

**EXPLANATORY NOTE
on the accounting statements
of JSC "LENENERGO"
for 2010**

1. General information

The current accounting statements are prepared by the management of "Lenenergo" Open Joint-Stock Company of the Power Industry and Electrification.

"Lenenergo" Open Joint-Stock Company of the Power Industry and Electrification (JSC "Lenenergo") was established in accordance with the Decree of President of the Russian Federation No.922 dated August 14, 1992 "On peculiarities of the reorganization of state enterprises, unions, and organizations of fuel-energy complex into joint-stock companies", the Decree of President of the Russian Federation No.923 dated August 15, 1992 "On the organization of the management of the electric power complex of the Russian Federation in terms of privatization", the Decree of President of the Russian Federation No.1334 dated November 5, 1992 "On implementation in the electric power industry of the Decree of President of the Russian Federation No.922 dated August 14, 1992 "On peculiarities of the reorganization of state enterprises, unions, and organizations of fuel-energy complex into joint-stock companies".

The Company is the legal successor of rights and obligations of the state-owned enterprise – Electricity and Electrification Industrial Association Lenenergo to the extent specified in the privatization plan approved by the Chairman of the City Property Management Committee of the St.-Petersburg Administration dated December 22, 1992.

The legal address of the Company: 196247 St.-Petersburg, Ploschad Konstitutsii, d.1

The state registration date: January 22, 1993, the state registration number: 2084. The registration authority: the Registration Chamber of the St.-Petersburg Administration.

The Company was created for an indefinite term.

The number of the Company's personnel for the reporting year (2010) was 5,833 people, for the previous reporting year (2009) – 5,746.

The main goal of the Company's activity is to gain profit.

In order to gain profit the Company is entitled to execute the following types of activity:

- electric power transmission;
- activities on power grids maintenance;
- technological connection of extra power for consumers;
- other activities, which are not prohibited by the legislation of the Russian Federation.

All the mentioned activities are supplied with the corresponding licenses.

At present JSC "Lenenergo" performs its activity in the two constituent regions of the Russian Federation: St.-Petersburg and the Leningrad Region.

The Company comprises the following branches:

No.	Name	Location
1	Vyborg Power networks	188800, Vyborg, Severny Val, d.5
2	Gatchina Power networks	188300, Gatchina, Ul. Karla Marksa, d.73-a
3	Cable Network	197022, St.-Petersburg, Ul. Akademika Pavlova, d.5 lit.B
4	Kingisepp Power networks	188480, Kingisepp, Pr. K. Marksa, d.64
5	Lodeynoe Pole Power networks	187700, Lodeynoe Pole, Ul. Energetikov, d.4
6	Luga Power networks	188230, Luga, Leningradskoe Shosse, d.6
7	Novaya Ladoga Power networks	187453, Novaya Ladoga, Ul. Sadovaya, d.25
8	Suburban Power networks	196601, St.-Petersburg, Pushkin, 2 Proezd, d.20/5
9	Tikhvin Power networks	187500, Tikhvin, SS-143
10	Management of Projects under Construction	196247, St.-Petersburg, Leninskiy Pr., d.160

Management bodies of the Company are as follows:

- the General Meeting of Shareholders
- the Board of Directors
- the Management Board

Sole executive body – Director General **Andrey Valentinovich Sorochinskiy**.

The acting membership of the Board of Directors of the Company was elected by the Annual General Meeting of Shareholders on 21.06.2010. The quantitative composition of the Board of Directors amounts to 13 persons.

The structure of the Company's **Board of Directors** comprises:

No.	Full Name	Position held at the principal place of work
1	Nikolay Nikolayevich Shvets	Director General of JSC "IDGC Holding"
2	Nikolay Grigoryevich Shulginov	First Deputy Chairman of the Management Board of JSC "SO UES"
3	Alexander Albertovich Popov	Deputy Director General – Head of Personnel of JSC "IDGC Holding"
4	Sergey Evgenyevich Yurchuk	Financial Director of JSC "IDGC Holding"
5	Grigory Viktorovich Dvas	Vice-governor of the Leningrad region – Chairman of the Committee on economic development and investment activity
6	Alexey Valeryevich Kurochkin	Head of Department on corporate governance and shareholders relationship of JSC "IDGC Holding"
7	Grigory Mikhailovich Kharenko	Deputy Director General on corporate governance of JSC "Lenenergo"
8	Alexey Vladimirovich Demidov	Deputy Director General on economics and finance of JSC "IDGC Holding"
9	Alexey Ivanovich Sergeev	Vice-Governor of St.-Petersburg
10	Oleg Borisovich Trishkin	Chairman of the Committee on power industry and engineering maintenance of St.-Petersburg Government
11	Mikhail Eduardovich Oseyevskiy	Vice-Governor of St.-Petersburg

12	Mikhail Viktorovich Azovtsev	Head of M&A Department of "IES" Closed Joint-Stock Company
13	Remes Seppo Yukha	Director General of LLC "Kiuru"

The acting membership of the Management Board of the Company was elected by the Board of Directors of the Company on 11.07.2008 with amendments as of 19.10.2010.

The structure of the Company's **Management Board** comprises:

No.	Full Name	Position held at the principal place of work
1	Andrey Valentinovich Sorochinskiy	Director General of JSC "Lenenergo", Chairman of the Management Board of JSC "Lenenergo"
2	Maksim Sergeevich Artemyev	Deputy Director General on Sales Services of JSC "Lenenergo"
3	Sergey Valeryevich Nikolayev	Deputy Director General on Economics and Finance of JSC "Lenenergo"
4	Artem Yuryevich Petrov	Deputy Director General on Capital Construction and Logistics of JSC "Lenenergo"
5	Vladimir Evgenyevich Farafonov	Deputy Director General – Technical Director of JSC "Lenenergo"
6	Grigory Mikhailovich Kharenko	Deputy Director General on Corporate Governance of JSC "Lenenergo"
7	Vladimir Ivanovich Khrenov	Deputy Director General on HR and Organizational Planning of JSC "Lenenergo"

The structure of the Company's **Internal Audit Commission** comprises:

No.	Full Name	Position of the candidate (at the time of nomination)
1	Izumrud Aligadzhievna Alimuradova	Head of Department of Internal Audit of JSC "IDGC Holding"
2	Lyudmila Dmitrievna Kormushkina	Head of Division on Audit Organization and Holding of Internal Audit Department of JSC "IDGC Holding"
3	Galina Ivanovna Meshalova	Head Expert of Division on Investment Activity Control of Internal Audit Department of JSC "IDGC Holding"
4	Denis Lvovich Guryanov	First Deputy Head of Department on Corporate Governance and Interaction with Shareholders of JSC "IDGC Holding"
5	Vladimir Nikolayevich Arkhipov	First Deputy Head of Internal Audit Department of JSC "IDGC Holding"

2. The procedure for drawing up of accounting statements

The accounting statements are prepared in accordance with the current legislation of the Russian Federation and the rules of drawing up of the accounting statements accepted in the Russian Federation on the basis of the summary data on separate balance sheets of the branches' accounting departments in accordance with the accounting policy of JSC "Lenenergo" approved by the Order "On the accounting policy of JSC "Lenenergo" for 2010" No.681 dated December 31, 2009.

The Company shall organize and keep accounts, and draw up the accounting statements in accordance with the Federal Law "On Accounting" No.129-FL as of November 21,1996, the Regulations on Accounting and Reporting in the Russian Federation approved by the Order of

the Ministry of Finance of the Russian Federation No.67-n dated July 22,2003, the current Regulations on accounting (RAS), the working Plan of accounts worked out on the basis of the model Plan of accounts of the financial and economic activity accounting and the Instruction on its application approved by the Order of the Ministry of Finance of the Russian Federation No.94-n dated October 31,2000.

The Company shall calculate and pay taxes centrally in accordance with the legislation of the Russian Federation on taxes and dues, the legislation of constituent regions of the Russian Federation on taxes and dues, the normative-legal acts of local authorities on taxes and dues, considering the software used for keeping accounts in JSC "Lenenergo".

2.1. Accounting policy and amendments in the reporting year

In the reporting year the following alterations were introduced into the accounting policy of the Company:

1. In the wording of paragraph 10 of item 2.2 "Fixed Assets" the phrase "with reflection of turnover in the form 2" was eliminated.
2. Paragraph 2.2 "Fixed Assets" was amended with the following paragraph:
"The costs of the restoration of the fixed assets, which have lost their technological properties, as a result of a theft or a damage of property inventory positions are considered in accounting for the fact of restoration work, confirmed by documents. The amount of peer review, determined at the time of the inventory in identifying the damage is reflected on the off-balance account 016 "Amounts of damage to recovery".
3. Paragraph 2.6 "Calculations" was amended with the following paragraph:
"Accounting for cash documents in the account 50.03 is performed in the context of lots arrival and numbers of forms".
4. Amendments to Section 3.3. "Income tax" in paragraph 3.3.3. "Formation of the original cost of objects of depreciable property", sub item "Accounting of Fixed Assets" were introduced in part of the Company's application of depreciation of fixed assets of all groups. The size and the principle of recovery of bonus depreciation were formulated.
5. Amendments to Section 3.3. "Income tax" in paragraph 2 of item 3.3.7. "Accounting of non-operating income and expense" were introduced in the amounts of interest on loan agreements, credit agreements and other similar debt liabilities. The notion of a debt liability and its comparability was formulated.

