

English Translation from the Original Language Independent Auditors' Report

To the Shareholders and Board of Directors
of OAO Irkutskenergo

We have audited the accompanying consolidated financial statements of OAO Irkutskenergo and its subsidiaries ("the Company"), which comprise the consolidated balance sheet as at 31 December 2006, 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. 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 Company as at 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

SIGNED IN THE ORIGINAL RUSSIAN VERSION

April 26, 2007

English Translation from the Original Language
ОАО Иркутскэнерго
Consolidated Balance Sheet as of December 31, 2006
(in thousands of Russian Roubles)

	Notes	2006	2005
ASSETS			
Non-current assets			
Property, plant and equipment	7	66,877,696	40,644,308
Intangible assets		61,940	43,514
Long-term accounts receivable	9	440,806	472,879
Long-term investments	8	328,164	380,511
Long-term promissory notes receivable	28	495,407	504,397
		<u>68,204,013</u>	<u>42,045,608</u>
Current assets			
Inventories	10	1,871,421	1,758,230
Accounts receivable	9	1,613,876	1,595,338
VAT recoverable and prepayments	11	527,716	1,077,272
Cash and cash equivalents	13	522,938	1,627,308
Short-term investments	12	123,443	836,008
Short-term promissory notes receivable	28	94,737	94,737
Other current assets	11	2,639	2,493
		<u>4,756,770</u>	<u>6,991,386</u>
Assets of disposal group classified as held for sale	14	415,418	-
		<u>5,172,188</u>	<u>6,991,386</u>
Total assets		<u><u>73,376,201</u></u>	<u><u>49,036,995</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	15	4,766,808	4,766,808
Revaluation reserve		17,633,416	2,025,804
Retained earnings		34,119,152	31,808,278
		<u>56,519,377</u>	<u>38,600,890</u>
Minority interest		162,515	-
Total equity		<u>56,681,891</u>	<u>38,600,890</u>
Non-current liabilities			
Long term borrowings	16	341,868	-
Long-term promissory notes payable	21	776,357	733,616
Long-term taxes payable	17	138,592	293,470
Finance lease obligations, net of current maturities	18	85,599	94,118
Deferred tax liability	26	9,696,266	3,996,524
Employee benefit liability	19	784,814	883,687
Other non-current liabilities		59,137	113,637
		<u>11,882,631</u>	<u>6,115,052</u>
Current liabilities			
Short-term loans	16	411,414	847,719
Current portion of long-term loans	16	341,868	-
Trade and other payables	20	2,167,622	1,473,703
Short-term taxes payable	17	876,875	1,048,276
Short-term promissory notes payable	21	130,209	161,019
Other current liabilities	22	801,827	790,335
		<u>4,729,815</u>	<u>4,321,053</u>
Liabilities of disposal group classified as held for sale	14	81,862	-
		<u>4,811,677</u>	<u>4,321,053</u>
Total liabilities		<u>16,694,310</u>	<u>10,436,105</u>
Total equity and liabilities		<u><u>73,376,201</u></u>	<u><u>49,036,995</u></u>

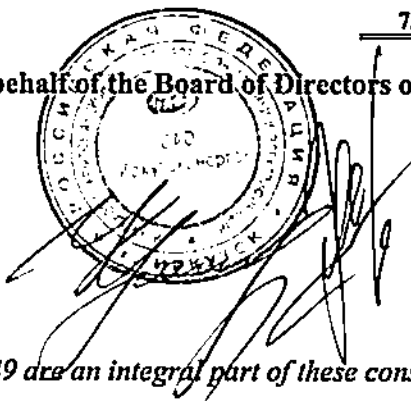
Signed and authorized for issue on behalf of the Board of Directors of ОАО Иркутскэнерго

General Director

Sergey V. Emdin

First Deputy General Director
 Director for Finance and Economy
 26 April, 2007

Vyacheslav M. Kramarenko



The accompanying notes on pp 6-49 are an integral part of these consolidated financial statements

English Translation from the Original Language

OA O Irkutskenergo

Consolidated Income Statement

For the year ended December 31, 2006

(in thousands of Russian Roubles)

