

AO MOSENERGO

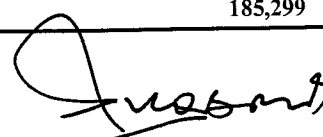

**Consolidated interim financial statements
(prepared in accordance with IFRS)
for the three and nine month periods ended 30 September 2008
(unaudited)**

AO MOSENERGO
Consolidated Interim Balance Sheets
(in millions of Russian Roubles)

	Note	30 September 2008 (unaudited)	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	7	137,048	122,547
Investment property	8	1,225	1,288
Investments in equity accounted investees	9	1,041	1,246
Advances for acquisition of property, plant and equipment		9,636	8,663
Other non-current assets	13	84	92
Total non-current assets		149,034	133,836
Current assets			
Inventories	10	4,591	4,444
Investments	11	13,675	23,201
Income tax receivable		633	41
Trade and other receivables	12	13,614	10,344
Other current assets	13	2,227	1,998
Cash and cash equivalents	14	1,525	11,161
Total current assets		36,265	51,189
Total assets		185,299	185,025
EQUITY AND LIABILITIES			
Equity			
Share capital	15	166,124	166,124
Treasury stock		(871)	-
Share premium		49,213	49,213
Reserves		37,466	37,534
Accumulated loss		(116,627)	(117,211)
Total equity		135,305	135,660
Non-current liabilities			
Non-current borrowings	16	15,191	129
Deferred tax liabilities	28	17,854	17,427
Employee benefits	17	943	1,279
Total non-current liabilities		33,988	18,835
Current liabilities			
Current borrowings and current portion of non-current borrowings	16	1,331	17,476
Trade and other payables	18	13,813	10,950
Income tax payable		152	478
Other taxes payable	19	679	611
Provisions	20	31	1,015
Total current liabilities		16,006	30,530
Total liabilities		49,994	49,365
Total equity and liabilities		185,299	185,025

General Director

Chief Accountant

V.G. Yakovlev

S.A. Suraev

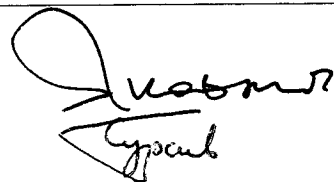
23 December 2008

AO MOSENERGO
Consolidated Interim Statements of Operations
(in millions of Russian Roubles)

	Note	For the three months ended 30 September 2008 (unaudited)	For the three months ended 30 September 2007 (unaudited)	For the nine months ended 30 September 2008 (unaudited)	For the nine months ended 30 September 2007 (unaudited)
Revenue	21	18,014	12,336	66,079	53,164
Cost of materials	22	(11,431)	(8,175)	(37,835)	(29,439)
Other external supplies	23	(2,611)	(2,088)	(12,725)	(11,408)
Personnel expenses	24	(2,622)	(2,253)	(7,423)	(5,616)
Depreciation of property, plant and equipment	7	(1,921)	(1,667)	(5,298)	(5,052)
Taxes other than income tax		(332)	186	(949)	(1,167)
Other operating expenses	25	(880)	(932)	(3,132)	(3,081)
Other operating income	26	411	58	604	249
Results from operating activities		(1,372)	(2,535)	(679)	(2,350)
Financial income	27	331	570	1,220	906
Financial expenses	27	(244)	(23)	(827)	(598)
Share of (loss) / profit of equity accounted investees	9	(27)	(7)	(41)	22
Loss before income tax		(1,312)	(1,995)	(327)	(2,020)
Income tax benefit / (expense)	28	155	325	(66)	(152)
Loss for the period		(1,157)	(1,670)	(393)	(2,172)
Loss per ordinary share (in Russian Roubles):	29				
Basic		(0.03)	(0.06)	(0.01)	(0.07)
Diluted		(0.03)	(0.06)	(0.01)	(0.07)

General Director

Chief Accountant



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S.A. Suraev

23 December 2008

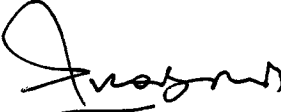
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Consolidated Interim Statements of Cash Flows


(in millions of Russian Roubles)