In respect to other provisions of the accounting policy for 2010, no amendments were introduced.

3. Disclosure of essential indicators of the accounting statements

3.1. Intangible assets

The procedure for relating of objects to intangible assets is performed in accordance with RAS 14/07.

Intangible assets acquired for payment, are evaluated in the sum of actual expenses spent on their acquisition without reimbursable taxes (VAT).

JSC "Lenenergo" determines the useful life for each type of depreciated intangible assets when accepting them to accounting on the assumption of the expected usage term of this object during which the system may gain economic profits, herewith the useful life of the object of intangible assets is determined by a special commission.

Intangible assets are reflected in the accounting statements at their historical cost minus the accumulated depreciation. The depreciation of intangible assets is accrued by straight-line method.

The structure of intangible assets for the beginning and for the end of the reporting period:

Assets	RUR thousand	
	As of 31.12.2010	As of 31.12.2010
E-archive	124,879	202,823
Flats put on the Company's Balance Sheet prior to 2002	546	201
Total depreciation of intangible assets	(20,221)	(57,938)

Extra volumes in the e-archives of the executive documents of grid constructions and cable lines (databases), worked out directly for grid districts of the Company's branch Cable Network and the archive of one-line electrical schemes on groups of voltage were introduced into the composition of intangible assets during the reporting year. Registration of exclusive copyright for databases is made.

Seven apartments came out of composition of intangible assets in the reporting period, ownership for which was not duly obtained by their lodgers. The total of intangible assets has four apartments with un-withdrawn encumbrance due to the no expiry of the contract.

3.2. Fixed assets

JSC "Lenenergo" refers to fixed assets of the assets aimed at execution of work or services rendering, or for management needs of JSC "Lenenergo" for the period exceeding 12 months and the cost exceeding RUR 20,000.

Depreciation of the fixed assets, put in operation prior to January 01, 2002 is accrued by a straight-line method under the norms approved by the USSR Government Decree No.1072 dated October 22, 1990.

Depreciation of the fixed assets, put in operation after January 01, 2002 is accrued by a straight-line method under the norms of the RF Government Decree No.1 "On classification of fixed assets included in depreciation groups" dated 01.01.2002:

Depreciation is not accrued of objects of housing facilities (including apartments) which are not used to gain profit, as well as technical literature, land plots and totally depreciated objects not withdrawn from the balance.

In the financial statements fixed assets are reflected at their historical cost minus sums of depreciation, accumulated during the period of operation.

The historical cost of the fixed assets acquired by agreements stipulating fulfillment of obligations (payment) by non-monetary assets, shall be acknowledged the cost of values transferred or be liable to the transfer from the part of JSC "Lenenergo".

The immovable properties relating to which capital investments have been completed, the corresponding initial accounting documents on acceptance have been issued, documents for state registration have been submitted and which are actually exploited, are receivable to accounting as fixed assets and isolated in the financial statements.

The immovable properties which are actually exploited and profitable, relating to which capital investments have been completed, the corresponding initial accounting documents on acceptance of the completed building object have been issued, but documents on state registration have not

issued, are reflected at 08.09 account "Depreciated non-current assets", and depreciation accrued is reflected at 02.03 account "Depreciation of fixed assets, included for the accounting at 08.09 account".

The assets which cost is above RUR 20,000 per unit are reflected in accounting and financial statements in composition of inventories. In order to provide the safety of these objects in operation and at use JSC "Lenenergo" ensures control over their motion on off-balance account.

Incomes and expenses of fixed assets write-off are reflected in Profit and Losses statement in composition of other profit and expenses. Incomes from thru fixed assets received without indemnity are reflected in the profit and loss statement in composition of other incomes.

The cost parameters of fixed assets in groups:

RUR thousand

As of 31.12.2010

Groups of fixed assets	Replacement cost	Outflow	Residual cost	Outflow %
Buildings	11,962,836	6,900,732	5,062,104	57.68
Constructions	84,782,647	48,985,323	35,797,324	57.78
Machinery and equipment (net of office equipment)	41,580,560	21,379,737	20,200,822	51.42
Office equipment	224,791	165,806	58,985	73.76
Vehicles	443,533	198,214	245,319	44.69
Production and auxiliary fixtures	62,438	35,725	26,714	57.22
Land plots	58,869	0	58,869	0.00
Other types of fixed assets	201,759	36,126	165,634	17.91
Total	139,317,433	77,701,663	61,615,770	55.77

In the reporting period the Company received fixed assets on the amount of 9,978,759 thousand rubles (including from putting into operation of new assets and from modernization of fixed assets of the amount of 7,057,916 thousand rubles).

In the reporting period the replacement cost of fixed assets increased from the commissioning of new or modernization of fixed assets for RUR 12,562,468 thousand (including at the expense of capital construction – RUR 6,890,837 thousand, and purchase of ready-to-use fixed assets – RUR 318,035 thousand). The write-off was RUR 208,987 thousand at the residual cost (including transfer of accommodation into the municipal property – RUR 86,788 thousand).

Upon the results of the planned inventory performed in 2010, there was revealed the following:

- the unrecorded fixed assets for RUR 94 thousand are accepted for the accounting at their market value;
- the cost of fixed assets, which are unsuitable for further operation attributed to a shortage without the perpetrators in the amount of RUR 4,605 thousand.

The value of fixed assets acquired under lease contracts amounts to RUR 6,197,675 thousand, in general under financial leasing contracts – RUR 5,086,870 thousand.

Fixed assets leased to and accounted for in off-balance account 011, amounts to RUR 1,292,410 thousand on the replacement accounting cost.

Objects of property taken in operation, and actually used in the process of state registration or in preparation for it make up amount to RUR 934,747 thousand, and in accordance with the AP of the Company are on the accounts of accounting, respectively:

- On account 01.03 in the amount of RUR 201,213 thousand, have movement during the reporting year for the sum of RUR 546,705 thousand were recorded and transferred into the structure of fixed assets, and for the sum of RUR 30,608 thousand were put on record again.
- On account 08.09 in the amount of RUR 733,533 thousand, RUR 219,907 of which were transferred into the structure of fixed assets, and for the sum of RUR 130,314 thousand were put on record.

Accrued depreciation on the property not passed state registration amounted to RUR 39,816 thousand, and was reflected in the balance sheet on line 120 "Fixed Assets".

3.3. Inventory

Inventory is accepted for the accounting at the actual cost of its purchase or production. At the disposal of inventory for production and other write-off, its valuation is performed by the "First in First Out" method.

The cost of instruments, stock and household goods is related to expenses in the full volume at their transfer in operation. In order to ensure their safety the Company shall organize their quantitative calculation.

Inventory is estimated in the sum of actual expenses for acquisition, its value for the end of the year amounts to RUR 560,751 thousand.

The reserve for the sum of decrease in the cost of the materials was not formed in 2010.

	RUR thousand	
Inventory structure	Balance as of 31.12.2009	Balance as of 31.12.2010
Raw material, materials and other analogue values	525,013	560,751
including:		
raw material and materials	298,511	159,654
overalls at storehouse and in operation	62,899	60,055
fuel	15,373	12,213
building materials	5,394	189,894
spare	117,762	109,288
other raw material and materials	25,074	29,647

During the reporting period, the value of property has not changed significantly since the arrival constituted RUR 881,956 thousand, and the charge was made in the amount comparable to the arrival and constituted RUR 846,218 thousand.

3.4. Expenses of future periods

The expenses taken by the Company in the reporting period but referring to the next reporting periods are included for the accounting and reflected as the expenses of future periods. These expenses are being gradually written off according to their intended purpose within the periods they are related to.

Expenses of future periods as of December 31, 2010 amount to RUR 547,376 thousand, and comprise the following essential expenses:

RUR thousand

Structure of expenses of future periods	Balance as of 31.12.2009	Balance as of 31.12.2010
Insurance	47,949	27,901
Program products	106,185	54,583
Licenses	826	675
Power certification	27,892	13,247
Expenses for vacation pay of future periods	3,647	3,581
Expenses for consulting services	41,990	49,272
Sum of works and building department expenses not distributed on the objects of building in accordance with the accounting policy	189,121	-
Expenses for technological connection	438,114	353,478
Other expenses	26,922	44,639

3.5. Accounting of financial investments

The accounting of financial investments is executed in accordance with RAS 19/02 approved by the Order No.126-n of the Ministry of Finance dated December 10, 2002.

Financial investments are accepted for the accounting in the sum of actual expenses per each unit of investments.

Financial investments put on the balance sheet of the Company as of 31.12.2010, are long-term (investments into subsidiaries, dependent and other companies), relating to which the decision on their sale is not approved by the Company's Management, amount to RUR 946,266 thousand.

