Board of Directors. Total compensation to key management personnel, which is represented by short-term and long-term employee benefits (monthly payroll, annual bonuses and pensions), included in payroll and payroll taxes in the interim condensed consolidated income statement, was as follows:

	For the six months ended 30 June 2009 (unaudited)
Short-term employee benefits	35,279
Termination benefits	13,891
Total	49,170

22. Financial risk management

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The exposure of the Group to these and other financial risks is disclosed below.

Credit risk

The maximum exposure of the Group's accounts receivable to the credit risk is represented by the carrying amount of these assets as disclosed in Note 9.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial investments, financial assets at fair value through profit and loss and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements (continued)

22. Financial risk management (continued)

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities as at 30 June 2009 and 31 December 2008 based on contractual undiscounted payments:

As at 30 June 2009 (unaudited)	1 year	2 years	3-5 years	Over 5 years
Bonds issued	152,826	-	6,000,000	-
Interest-bearing loans	82,515	4,900,000	-	-
Trade and other accounts payable	3,815,651	1,800	5,400	104,201
Other financial obligations	1,200,804	1,199,489	1,228,798	-
Total	5,251,796	6,101,289	7,234,198	104,201

As at 31 December 2008	1 year	2 years	3-5 years	Over 5 years
Bonds issued	151,765	-	6,000,000	-
Interest-bearing loans	83,662	4,900,000	-	-
Trade and other accounts payable	4,174,283	67,805	5,400	104,201
Other financial obligations	859,064	703,462	888,937	-
Total	5,268,774	5,671,267	6,894,337	104,201

Fair values

Set out below is a comparison by category of carrying amount and fair value of the Group's financial instruments that are carried in these interim condensed consolidated financial statements:

	30 June 2009 (unaudited)		31 December 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash	737,781	737,781	2,498,850	2,498,850
Available-for-sale investments	307,826	307,826	304,533	304,533
Loans and receivables	1,889,840	1,889,840	1,493,110	1,493,110
Derivative financial instruments	1,561,641	1,561,641	1,891,854	1,891,854
Financial liabilities				
<i>Interest-bearing loans and borrowings:</i>				
Obligations under finance leases	(2,318,532)	(2,318,532)	(1,584,646)	(1,584,646)
Floating rate borrowings	(6,226,246)	(6,226,246)	(5,834,784)	(5,834,784)
Long-term fixed rate borrowings	(5,970,526)	(4,909,800)	(5,963,006)	(3,374,700)
Short-term part of borrowings	(235,341)	(235,341)	(235,427)	(235,427)

The fair value of derivatives and borrowings with floating rate has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of fixed rate borrowings and other financial assets has been calculated using market interest rates.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements
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22. Financial risk management (continued)

The following table presents the valuation methods used to determine fair values of financial instruments carried at fair value.

	30 June 2009	Level 1	Level 2	Level 3
Available-for-sale investments	307,826	146,615	-	161,211
Derivative financial instruments	1,561,641	-	1,561,641	-

For financial instruments for which quoted prices in an active market are available, the fair value is determined directly from those quoted market prices (Level 1).

For financial instruments which do not have quoted market prices directly available from an active market, fair values are estimated using valuation techniques or models, based wherever possible on assumption supported by observable market prices or rate prevailing at the balance sheet date (Level 2).

For other financial instruments the fair value cannot be obtained directly from quoted market prices, or indirectly using valuation techniques or models supported (Level 3). For these instruments the fair value is estimated using other valuation techniques as disclosed in Note 8.

During the six months ended 30 June 2009 there were no transfers among any levels of fair value measurements. The movements within Level 1 and Level 3 since 31 December 2008 were a fair value increase of 3,293, which have been recorded (net of tax effect of 659) in other comprehensive income (Note 12). The movement within Level 2 for the derivative financial instrument (swap) since 31 December 2008 was a fair value decrease of 330,213, reflected in finance expenses (Note 18).

23. Events after the balance sheet date

In July 2009 the Group fully met its coupon obligations on the 2nd bond issue under the 5th coupon at 8.54% p.a. in the total amount of 127,740.

In July-August 2009 the Group entered into three credit line agreements with OJSC Bank Sankt-Peterburg for 500,000 each. Two loans amounting to 1,000,000 bear the interest of 16.75% and mature on 31 December 2009. The third loan of 500,000 bearing the interest of 17.25% matures on 16 July 2010.