	Note	For the nine months ended 30 September 2008 (unaudited)	For the nine months ended 30 September 2007 (unaudited)
Cash flow from operating activities			
Loss before income tax		(327)	(2,020)
<i>Adjustments for:</i>			
Depreciation		5,306	5,052
Loss on disposal of property, plant and equipment		13	571
Net financial expenses		(523)	(308)
Share of loss / (profit) of equity accounted investees		41	(22)
Trade and other receivables impairment loss		687	234
Other		87	31
Operating profit/(loss) before changes in working capital and provisions		5,284	3,538
Change in inventories		(132)	(330)
Change in trade and other receivables		(2,985)	(5,210)
Change in restricted cash		(56)	101
Change in trade and other payables		2,879	1,807
Change in taxes payables, other than income tax		91	(255)
Change in provisions and employee benefits		(221)	71
Cash flows from operations before income tax and interest paid		4,860	(278)
Income tax paid		(558)	(2,069)
Interest paid		(819)	(1,425)
Cash flows from operating activities		3,483	(3,772)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		37	25
Proceeds from disposal of investments		22,911	-
Interest received		177	127
Dividends received		171	49
Acquisition of property, plant and equipment		(20,532)	(19,569)
Acquisition of investments		(13,385)	(21,647)
Interest paid and capitalised		(436)	(786)
Cash flows from investing activities		(11,057)	(41,801)
Cash flows from financing activities			
Proceeds from the issue of share capital		-	60,720
Costs of the share capital issue		-	(7)
Proceeds from borrowings		-	7,439
Repayment of borrowings		(1,093)	(10,797)
Buy-out of own shares		(969)	-
Dividends paid		-	(743)
Cash flows from financing activities		(2,062)	56,612
Net (decrease) / increase in cash and cash equivalents		(9,636)	11,039
Cash and cash equivalents at the beginning of the period	14	11,161	5,729
Cash and cash equivalents at the end of the period	14	1,525	16,768

General Director

Chief Accountant





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23 December 2008

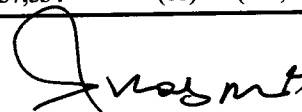
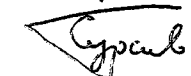
AO MOSENERGO
Consolidated Interim Statements of Changes in Equity

(in millions of Russian Roubles)

	Share capital	Treasury stock	Share premium	Revaluation reserve	Available-for-sale investments revaluation reserve	Accumulated loss	Total
Balance at 31 December 2006 as previously reported	154,624	-	-	-	-	(115,510)	39,114
Correction of prior period errors	-	-	-	-	-	(884)	(884)
Balance at 1 January 2007 (restated)	154,624	-	-	-	-	(116,394)	38,230
Loss for the period	-	-	-	-	-	(2,172)	(2,172)
Revaluation of property, plant and equipment	-	-	-	37,534	-	-	37,534
Total recognised income and expenses	-	-	-	-	-	-	35,362
Shares issued	11,500	-	49,213	-	-	-	60,713
Dividends to shareholders	-	-	-	-	-	(896)	(896)
Balance at 30 September 2007	166,124	-	49,213	37,534	-	(119,462)	133,409
Balance at 1 January 2008	166,124	-	49,213	37,534	-	(117,211)	135,660
Loss for the period	-	-	-	-	-	(393)	(393)
Revaluation of available-for-sale investments	-	-	-	-	(68)	-	(68)
Total recognised income and expenses	-	-	-	-	-	-	(461)
Contribution from shareholders	-	-	-	-	-	8	8
Buy-out of own shares	-	(871)	-	-	-	969	98
Balance at 30 September 2008	166,124	(871)	49,213	37,534	(68)	(116,627)	135,305

General Director

Chief Accountant

 V.G. Yakovlev
 S.A. Suraev

23 December 2008

Note 1. The Group and its operations

(a) Organization and operations

The Open Joint Stock Company Mosenergo (the “Company”) and its subsidiaries (together referred as the “Group” or the “Mosenergo Group”) are primarily involved in generation of heat and electric power and heat distribution services in the Moscow city and Moscow region.

The Group’s power and heat generation base includes 17 power stations with operational capacity equaled approximately 11,117.3 megawatts (“MW”) and 34,297.4 gigacalories (“Gkal”) of electricity and heat capacity, respectively.

OJSC Mosenergo was registered under the legislation of the Russian Federation on 6 April 1993 in accordance with State Property Management Committee Decree 169-R dated 26 March 1993 following the privatization process of electricity and heat power generation, transmission and distribution assets formerly under control of the Ministry of Energy of the Russian Federation.

The Company’s registered office is located at 8, Raushskaya Naberezhnaya, Moscow, 115035, Russian Federation.

(b) Group formation

On 1 April 2005 the Company was reorganized in form of spin-off following the reorganization process within Russian electricity sector aimed to introduce competition into the electricity market and to enable the companies of electricity sector to maintain and further expand production capacity. The Company’s restructuring was approved by general shareholder’s meeting on 28 June 2004. Before the restructuring took place the Company operated as integrated utility model, which included generation, transmission and distribution activities. As a result of the restructuring 13 new entities were separated from the Company and each shareholder of the Company received ordinary shares of each of the separated entities pro rata to Company’s shares held by them prior to spin-off.