Name	Type of share	Share in the authorized capital	31.12.2009	Year of investment	31.12.2010
JSC "Velma"	Preferred shares - 8 pcs	7.69% (according to the data of 2002)	8	1992	8
JSC "Lenenergospetsremont"	Ordinary shares - 1,000 pcs	100%	7,337,778	1999	7,337,778
AOZT "Akvatron"	Ordinary shares - 5 pcs	3.33%	100	1991	100
JSC "Nevskiy Sindikat"	Ordinary shares - 40,000 pcs	4%	48,000	1994	48,000
JSC "Ruskobank"	Ordinary shares	5.25%	105,000	1993	105,000
JSC "NW Power Management Company"	Ordinary shares - 74,180,864 psc Preferred shares - 38,063,689 pcs	12.51%	49,317,987	2005	49,317,987
JSC "Energouchet"	Ordinary shares - 4,000 pcs	40%	4,000	1993	4,000
JSC "Petersburg Sales Company"	Ordinary shares - 74,180,864 pcs Preferred shares	12.51%	335,993,557	2005	

Name	Type of share	Share in the authorized capital	31.12.2009	Year of investment	31.12.2010
	- 38,063,689 pcs				
JSC "Federal Grid Company"	Ordinary shares - 583,195,165 pcs	0.0047%	186,039,257	2008	
JSC "Kurortenergo"	Ordinary shares - 1,599 pcs Preferred shares - 77 pcs	98.13%		2010	517,140,000
JSC "Tsarskoselskaya Energy Company"	Ordinary shares - 7,229 pcs Preferred shares - 1,272 pcs	96.97%		2010	372,312,640
Total			578,845,687		946,265,513

Investments into the shares accounted in the composition of long-term financial investments are reflected in financial statements at their historical cost, as their securities are not trading on the stock market.

On 31.12.2010 the remnants of short-term financial investments in the Company's balance sheet are absent. Movement of bills for the reporting year amounted to RUR 142,084 thousand, RUR 42,084 thousand of which was acquired by the purchase agreement. Income was accrued for RUR 21 thousand (discount on promissory notes).

In 2010, the Company sold the shares of JSC "Petersburg Sale Company" and JSC "Federal Grid Company" in the amount of RUR 522,033 thousand. The transactions were fully paid.

During the reporting year under the sales contracts with JSC "Lenenergospetsremont" there were purchased shares of JSC "Kurortenergo" and JSC "Tsarskoselskaya Energy Company". Payment of transactions of purchase of shares was made by the mutual agreement on the set-off of counter similar claims for the amount of the loan No.08-2987 dated 12.08.2008, previously granted to a subsidiary of JSC "Lenenergospetsremont" for the purchase of shares of JSC "Tsarskoselskaya Energy Company" and JSC "Kurortenergo".

3.6. Accounts receivable of consumers and customers

The accounts receivable are characterized by the following:

	As of 31.12.2009	As of 31.12.2010	RUR thousand Increase (+), Decrease (-)
Total accounts receivable:			
Line code 230	1,269,506	1,097,584	-638,078
Line code 240	10,793,558	8,512,38	-2,281,520
TOTAL	12,063,064	9,609,622	-2,453,442
Including:			
Buyers and customers			
Line code 231	-	-	-
Line code 241	1,678,445	1,840,886	+162,441
TOTAL	1,678,445	1,840,886	+162,441
Prepaid expenses			

Line code 234	1,189,890	1,018,130	-171,760
Line code 245	3,836,857	2,263,549	- 1,573,308
TOTAL	5,026,747	3,281,679	-1,745,068
Other debtors			
Line code 235	79,615	79,453	- 162
Line code 246	4,319,330	4,407,603	+ 88,273
TOTAL	3,866,270	4,487,056	+ 88,111

A stable total decrease of the accounts receivable, both long-term and short-term, can be seen in 2010 as compared to the previous year, with slight item fluctuations.

Most of the line code 230 (accounts receivable more than 12 months) is related to the advances given out under financial lease agreements, which amount to RUR 1,018,130 thousand.

In the structure of the line code 240 (accounts receivable less than 12 months) there was a significant reduction in debt on the line "advances given out" by the type of construction companies by RUR 1,535,064, which amounted to RUR 2,028,852 thousand, and on the line "other debtors" on short-term advances given out on finance lease contracts, which at the balance sheet date amounted to RUR 1,015,116 thousand.

Upon the results of inventory of accounts receivable carried out on 01.01.2011, the Company has not revealed any doubtful accounts receivable of buyers and customers and/or other doubtful debts. Reserve on doubtful debts was not created by the Company. Impossible to recovery and late debts are absent as of the reporting date.

3.7. Equity and reserves

3.7.1. Authorized capital (line code 410 of the balance sheet)

During the reporting year there were no changes in the authorized capital of JSC "Lenenergo". As of December 31, 2009 the authorized capital was paid completely.

Authorized capital of the Company	Amount
Registered undocumented ordinary shares, pcs	926,024,679.04
Registered undocumented A-type preferred shares, pcs	93,264,311.00
Total, pcs	1,019,285,990.04

The holder of the Company's shareholders register is JSC "R.O.S.T. Registrar".

Total number of shareholders: 6,572

Including:

Legal entities: 38

Individuals: 6,476

Nominal holders: 13

As of December 31, 2010 JSC "IDGC Holding" owns 50.3% of ordinary shares (45.7% of the Company's authorized capital), the Government of St.-Petersburg owns 25.16% of ordinary shares (22.85% of the Company's authorized capital).

According to the list of the Company's shareholders, key shareholders are the following:

Structure of shareholders – legal entities, owning more than 0.5% of the Company's shares (% of ordinary shares)	Shareholder's share in the authorized capital of the Company
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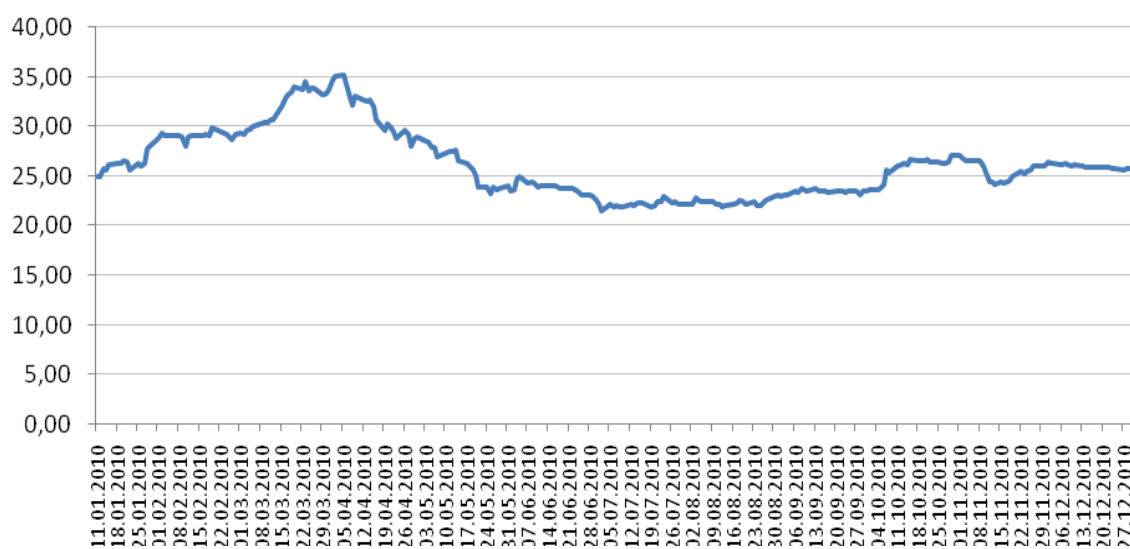
JSC "IDGC Holding"	50.31%
Constituent region of the RF – city of St.-Petersburg (CPMC)	25.16%
I.D.E. ELECTRICITY DISTRIBUTION INVESTMENTS 1 LIMITED – JSC "IES Holding"	8.76%
HQ BANKAKTIEBOLAG	4.59%
RUSENERGO FUND LIMITED	2.75%
JP Morgan	2.47%
THE NORTHERN TRUST COMPANY	0.96%
Other	5.01%
TOTAL	100.00%

Information on the quotation of ordinary and preferred shares of JSC "Lenenergo" for 2010

The annual minimum and maximum rates for the Company's shares on the MICEX at the weighted-average price:

Security	MAX/date	MIN/date
Ordinary shares	RUR 35.21 05.04.2010	RUR 21.53 02.07.2010
Preferred shares	RUR 36.27 29.11.2010	RUR 22.20 11.01.2010

Dynamics of ordinary shares of JSC "Lenenergo" on the MICEX in 2010
Weighted-average price, RUR



Dynamics of preferred shares of JSC "Lenenergo" on the MICEX in 2010
Weighted-average price, RUR



3.7.2 Additional equity (line code 420 of the balance sheet)

The additional capital of the Company as of December 31, 2010 amounted to RUR 40,468,968 thousand. The value change in the reporting period was RUR 428,372 thousand and was caused by the write-off of reevaluation on the retained profit of past years at the write-off of objects of fixed assets for RUR 82,825 thousand, repayment at the sale of the source of production (WB) of shares for RUR 335,176 thousand, as well as RUR 10,371 thousand – write-off of the previously generated funds in connection with their non-use or disposal of assets received free of charge until 2002.

3.7.3 Reserve equity (line code 430 of the balance sheet)

The Articles of Association of the Company (item 8.1) stipulates the creation of a reserve fund in the amount of 15% from the authorized capital of the Company.

In the reporting year the reserve fund was not changed and constituted RUR 152,893 thousand.

3.7.4 Retained profit (uncovered loss) (line code 470 of the balance sheet)

Retained profit on the beginning of the reporting period (January 01, 2010) amounted to RUR 6,274,514 thousand, which comprised:

- Retained profit in use – RUR 1,659,687 thousand;
- Accumulation fund – RUR 2,730,364 thousand;
- Profit of past years – RUR 3,258,036 thousand;
- Re-calculation of tax assets and tax liabilities on income tax due to reduction of the tax rate – RUR 112,668 thousand;
- Balance of re-calculations of the past years – RUR (1,486,241) thousand.