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
Continuing operations			
Operating revenues			
Electricity		14,773,072	12,402,175
Heat		8,063,866	6,485,332
Other		900,559	473,101
Total operating revenues		<u>23,737,497</u>	<u>19,360,608</u>
Cost of sales			
Fuel used in generation		(4,663,555)	(3,746,327)
Salaries and social expenditure		(3,100,037)	(2,209,793)
Repairs and maintenance		(2,753,718)	(2,905,872)
Materials		(754,680)	(295,514)
Water usage expenses		(371,921)	(346,953)
Insurance expenses		(528,183)	(565,303)
Depreciation		(2,262,380)	(2,003,598)
Purchased energy		(1,437,419)	(429,246)
Other expenses		(1,708,029)	(1,704,468)
Total cost of sales		<u>(17,579,921)</u>	<u>(14,207,074)</u>
Gross profit		6,157,576	5,153,534
Selling and distribution costs		(442,598)	(372,435)
General and administrative expenses		(1,016,217)	(472,364)
Taxes other than income tax	23	(1,270,859)	(1,433,193)
Other operating income	24	(219,529)	(121,212)
Profit from operating activities		3,208,373	2,754,330
Finance revenue		161,297	243,304
Finance costs		(130,022)	(166,974)
Profit before income tax		3,239,648	2,830,660
Income tax expense - current		(1,065,248)	(838,646)
Income tax expense - deferred		(49,875)	(102,100)
Total income tax expense	26	(1,115,123)	(940,746)
Profit for the year from continuing operations		<u>2,124,525</u>	<u>1,889,914</u>
Discontinued operation			
Loss after tax for the year from discontinued operation	14	(6,196)	(26,636)
Profit for the year		<u>2,118,329</u>	<u>1,863,278</u>
Attributable to:			
Equity holders of the parent		2,107,457	1,863,278
Minority interests		10,872	-
Earnings per share – basic and diluted (in Russian roubles)		0.4444	0.3909
Earnings per share from continuing operations – basic and diluted		<u>0.4457</u>	<u>0.3965</u>

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English Translation from the Original Language

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Consolidated Statement of Cash Flows

For the year ended December 31, 2006

(in thousands of Russian Roubles)

	Year ended 31 December	
	2006	2005
Operating activities		
Profit for the year	2,118,329	1,863,278
Adjustments to reconcile net profit to net cash flows from operating activities:		
Depreciation	2,325,946	2,021,821
Interest income	(13,696)	(76,712)
Income tax expense	1,115,123	946,531
(Decrease) increase in allowance for doubtful accounts receivable	(163,437)	72,794
Impairment of property, plant and equipment	-	149,348
Write-off of accounts receivable	431,509	-
Loss on receivables restructuring	-	26,220
Gain on sales of investments	(126,406)	37,995
Loss on disposal of property, plant and equipment and other assets	23,675	53,713
Changes in assets and liabilities:		
Increase in trade and other receivables	(314,532)	(358,676)
Decrease in other current assets	543,202	(295,450)
Increase in inventories	(127,055)	(451,072)
Increase in payables and accruals	237,243	918,670
Interest paid	(40,946)	(46,864)
Interest received	83,934	140,035
Income tax paid	(1,052,301)	(859,209)
Net cash from operating activities	5,040,588	4,142,422
Investing activities		
Purchase of property, plant and equipment	(5,508,195)	(3,628,411)
Proceeds from sale of property, plant and equipment	326,542	57,184
Acquisition of subsidiaries, net of cash acquired	(1,834,442)	(634,272)
Proceeds from sale of minority interest in subsidiary	151,642	-
Proceeds from sale of short-term investments	659,303	986,651
Repayment (issuance) of loans granted	100,099	(123,600)
Net cash used in investing activities	(6,105,051)	(3,342,448)
Cash flows from financing activities		
Proceeds from borrowings	5,674,948	6,699,700
Repayments of borrowings	(5,384,600)	(6,481,400)
Decrease in promissory notes payable	(43,809)	(237,573)
Dividends paid	(241,057)	(200,000)
Net cash from (used in) financing activities	5,482	(219,273)
Cash and cash equivalents classified as part of a disposal group held for sale	(45,389)	-
Net increase (decrease) in cash and cash equivalents	(1,104,370)	580,701
Cash and cash equivalents at the beginning of the year	1,627,308	1,046,607
Cash and cash equivalents at the end of the year	522,938	1,627,308

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Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2006

(in thousands of Russian Roubles)

	Attributable to equity holders of the parent		Revaluation reserve	Retained earnings	Total	Minority interest	Total equity
	Shares	Amount					
As of December 31, 2004	4,766,807,700	4,766,808	2,146,362	30,024,441	36,937,612	-	36,937,612
Depreciation transfer for property, plant and equipment	-	-	(149,518)	-	-	-	-
Disposal transfer for property, plant and equipment	-	-	(9,111)	-	-	-	-
Deferred income tax on revaluation	-	-	38,071	(38,071)	-	-	-
Net profit	-	-	-	1,863,278	-	-	-
Dividends	-	-	-	(200,000)	-	-	-
As of December 31, 2005	4,766,807,700	4,766,808	2,025,804	31,808,279	38,600,890	-	38,600,890
As of December 31, 2005							
Revaluation	-	-	16,052,086	-	16,052,086	-	16,052,086
Depreciation transfer for property, plant and equipment	-	-	(401,068)	401,068	-	-	-
Disposal transfer for property, plant and equipment	-	-	(184,002)	184,002	-	-	-
Deferred income tax on revaluation	-	-	140,596	(140,596)	-	-	-
Net profit	-	-	-	2,107,457	2,107,457	10,872	2,118,329
Dividends	-	-	-	(241,056)	(241,056)	-	(241,056)
Minority interest	-	-	-	-	-	151,642	-
As of December 31, 2006	4,766,807,700	4,766,808	17,633,416	34,119,152	56,519,377	162,515	56,681,891

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