General shareholders’ meeting held on 20 December 2006 approved closed subscription for the additional shares issued in favour of OJSC Gazprom and its affiliates (together referred as the “Gazprom Group”). As a result, the majority shareholder of OJSC Mosenergo has changed from RAO UES of Russia to Gazprom Group holding 53.47% of ordinary shares.

Following the reorganization process extraordinary general shareholder’s meeting of RAO UES of Russia on 26 October 2007 decided to spin-off several holding companies to which shares in electricity generation companies, including Mosenergo, held by RAO UES of Russia, were transferred. Holdings separated from RAO UES of Russia were merged with generation companies by means of shares conversion, which enabled the shareholders of RAO UES of Russia to receive direct shares in generation companies after reorganization. Accordingly, upon spin-off from RAO UES of Russia OJSC Mosenergo Holding (the “Mosenergo Holding”) received stake in Mosenergo held by RAO UES of Russia. Simultaneously with the spin-off Mosenergo Holding was merged with the Company and its shares were converted into the Company’s shares.

(c) Business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The consolidated interim 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.

(d) Relations with the state and current regulation

At the end of the reporting period the Russian Federation owned (both direct and indirect ownership) over 50% in OJSC Gazprom (the “parent”), which held 53.47% in the Company. Thus the Russian Federation is the ultimate controlling party of the Group.

The government of the Russian Federation directly affects the Group’s operations through regulations of wholesale and retail sales of electricity and heat exercised by the Federal Service on Tariffs (the “FST”) and the Regional Energy Commissions of Moscow and Moscow region (the “RECs”), respectively. OJSC “System Operator - Central Despatch Unit of Unified Energy System” (the “SO - CDU UES”), which is controlled by the Russian Federation, regulates operations of generating assets of the Group.

The Group’s customer base as well as suppliers’ chain includes a large number of entities controlled by or related to the state.

As described in Notes 6 and 31, the government’s economic, social and other policies could materially effect operations of the Group.

AO MOSENERGO

Notes to Consolidated Interim Financial Statements

(in millions of Russian Roubles)

Note 1. The Group and its operations (continued)

(e) Industry restructuring

Following Russian electric utility sector restructuring aimed to introduce competition to electricity (capacity) market the New Wholesale Electric Power (capacity) Market Rules of the Transitional Period (the "NOREM") approved by Resolution of the Government of the Russian Federation No. 529 dated 31 August 2006 were adopted. Under the new wholesale market framework, electricity and power purchases-sales transactions in the regulated market sector are to be governed by a regulated bilateral contract system. Starting 1 September 2006 regulated contracts covered all volumes of electricity and power produced and consumed.

Starting 2007, the volumes of electricity and power traded in the wholesale market applying regulated prices are reducing. The period from 2006 to 2011 is considered as the transition period. Upon the termination of transition period, organisation of electricity wholesale competitive market will be completed.

Note 2. Basis of preparation

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated interim financial statements are prepared on the historical cost basis except that property, plant and equipment and investment property are revalued periodically; available-for-sale financial assets are measured at fair value; and the carrying amounts of equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, GosKomStat. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (RR), which is the Group's functional currency and the currency in which these consolidated interim financial statements are presented. All financial information presented in RR has been rounded to the nearest million.

(d) Use of estimates and judgment

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 these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 7 – Property, plant and equipment;
- Note 8 – Investment property;
- Note 17 – Employee benefits;
- Note 20 – Provisions;

Note 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements, and have been applied consistently by the Group entities.

Certain comparative amounts have been reclassified to conform with the current period's presentation. In addition, presentation of comparative statement of operations has been revised to present more detailed classification of expenses based on their nature to provide the users of the financial statements with more relevant information about the financial performance of the Group.

(a) Basis of consolidation**(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

(c) Financial instruments**(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Note 3. Significant accounting policies (continued)*Available-for-sale financial assets*

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share capital*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

(d) Property, plant and equipment**(i) Recognition and measurement**

Until 31 December 2006, items of property, plant and equipment, except for land, were measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 31 December 1997, the date of transition to IFRSs, was determined by reference to its fair value at that date and subsequently restated to take into account the impact of inflation until 31 December 2002.

The Group changed its accounting policy to revaluing its property, plant and equipment starting from 1 January 2007 as management believes that it would provide the users of the financial statements with more relevant information about the financial position of the Group.

Property, plant and equipment are subject to revaluation on a regular basis to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the balance sheet date. Increase in the carrying amount of property, plant and equipment as a result of revaluation is credited directly to equity under the heading revaluation reserve, unless the decrease of the reserve was previously recognised in profit or loss. Decrease in the carrying amount shall be debited to equity to the extent of any credit balance existing in the revaluation reserve. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

The effects of taxes on income resulting from the revaluation of property, plant and equipment are charged directly to equity.

Cost of acquired assets includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