In compliance with the decision of the Annual General Meeting of Shareholders of JSC "Lenenergo" (Minutes No.1 dated June 22, 2010) net profit of the Company for 2009 in the amount of RUR 3,258,036 thousand is distributed to:

RUR thousand

Fund of production development	2,932,232
Dividends on preferred shares	325,804

In 2010, the following equity movements took place:

- reduction for the amount of RUR 64,414 thousand due to the transfer of objects of the housing facilities to the municipal property;
- redemption at the sale of shares of the source on accounting for RUR 335,176 thousand;
- write-off of the previously generated funds in connection with their non-use or disposal of assets received free of charge until 2002 – RUR 10,371 thousand.
- increase for the amount of 82,825 thousand rubles due to the transfer from the additional capital of the sums of post-estimations of fixed assets retired in the reporting period.

In the reporting period the Company gained net profit in the amount of RUR 3,805,591 thousand.

Thus, retained profit as of December 31, 2010 amounted to RUR 10,118,260 thousand which comprises the following efficient indicators:

- Retained profit in use – RUR 1,946,179 thousand;
- Re-calculation of tax assets and tax liabilities on income tax due to reduction of the tax rate – 112,668 thousand rubles;
- Accumulation fund – 5,662,597 thousand rubles;
- Balance of re-calculations of the past years - (1,408,775) thousand rubles;
- Net profit for 2009 – 3,805,591 thousand rubles.

3.7.5. Earnings per share

Basic earnings per share reflect part of earnings of the accounting period which may be implicitly distributed between shareholders – holders of ordinary shares. It is calculated as ratio of basic earnings for the accounting period to average quantity of ordinary shares circulating during the accounting period. Basic earnings are equal to net earnings of the accounting period (line code 190 of the profit and loss statement) minus dividends on cumulative preferred shares.

Indicator	2009	2010
Basic earnings (losses) for the accounting period, thousand rubles	3,258,036	3,805,591
Average quantity of ordinary shares circulating during the accounting period	926,021,679	926,021,679
Basic earnings (losses) per share, RUR	3.518	4.109

3.8. Credits and loans

Indebtedness under credits and loans is considered and reflected in accounting statements considering interests due to payment for the end of the reporting period.

Calculated interests are reflected in isolation.

Accounting of transactions connected to the issue of bonds is executed in compliance with the requirements of RAS 15/01 "Accounting of credits and loans".

Charge of interests due to payment to creditors, is executed on the quarterly basis.

Interests on credits and loans directly related to acquisition and (or) building of investment asset, is included into the value of this asset and repaid by means of depreciation accrued except of the cases when RAS do not stipulate calculation of depreciation of assets.

3.8.1. Short-term liabilities

In the composition of short-term liabilities there is reflected accrued interest on long-term credit extended by Barclays Bank PLC, accrued coupon income on 02 and 03 series bonded loans, accrued interest on long-term credits extended by JSC "VTB Bank of North-West" branch "Meridian", JSC "SB "Rossiya", North-Western Bank of Sberbank of Russia, and transferred from long-term liabilities within a year to short-term liabilities towards JSC "AKB "Svyaz-Bank" under the contract No.005/2009 dated 26.10.2009:

RUR thousand		
Name	Current indebtedness as of 31.12.2009	Current indebtedness as of 31.12.2010
Barclays Bank PLC	84,808	-
NP "National Depository Centre", coupon income on 02 series bonded loan	108,088	108,790
NP "National Depository Centre", coupon income on 03 series bonded loan	47,461	48,120
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 96/09 as of 26.10.2009	4,159	-
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 107/09 as of 02.12.2009	1,915	-
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 62/10 as of 31.05.2010	-	773
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 63/10 as of 31.05.2010	-	2,566
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 80/10 as of 28.07.2010	-	1,234
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 81/10 as of 28.07.2010	-	410
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 99/10 as of 30.08.2010	-	2,006
JSC "SB "Rossiya", agreement No. 2-1/073/2010 as of 31.05.2010	-	1,712
North-Western Bank of Sberbank of Russia, agreement No. 0162-1-105110 as of 13.08.2010	-	2,263
North-Western Bank of Sberbank of Russia, agreement No. 0162-1-105910 as of 08.09.2010	-	2,327
North-Western Bank of Sberbank of Russia, agreement No. 0162-1-108010 as of 29.09.2010	-	52
North-Western Bank of Sberbank of Russia, agreement No. 0162-1-111710 as of 10.11.2010	-	1,538
JSC "AKB "Svyaz-Bank", agreement No. 005/2009 as of 26.10.2009	-	1,000,000
TOTAL	246,430	1,171,791

During 2010 the sixth and the seventh coupon yields on a 02 series bonded loan in the amount of 256,182 thousand rubles and paid in the amount of 255,480 thousand rubles. The sixth and the seventh coupon yields on a 03 series bonded loan were accrued in the amount of 240,599 thousand rubles and paid in the amount of 239,940 thousand rubles.

In 2010 the Company was provided with two short-term credit lines:

1. From 06 to 24 May, 2010 the Company received the credit under the contract No. 0000-09-00161 with JSC "Bank of St.-Petersburg" for the amount of 500,000 thousand rubles.

Time of credit repayment: not later 16.07.2010.

Interest rate for the use of credit resources according to the additional agreement No.2 dated 17.02.2010 from 28.04.2010: 8.8% annually.

For 2010 there were accrued and paid interests for the use of credit resources in the amount of RUR 7,739 thousand.

On 16.07.2010 the Company repaid the credit.

Presence of delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest, term of delay, days: absent.

2. On 09 March, 2010 the Company signed credit contract No.00A82L with JSC "Alfa Bank" for the opening of renewable credit line with debt limit for the amount of 1,225,000 thousand rubles.

Time of credit repayment: not later 09.03.2011.

Interest rate for the use of credit resources: 8.81% annually.

For 2010 there were accrued and paid interests for the use of credit resources in the amount of 23,871 thousand rubles.

In September, 2010 the Company repaid the credit.

Presence of delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest, term of delay, days: absent.

Expenses on loans and credits included into the value of investments, in compliance with RAS 15/01 amounted in the accounting year RUR 255,492 thousand:

- Under 02 series bonded loan = 435 thousand rubles,
- Under 03 series bonded loan = 58,934 thousand rubles,
- Under credit agreement = 48,550 thousand rubles,
- Under credit agreement No.96/09 = 45,885 thousand rubles,
- Under credit agreement No.107/09 = 62,258 thousand rubles,
- Under credit agreement No.80/10 = 7,196 thousand rubles,
- Under credit agreement No.81/10 = 706 thousand rubles,
- Under credit agreement No.2-1/073/2010 = 21,848 thousand rubles,
- Under credit agreement No.005/2010 = 67 thousand rubles,
- Under credit agreement No.0162-1-105110 = 6,562 thousand rubles,
- Under credit agreement No.0162-1-108010= 51 thousand rubles.

3.8.2. Long-term liabilities

RUR thousand

Name of the Bank	Sum of credit according to the agreement	Date of receiving the credit	Current indebtedness as of 31.12.2009	Current indebtedness as of 31.12.2010
Long-term loans				

02 series bonded loan	3,000,000	02.02.07	3,000,000	3,000,000
03 series bonded loan	3,000,000	25.04.07	3,000,000	3,000,000
TOTAL:			6,000,000	6,000,000
Long-term bank credits				
Syndicated credit	200,000,000 \$	18.12.07	4,900,000	repaid
JSC "AKB "Svyaz-Bank", agreement No.005/2009 as of 26.10.2009	1,000,000	27.10.09-24.11.09	1,000,000	Transferred to short-term liabilities
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 96/09 as of 26.10.2009	1,000,000	28.10.09-24.11.09	1,000,000	Repaid
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 107/09 as of 02.12.2009	1,000,000	10.12.09-29.12.09	1,000,000	repaid
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 63/10 as of 31.05.2010	1,225,000	29.06.10 -28.07.10	-	1,225,000
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 80/10 as of 28.07.2010	500,000	04.10.10 -26.11.10	-	500,000
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 81/10 as of 28.07.2010	171,500	26.11.10 -22.12.10	-	171,500
JSC "VTB Bank of North-West" branch "Meridian", agreement No. 99/10 as of 30.08.2010	850,000	30.08.10 -15.09.10	-	850,000
JSC "AKB "Svyaz-Bank", agreement No.005/2010 as of 30.07.2010	44,000	24.12.10	-	44,000
JSC "AKB "Svyaz-Bank", agreement No.006/2010 as of 30.07.2010	1,100,000	25.10.10-23.11.10	-	1,100,000
North-Western Bank of Sberbank of Russia, agreement No. 0162-1-105110 as of 13.08.2010	1,000,000	30.08.10-10.12.10	-	1,000,000
North-Western Bank of Sberbank of Russia, agreement No. 0162-1-105910 as of 08.09.2010	1,000,000	20.09.10-25.11.10	-	1,000,000
North-Western Bank of Sberbank of Russia, agreement No. 0162-1-108010 as of 29.09.2010	171,100	24-30.12.10	-	171,100
North-Western Bank of Sberbank of Russia, agreement No. 0162-1-111710 as of 10.11.2010	700,000	29.11.10	-	700,000
JSC "JSB "Rossiya", agreement	800,000	15.06.10-	-	800,000

In the composition of long-term debt liabilities in 2010 there were accounted the following liabilities:

1. Bonded loan (documentary interest-bearing non-convertible 02 series bonds with obligatory centralized custody, issue of November 14, 2006) for the amount of 3,000,000 thousand rubles. Quantity of bonds issued under this loan was 3,000,000 pcs of the par value 1 thousand rubles per each. Start date of placement of 02 series bonds: February 02, 2007. Redemption date of bonds at their par value: January 27, 2012. Volume of issue at par value was 3,000,000 thousand rubles. Yield of each bond is determined as 8.54% annually on each of 10 coupons. Coupon

yield of one bond is 42.58 rubles; periodicity of payment is 182 days. In 2010 the Company accrued the 6th and the 7th coupon yields. Coupon yield payment on the 6th coupon was made on January 29, 2010 in the amount of 127,740 thousand rubles. Coupon yield payment on the 7th coupon was made on July 30, 2010 in the amount of 127,740 thousand rubles.

2. Bonded loan (documentary interest-bearing non-convertible 03 series bonds with obligatory centralized custody, issue of March 27, 2007) for the amount of 3,000,000 thousand rubles. Quantity of bonds issued under this loan was 3,000,000 pcs of the par value 1 thousand rubles per each. Start date of placement of 03 series bonds: April 25, 2007. Redemption date of bonds at their par value: April 18, 2012. Volume of issue at par value was 3,000,000 thousand rubles. Yield of each bond is determined as 8.02% annually on each of 10 coupons. Coupon yield of one bond is 39.99 rubles; periodicity of payment is 182 days. In 2010, the Company accrued the 6th and the 7th coupon yields. Coupon yield payment on the 6th coupon was made on April 21, 2010 in the amount of 119,970 thousand rubles. Coupon yield payment on the 7th coupon was made on October 20, 2010 in the amount of 119,970 thousand rubles.

3. Syndicated credit, reflected in the accounting statements (as of 31.12.2009) in the amount of 4,900,000 thousand rubles.

On November 19, 2007 the Board of Directors of the Company approved the deal on organization of syndicated credit on international capital market for the needs of JSC "Lenenergo". On December 12, 2007 the Company raised credit resources from "Barclays Bank Plc." In the form of syndicated credit on the following terms:

The amount of syndicated credit is USD 200,000,000.00 (Two hundred millions) granted for the period of three years in the form of Credit line.

Interests under the credit: 3m LIBOR (in USD plus margin in the amount of 1.25 % annually and additional payment in earnest credit organization fee).

Hedging was executed by means of signing a contract "Currency swap" between "Barclays Bank Plc" and JSC "Lenenergo". In the result of this deal the Company received ruble equivalent of currency credit in the amount of 4,900,000 thousand rubles, and interest rate was fixed in the amount of 8.42% annually.

In 2010, the long-term debt on the Barclays Bank PLC credit has been transferred into short-term liabilities and fully paid:

- 15.03.10 Redemption Amount = 1,225,000 thousand rubles.
- 15.06.10 Redemption Amount = 1,225,000 thousand rubles.
- 14.09.10 Redemption Amount = 1,225,000 thousand rubles.
- 13.12.10 Redemption Amount = 1,225,000 thousand rubles.

During 2010, there was accrued interest on the credit in the amount of 240,958 thousand rubles and paid to the bank in the amount of 325,766 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest, term of delay, days: absent.

4. Agreement of non-renewable credit line with JSC "AKB "Svyaz-Bank" No.005/2009 dated October 26, 2009, reflected in the accounting statements in the amount of 1,000,000 thousand rubles.

On October 08, 2009 the Board of Directors approved the decision on raising borrowings in the 4th quarter of 2009 in the form of non-renewable credit line of JSC "AKB "Svyaz-Bank".

The credit line is provided for the period of 24 months, the borrower is entitled to receive credit resources by separate tranches.

The close date of the credit line: October 25, 2011.

Interest rate for the use of the credit resources: 14% annually.

The additional agreement No.1 dated 27.01.2010 decreased the interest rate to 12.5 percent per annum, applied from 21.01.2010.

The additional agreement No.2 dated 31.03.2010 decreased the interest rate to 9.5 percent per annum, applied from 01.04.2010.

The additional agreement No.3 dated 30.07.2010 decreased the interest rate to 8.9 percent per annum, applied from 30.07.2010.

The additional agreement No.4 dated 18.10.2010 decreased the interest rate to 7.5 percent per annum, applied from 18.10.2010.

In the 4th quarter 2010 long-term debt on the credit was transferred into the short-term liabilities in the amount of 1,000,000 rubles.

In 2010, there was accrued and paid interest for the use of credit resources in the amount of 97,795 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest, term of delay, days: absent.

5. Agreement of non-renewable credit line with JSC "VTB Bank of North-West", branch "Meridian" No.96/09 dated October 26, 2009, reflected in the accounting statements in the amount of 1,000,000 thousand rubles.

The credit line is provided for the period of 24 months, the borrower is entitled to receive credit resources by separate tranches.

The close date of the credit line: October 25, 2011.

Interest rate for the use of the credit resources: no more than 13.8% annually.

The additional agreement No.1 dated 17.12.2009 decreased the interest rate to 12.8 percent per annum, applied from 01.01.2010.

The additional agreement No.2 dated 31.03.2010 decreased the interest rate:

- to 10.5 percent per annum for the period from 01.04.2010 to 30.06.2010,
- to 9.5 percent per annum for the period from 01.07.2010.

For 2010 there was accrued interest for the use of credit resources in the amount of 72,060 thousand rubles and paid in the amount of 76,219 thousand rubles.

The indebtedness of the Company under this agreement was finally repaid in August 2010.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and fixed interest is absent.

6. Agreement of non-renewable credit line with JSC "VTB Bank of North-West", "Meridian" branch No.107/09 dated December 02, 2009, reflected in the accounting statements in the amount of 1,000,000 thousand rubles.

The credit line is provided for the period of 24 months, the borrower is entitled to receive credit resources by separate tranches.

The close date of the credit line: December 01, 2011.

The interest rate for the use of the credit resources: 13.8% annually.

On 17.12.2009 there was signed an additional agreement No.1 for the agreement No.107/09 dated 02.12.2009, which changed the interest rate for credit resources, namely, on loans granted by the credit line from 17.12.2009 to 31.12.2009 the interest rate was set at 12.5 percent per annum.

The additional agreement No.4 dated 01.10.2010 decreased the interest rate:

- to 10.5 percent per annum for the period from 01.04.2010 to 30.06.2010,
- to 9.5 percent per annum for the period from 01.07.2010 to 18.08.2010,
- to 8.25 percent per annum for the period from 19.08.2010 to 30.09.2010,

- to 7.9 percent per annum for the period from 01.10.2010.

For 2010 there was accrued interest for the use of credit resources in the amount of 85,115 thousand rubles and paid in the amount of 87,030 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and fixed interest is absent.

7. Agreement of non-renewable credit line with JSC "VTB Bank of North-West", "Meridian" branch No.62/10 dated 30.05.2010.

The line of credit with a limit of indebtedness in the sum of one million rubles, granted for the period of 24 months, the borrower is entitled to receive credit resources by separate parts (tranches).

The close date of the credit line: no later than 30.05.2012.

The interest rate for the use of the credit resources is set up at the rate of 6.97% annually.

In June 2010, the Company was granted a loan of 1 million rubles. For the period from September 2010 to December 2010 the Company repaid to the Bank the loan of 1 million rubles.

For 2010 there was accrued interest for the use of credit resources in the amount of 29,501 thousand rubles and paid in the amount of 28,728 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest is absent.

8. Agreement of non-renewable credit line with JSC "VTB Bank of North-West", "Meridian" branch No.63/10 dated 31.05.2010, reflected in the accounting statements in the amount of 1,225,000 thousand rubles.

The line of credit with a limit of indebtedness in the sum of 1,225,000 thousand rubles, granted for the period of 24 months, the borrower is entitled to receive credit resources by separate parts (tranches).

The close date of the credit line: no later than 30.05.2012.

The interest rate for the use of the credit resources is set up at the rate of 6.97% annually.

For 2010 there was accrued interest for the use of credit resources in the amount of 39,080 thousand rubles and paid in the amount of 36,514 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest is absent.

9. Agreement of non-renewable credit line with JSC "VTB Bank of North-West", "Meridian" branch No.80/10 dated 28.07.2010, reflected in the accounting statements in the amount of 500,000 thousand rubles.

The line of credit with a limit of indebtedness in the sum of 500,000 thousand rubles, granted for the period of 60 months, the borrower is entitled to receive credit resources by separate parts (tranches).

The close date of the credit line: no later than 28.07.2012.

The interest rate for the use of the credit resources is set up at the rate of 8.19% annually.

For 2010 there was accrued interest for the use of credit resources in the amount of 7,473 thousand rubles and paid to the bank in the amount of 6,239 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest is absent.

10. Agreement of non-renewable credit line with JSC "VTB Bank of North-West", "Meridian" branch No.81/10 dated 28.07.2010, reflected in the accounting statements in the amount of 171,500 thousand rubles.

The line of credit with a limit of indebtedness in the sum of 1,100,000 thousand rubles, granted for the period of 48 months, the borrower is entitled to receive credit resources by separate parts (tranches).

The close date of the credit line: no later than 28.07.2014.

The interest rate for the use of the credit resources is set up at the rate of 7.95% annually.

For 2010 there was accrued interest for the use of credit resources in the amount of 831 thousand rubles and paid to the bank in the amount of 421 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest is absent.

11. Agreement of non-renewable credit line with JSC "VTB Bank of North-West", "Meridian" branch No.99/10 dated 30.08.2010, reflected in the accounting statements in the amount of 850,000 thousand rubles.

The line of credit with a limit of indebtedness in the sum of 850,000 thousand rubles, granted for the period of 48 months, the borrower is entitled to receive credit resources by separate parts (tranches).

The close date of the credit line: no later than 29.08.2014.

The interest rate for the use of the credit resources is set up at the rate of 7.83% annually.

For 2010 there was accrued interest for the use of credit resources in the amount of 21,680 thousand rubles and paid to the bank in the amount of 19,674 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest is absent.

12. Agreement of non-renewable credit line with JSC "JSB "Rossiya" No.2-1/073/2010 dated 31.05.2010, reflected in the accounting statements in the amount of 800,000 thousand rubles.

The line of credit with a limit of indebtedness in the sum of 800,000 thousand rubles, granted for the period of 24 months, the borrower is entitled to receive credit resources by separate parts (tranches).

The close date of the credit line: no later than 31.05.2012.

The interest rate for the use of the credit resources is set up at the rate of 7.1% annually.

For 2010 there was accrued interest for the use of credit resources in the amount of 22,657 thousand rubles and paid to the bank in the amount of 20,945 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest is absent.

13. Agreement of non-renewable credit line with JSC "AKB "Svyaz-Bank" No.005/2010 dated 30.07.2010, reflected in the accounting statements in the amount of 44,000 thousand rubles.

The line of credit with a limit of indebtedness in the sum of 400,000 thousand rubles, granted for the period of 60 months, the borrower is entitled to receive credit resources by separate parts (tranches).

The close date of the credit line: no later than 29.07.2015.

The interest rate for the use of the credit resources is set up at the rate of 8.06% annually.

For 2010 there was accrued and paid to the bank interest for the use of credit resources in the amount of 68 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest is absent.

14. Agreement of non-renewable credit line with JSC "AKB "Svyaz-Bank" No.006/2010 dated 30.07.2010, reflected in the accounting statements in the amount of 1,100,000 thousand rubles.

The line of credit with a limit of indebtedness in the sum of 1,100,000 thousand rubles, granted for the period of 48 months, the borrower is entitled to receive credit resources by separate parts (tranches).

The close date of the credit line: no later than 29.07.2014.

The interest rate for the use of the credit resources is set up at the rate of 8.0% annually.

For 2010 there was accrued and paid to the bank interest for the use of credit resources in the amount of 13,556 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest is absent.

15. Agreement of non-renewable credit line with the North-Western Bank of Sberbank of Russia No.0162-1-105110 dated 13.08.2010, reflected in the accounting statements in the amount of 1,000,000 thousand rubles.

The line of credit with a limit of indebtedness in the sum of 1,000,000 thousand rubles, granted for the period of 36 months, the borrower is entitled to receive credit resources by separate parts (tranches).

The close date of the credit line: no later than 13.08.2013.

The interest rate for the use of the credit resources is set up at the rate of 7.51% annually.

For 2010 there was accrued interest for the use of credit resources in the amount of 11,384 thousand rubles and paid to the bank in the amount of 9,121 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest is absent.

16. Agreement of non-renewable credit line with the North-Western Bank of Sberbank of Russia No.0162-1-105910 dated 08.09.2010, reflected in the accounting statements in the amount of 1,000,000 thousand rubles.

The line of credit with a limit of indebtedness in the sum of 1,000,000 thousand rubles, granted for the period of 36 months, the borrower is entitled to receive credit resources by separate parts (tranches).

The close date of the credit line: no later than 06.09.2013.

The interest rate for the use of the credit resources is set up at the rate of 7.72% annually.

For 2010 there was accrued interest for the use of credit resources in the amount of 19,289 thousand rubles and paid to the bank in the amount of 16,963 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest is absent.

17. Agreement of non-renewable credit line with the North-Western Bank of Sberbank of Russia No.0162-1-108010 dated 29.09.2010, reflected in the accounting statements in the amount of 171,100 thousand rubles.

The line of credit with a limit of indebtedness in the sum of 500,000 thousand rubles, granted for the period of 60 months, the borrower is entitled to receive credit resources by separate parts (tranches).

The close date of the credit line: no later than 29.09.2015.

The interest rate for the use of the credit resources is set up at the rate of 7.91% annually.

For 2010 there was accrued interest for the use of credit resources in the amount of 52 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest is absent.

18. Agreement of non-renewable credit line with the North-Western Bank of Sberbank of Russia No.0162-1-111710 dated 10.11.2010, reflected in the accounting statements in the amount of 700,000 thousand rubles.

The line of credit with a limit of indebtedness in the sum of 1,225,000 thousand rubles, granted for the period of 48 months, the borrower is entitled to receive credit resources by separate parts (tranches).

The close date of the credit line: no later than 10.11.2014.

The interest rate for the use of the credit resources is set up at the rate of 7.29% annually.

For 2010 the interest for the use of credit resources was accrued in the amount of 4,474 thousand rubles and paid to the bank in the amount of 2,936 thousand rubles.

The presence of the delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest is absent.

In 2011 8,025,000 thousand rubles of long-term liabilities shall have repayment period less than one year, data on liabilities and repayment date are provided below in the table:

Thousand Rubles

No.	Creditor	No. of Agreement	Sum under the agreement	Sum of repayment	Date of repayment
1	Bonded loan of 02 series	4-02-00073-A dated 14.11.2006	3,000,000	3,000,000	27.01.2012
2	Bonded loan of 03 series	4-03-00073-A dated 27.03.2007	3,000,000	3,000,000	18.04.2012
3	JSC "VTB Bank of North-West"	63/1 dated 31.05.2010	1,225,000	1,225,000	30.05.2012
4	JSC "JSB "Rossiya"	2-1/073/2010 dated 31.05.201	800,000	800,000	31.05.2012

The presence of delay in fulfillment of liabilities in part of repayment of the main debt sum and/or fixed interest, term of delay, days is absent.

Extra expenses of the Company in servicing of the long-term loans in 2010 were rendering services of JSC "NCD" on coupon yield payments under 02 and 03 series bonded loans in the amount of 117 thousand rubles.

The off-balance account 008 "Securities for liabilities and payments received" as of December 31, 2010 reflects the following loans' securities:

- Under 02 series bonded loan in the form of guarantee of LLC "Sevzapleasing" in the amount of 3,108,790 thousand rubles,
- Under 03 series bonded loan in the form of guarantee of LLC "Centre for property evaluation" in the amount of 3,048,120 thousand rubles.

3.9. Construction in progress

As of the beginning of 2010, the cost of construction in progress amounted to 12,483,108 thousand rubles, of which 161,729 thousand rubles was the equipment for installation.

During the reporting year, the Company disbursed the following amounts for capital construction, reconstruction and technical re-equipment amounting to 15,813,440 thousand rubles, including:

- The acquisition of long-term investments – 889,453 thousand rubles;

To purchase the equipment for installation – 1,917,760 million rubles, referred to the assembly – in the amount of 1,396,066 thousand rubles.

Permission for use of construction in progress amounting to 13,749,773 thousand rubles;

- Fixed assets - 12,782,376 thousand rubles;
- Intangible assets – 77,944 thousand rubles;
- Long-term investments – 889,453 thousand rubles.

Due to the lack of prospects for 2010 there were written off the costs of construction in progress amounting to 58, 661 thousand rubles (182 thousand rubles - to the equipment for installation) and reclassified to operating expenses in the amount of 3,720 thousand rubles.

The balance of costs on construction in progress as of 31.12.2010 amounted to 14,484,394 thousand rubles, of which 679,522 thousand rubles - equipment to be installed.

In connection with the renovation and new construction in 2010 there were increased the following capacities:

- At SS 35/10 kV № 621 (Suburban PN) the replacement of two transformers of 6.3 MVA for two power transformers TDNS of 16 MVA;
- At SS 110 kV № 539 (Gatchina PN) the replacement of T-1 of 6.3 MVA for the transformer of 25 MVA.
- At 3 substations 110 kV No.90, No.92, and No.525 mobile set substations 110kV with a capacity of 25 MVA were installed.

In 2010, there was commissioned a new substation 110/10 kV "Cement" capacity 126 MVA in Slants, which allowed to implement the ability to connect electrical loads of the plant "Cement" and increase the reliability of existing supply of electric power consumers, as well as allow for the accession of new electricity consumers of the Slants district and the city of Slants.

Laid cable lines:

- The second CL of 110 kV to SS "Kudrovo" of 0.79 km;
- CL-110 kV from the thermal power plant TEC-2 to SS-16 of 3.2 km.

In 2010, the following substations were reconstructed without increasing their capacity:

- SS №89 of 110 kV with the cutting of the existing 110 kV OL;
- SS № 95 (the reconstruction of the 2nd and 3rd sections of 10 kV switchgear);
- SS № 330 (reconstruction of ORU-35 kV with the change of V-35 kV T-1);
- SS 110/10/10 kV №190 (40 MVA transformer changed);
- SS № 18 "Keikino" and SS № 376 "Moloskovitsy" (the replacement of oil circuit breakers to vacuum ones);
- SS №14 SG 110 kV (the equipment of remote control, relay protection, communications, and AMR);
- SS-370 "Svetlana" (TT installed, RPA performed and SB-110 kV commissioned at SS-370 for 110 kV circuit transit LMrn-2+ K-140+K-141 between SS-29 Sosnovaya and Severnaya TPS-21);
- SS110 kV № 201 "Podporozhskaya", SS 110/35/10 kV №143 "Tikhvin-gorod", SS 35/10 kV №40 "TsRP" of Kirishi, which has greatly improved the power consumers of the Leningrad Region.

Moreover, there were implemented the works on reconstruction of the existing OTL of 110 kV:

- OL-110 kV HPS-10-HPS-11 (Severnaya-10) of 4.6 km;
- Removal of oversize at OL-110 kV Yaninskaya-9 tap Yaninskaya-10 (pylons №№ 39/4, 38/5);

- The inclusion of transit implemented - 110 kV SS Severnaya – SS 90 (l. Lht-3, Lht-8).

To update the old production facilities there were reconstructed the existing power lines of 0.4-10 kV and transformer substations of 6-10/0.4 kV. Put into operation:

VLZ 10 kV p. 620-26 to TP-8581, p. 606-09 to TP-8615, 0.4 VLZ-6-10kV in the villages of Sverdlov Maluksa and Kokorevo of the total length of 48.87 km. VLZ and VLI are performed with the use of reinforced concrete and wooden poles, wires, SIP-3 SIP 2A. Installed 250 kVA KTPN in subsection Sverdlovo and 3 transformer stations: KTP 10 / 0,4 in (250 kVA); 2hMTP 10 / 0.4 (1h250kVA; 1h160kVA) v. Kokorevo. Electricity supply of consumers of the Kirov and Vsevolozsk districts was improved.

In the Vyborg district there was performed the reconstruction of OL 0.4-10 kV of the total length of 23.92 km and with the commissioning of 2 transformer substations with the total capacity of 0.35 MVA, which increased the reliability of electricity supply in villages Zamostye, Dyatlovo, Goncharovo and Kamishovka.

In the Gatchina and Lomonosov districts there was performed the reconstruction of OL 0.4-10 kV of the total length of 29.98 km and with the commissioning of 4 transformer substations with the total capacity of 2.01 MVA, which increased the reliability of electricity supply to consumers of the township Trubnikov Bor, Orzhytsy, and Dubochki.

In the Slants and Volosovsky districts there was performed the reconstruction of OL 0.4-10 kV with insulated wire STS-3 STS 2A of the total length of 45.16 km on the highway and with the commissioning of 3 transformer stations with total capacity of 0.45 MVA, which allowed to increase the reliability of electricity supply in towns Otradnoe, Rudno, Yablonitsy, and the village of Bolshoi Sabsk.

In the Luga district there was performed the reconstruction of OL 0.4-10 kV with insulated wire STS-3, CIP, 2A w / w supports of the total length of 16.16 km and with the commissioning of a 6-transformer substations with total capacity of 2.13 MVA which ensured the reliability of electricity supply in villages Osmino, Shalov, Domkino which replaced nearly 4 kilometers of overhead lines, transformer substations were reconstructed (KTP) with a capacity of 250 and built an additional substations, increasing the total capacity of 100 kVA.

In the Volkhov district there was performed the reconstruction of CL 10 kV of the total length of 3.65 km and commissioning of 4 transformer substations with total capacity of 3.36 MVA, which increased the reliability of electricity supply in the city of Syasstroy.

In the Tikhvin and Boksitogorsk districts there was performed the reconstruction of OL 0.4-10 kV of the total length of 27.53 km with the commissioning of 2 transformer substations with total capacity of 0.2 MVA, which increased the reliability of electricity supply in the villages of Astracha, Galichno, and Belaya and Lipnaya Gorka.

38 reclosers are installed in the distribution networks of 6-10 kV.

"The development of distribution networks in the Leningrad region is one of the priorities of the company. The state of the network directly affects the quality of electricity supply, - said Director General of JSC "Lenenergo" Andrey Sorochinskiy. - In 2011, JSC "Lenenergo" plans to reconstruct the network in such towns as Detskoselskiy, Lensovetovskiy, Murino, Rzhhevka, Novokovalevo and several other settlements".

In 2010, there was made reconstruction of 0.4-10 kV cable lines of 54.5 km, which increases the reliability of electricity supply of Tsarskoe Selo, Kurort, Nevskiy and other areas of the city of St.-Petersburg.

In order to increase the transit of electricity and to connect new subscribers there were reconstructed and built in St.-Petersburg 377.67 km of CL 0.4-10 kV and put into operation 207.52 MVA transformer capacity.

The total capacity of transformers commissioned into operation and fixed assets in 2010 in St.-Petersburg and Leningrad region amounted to 932 MVA. The total length of the commissioned voltage power lines of 110-35-10-0.4 kV totaled 1,507.6 km.

3.10. Accounts payable

3.10.1. Other long-term liabilities (line code 520 of the balance sheet)

In composition of long-term liabilities there are reflected restructured long-term accounts payable as bills granted to "Rosenergoatom" for the purchased electric power which is subject to payment in 2020, as well as indebtedness towards LLC "Caterpillar Tosno" for capital construction which is subject to repayment by equal tranches in the amount of 1,800 thousand rubles annually.

RUR thousand

Name	On 31.12.2009	On 31.12.2010
Long-term liabilities of suppliers and contractors	223,038	148,788
Including:		
Rosenergoatom	132,005	66,000
Caterpillar Tosno LLC	45,575	43,601
"FGC UES" (intermediate court)	44,198	37,568
Bank "St.-Petersburg" (security deposit)	1,261	1,261

3.10.2. Accounts payable (line code 620 of the balance sheet)

RUR thousand

	On 31.12.2009	On 31.12.2010	Increase (+), Decrease(-)
Accounts payable	19,133,133	20,835,993	+1,703,048
Suppliers and contractors, among them:	2,910,500	3,225,841	+315,391
to building organizations	1,184,178	1,683,538	+499,360
to repair organizations	59,499	96,736	+37,237
to other suppliers and contractors	1,666,823	1,445,567	-221,257
debt to personnel relating to labor payment (line code 624 of Accounting balance sheet)	124,684	118,808	-5,876
debt to governmental and extra-budgetary funds (line code 625 of Accounting balance sheet)	18,112	43,111	+24,999
taxes and levies payable (line code 626 of Accounting balance sheet)	673,177	121,324	-551,853
advances received (line code 627 of Accounting balance sheet)	15,332,460	17,115,410	+1,782,950
other creditors (line code 628 of Accounting balance sheet)	74,200	211,499	+137,300

The increase in accounts payable during the period is associated with the Company's active operations in the direction of the construction and repair of its fixed assets. The most significant growth rate shows the indicator of advances received, which is directly associated with a significant increase in the volume of contracts for connection to the grid.

3.11. Deferred incomes

In the composition of deferred incomes it is reflected the value of fixed assets, received without compensation, which is repaid on the monthly basis by charging to profit of the current period in the sum of monthly accrued depreciation.

On January 01, 2011 the amount of deferred incomes constituted 137,493 thousand rubles. In the reporting period 10,804 thousand rubles were charged to incomes on property received without compensation, and 3,926 thousand rubles was put on the accounting of property.

3.12. Incomes of the organization

Revenue from sales of products and goods, including revenue from rendering work and services is determined in accordance with assumption of temporary definiteness of facts of economic activity (on shipment) and producing of accounting documents for payment. Accounting of revenues is executed according to the types of activity.

Sales revenue is reflected in the profit and loss statement minus VAT, discounts and similar obligatory payments.

In the composition of other incomes there is reflected income related to participation in the authorized capital of other organizations, proceeds from sale of fixed assets and other assets, income received under a partnership, fines and penalties for breach of contractual relations; free assets, profit of past years, the sums of accounts payable and receivable and depositor indebtedness on which the statute of limitations has expired, exchange differences and other income.

Incomes for the reporting year are reflected in the profit and loss statement separately upon ordinary types of activity, and other income and expenses with explanations on the types and quantities and a comparison with the previous year.

For the reporting year revenues from sales were as follows:

	On 31.12.2009	On 31.12.2010	RUR thousand	
			Sum	%
Total revenues (line code 010, Form 2)	26,087,949	34,200,557	+ 8,112,608	23.72%
Including:				
From electric power transmission	19,597,004	23,872,903	+ 4,275,899	17.91%
From technological connection	6,326,014	10,163,694	+ 3,837,680	37.75%
Work and services of industrial nature	157,664	163,960	+ 6,297	3.84%
Other work and services of non-industrial nature	7,267	-	- 7,267	100%

The growth of revenues in the reporting period as compared to the previous year amounted to 8,112,608 thousand rubles (+23.72%).

The increase in revenues in the reporting year as compared to the previous one is caused by the growth of incomes from electric power transmission by 4,257,899 thousand rubles and incomes from rendering services on technological connection by 3,837,680 thousand rubles. Rendering services on technological connection, fulfillment of liabilities in relation to which was executed

under property or monetary-property agreements in the form of transfer of immovable properties and equipment, in 2010 totaled 7,676,115 thousand rubles. The lack of revenue from other works and services of non-industrial nature on the principal activity is associated with the works carried out on the transmission of housing to the municipality, and as a consequence, the minimization of services on housing and communal non-core type of activity provided to JSC "Lenenergo".

Miscellaneous income comprises the following groups:

RUR thousand

Name of indicator	On 31.12.2010	On 31.12.2009
Miscellaneous income	1,495,979	1,929,686
including		
On disposal of fixed assets, except apartments	1,556	2,787
From sale of apartment	31,292	105,434
From sale of inventories	46,602	13,856
From sale of securities	657,103	229,414
From sale of other assets	60	650
From rent	70,709	50,381
Result from the market estimation of securities		300,647
Income from transfer of bills	543,773	764,920
Profit of 2009 elicited within the reporting period	8,305	
Profit of 2008 elicited within the reporting period	16,159	62,699
Profit of 2007 elicited within the reporting period	17,938	12,302
Profit of 2006 elicited within the reporting period		333
Profit before 01.01.2006 elicited within the reporting period		505
Interest fines, penalties and forfeits, accepted or concerning which court (arbitration) decisions were received	522	5
Accounts payable more than three years	1,761	24,797
Rate differences	37	454
Excess of property following the results of inventory	13,747	9,345
Income from settling contracts	55,783	286,856
Income from the donated assets determined in accordance with the established procedure	10,748	10,709
Income from other non-industrial services	186	
Miscellaneous income	21,496	25,165

In 2010, the total sum of miscellaneous income decreased by 433,707 thousand rubles as compared to the previous year (-28.99%). The current decrease is mainly associated with incomes on transfer, sales and market valuation of securities.

3.13. Expenses of the organization

Transfer of payments (fees) related to charitable contributions, expenses for carrying out of sports, recreation, entertainments, social-cultural activities and other similar activities is also included in composition of miscellaneous expenses.

Expenses for the accounting year are reflected in the profit and loss statement separately upon ordinary types of activity, and other income and losses with itemization of types and amounts and in comparison with the previous year.

The cost of sales in the accounting year constituted:

RUR thousand

Name of indicator	2009	2010	Deviation	
			Sum	%
cost price total (Line 020, Form No.2) including:	20,814,954	27,487,917	+6,672,963	24.27
From power transmission	19,301,191	26,112,155	+6,810,964	26.08
From technological connection	1,368,936	1,305,190	-63,746	4.88
Work and services of industrial nature	75,716	70,572	-143	0.20
Other work and services of non-industrial nature	69,111		-69,111	100

The decrease in the cost price of works and service of industrial nature under a slight increase in the revenue on this type of activity by 3.84% is associated with the implementation of the cost reduction program in the Company. The lack of cost price of other work and services of non-industrial nature in the principal type of activity is associated with the end of the systematic work of the Company on the transfer of the objects of housing and social sphere to municipal authorities, and as a result, curtailing of this type of activity.

Miscellaneous expenses comprise the following groups:

RUR thousand

Name of indicator	As of 31.12.2009	As of 31.12.2008
Miscellaneous expenses	2,076,356	2,394,643
including:		
On disposal of fixed assets, except apartments	25	669
From sale of apartment	800	1,633
From sale of inventories	42,444	11,753
From sale of securities	522,049	227,000
From sale of other assets	34	53
From rent	54,715	56,197
Bank services	7,199	9,003
Securities costs	7,365	7,145
From settling contracts	13,089	43,737
Expenses from transfer of bills	543,752	757,993
Expense of 2009 elicited within the reporting period	25,986	
Expense of 2008 elicited within the reporting period	1,951	48,914
Expense of 2007 elicited within the reporting period	5,428	76,070
Expense of 2006 elicited within the reporting period		301
Expense before 01.01.2006 elicited within the reporting period	2,701	66
Interest fines, penalties and forfeits, accepted or concerning which court (arbitration) decisions were received	7,745	25,557
State duties under economic agreements	3,497	3,998
Accounts receivable more than three years	22,356	323,650
Rate differences	14	169
Law expenses	3,973	22,930
Administrative penalties	855	5,094
Embezzlements, deficiencies	8,974	187
Write-off of not completely amortized fixed assets	6,071	52,502
Write-off of construction in progress	56,337	8,480
Expenses for Board of Directors, Meeting of Shareholders and	28,405	12,989

Internal Audit Commission		
Repayment value of the apartments of employees	30,815	105,359
Expenses for carrying out of sports	2,190	3,232
Expenses for carrying out of social activities	25,099	17,702
Remuneration from profit	250,627	116,770
Payments to pensioners	11,014	9,851
Expenses for manpower development and retraining	3,406	14,211
Non-governmental pension provision	21,330	18,556
Advertising expenses	28,131	24,139
Miscellaneous expenses	338,006	160,609

Miscellaneous expenses for the reporting period slightly decreased by 318,287 thousand rubles (+15.32%).

3.14. Accounting of income tax calculations (RAS 18/02)

During the reporting year of 2010 the economic activity derived accounting profit before tax in the amount of 5,282,371 thousand rubles, and tax in the amount of 6,349,485 thousand rubles. The current profit tax for the reporting year, formed under the influence of existing tax differences amounted to 1,269,897 thousand rubles. The conditional expenditure for profit tax amounted to 1,051,457 thousand rubles.

The total amount of tax assets and liabilities formed under the influence of tax differences and affecting the adjustment of the conditional expenditure for profit tax totaled 218,440 thousand rubles:

- Fixed tax liabilities - RUR 435,337 thousand;
- Deferred tax assets - RUR 42,887 thousand;
- Deferred tax liabilities - RUR (259,784) thousand.

In 2010, the Company made clarification of its tax liabilities for the previous years. The Company decreased accrued tax liabilities for the previous periods for the amount of RUR 12,773 thousand.

In accordance with the accounting policy of JSC "Lenenergo" for tax purposes JSC "Lenenergo" calculates and pays taxes and fees in accordance with the taxes and fees legislation of the Russian Federation, and regulations of local governments on taxes and fees.

For tax purposes, the Company recognizes sales revenue in part of the calculation of value added tax and profit tax on the method of accrual, and other taxes - according to the Tax Code of the Russian Federation, the legislation of the Russian Federation and subjects of the Russian Federation on taxes and fees.

In this regard, the major tax liabilities of the Company for the reporting year are as follows:

RUR thousand			
Budgets / Types of taxes	Accounts receivable	Accounts payable	Restructured charges, penalties
Federal budget	343,004	41,638	-
1. VAT	338,090	12,051	-
2. Profit tax	383	4,308	-
3. Ecological expenses	-	-	-
4. Other taxes	4,531	25,279	-
Penalties	5,975	-	-

Budgets / Types of taxes	Accounts receivable	Accounts payable	Restructured charges, penalties
Regional budget	89,538	552,676	-
1. Property	4,371	-	-
2. Profit tax	80,861	76,500	-
3. Ecological expenses	-	-	-
4. Transport tax	953	325	-
5. Penalties	-	-	-
Local budget	238	2,860	-
1. Property	-	-	-
2. Profit tax	-	-	-
3. Ecological expenses	-	-	-
4. Land tax	-	2,816	-
5. Other	238	44	-
6. Penalties	-	-	-
TOTAL taxes accrued		1,959,298	-
Note:			
Land rent charged	-	17,665	-
Including: to the local budget	-	17,665	-
to the Federal budget	-	-	-

In accordance with the Russian accounting standard 18/02 the Company allocated the sums of deferred tax assets and deferred tax liabilities in the accounting of JSC "Lenenergo". The specification of deferred tax assets and deferred tax liabilities for the reporting period is depicted in the table:

Thousand Rubles

	Balance on 31.12.2009	Credited	Paid	Balance on 31.12.2010
<i>Deferred tax assets</i>				
Fixed assets	160,739	72,751	27,780	205,710
Financial investments	-	19,463	19,456	7
Other deferred expenses	2,503	97	2,188	412
TOTAL:	163,242	92,311	49,424	206,129
<i>Deferred tax liabilities</i>				
Fixed assets	651,106	363,156	77,795	936,467
Intangible assets (outstanding interest related to capital expenses)	97,677	48,855	37,474	109,058
Materials	3,909	6,124	5,576	4,457
Deferred incomes	-	2,481	2,481	-
Deferred expenses	135	294	429	-
Financial investments	37,371	19,316	56,687	-
TOTAL:	790,198	440,226	180,442	1,049,982
<i>Fixed tax liabilities</i>				
Fixed assets	-	263,517	-	-
Other intangible expenses (material aid, social benefits, penalties, penalty by the court, bonus to holiday days, property donated to the city, expenditures on charity to educational institutions, cultural institutions)	-	171,820	-	-
TOTAL:	-	435,337	-	-

3.15. Events after the reporting date

The decisions to pay interim dividends for 2010 were not taken by the Company.

The decision on distribution of profits for 2009, including the payment of dividends for 2010 will be approved at the Annual General Meeting of Shareholders of the Company.

In 2011, corporate procedures are planned to increase the authorized capital of JSC "Lenenergo" by issuing of ordinary shares by the public subscription. Approximate amount of funds planned to be receivable in the capital of the Company following the placement of additional ordinary shares of JSC "Lenenergo" will be 3 750 million rubles.

The period of additional issue of 2011 – 2012 is in compliance with the Russian legislation. Start of corporate procedures related to the issuance of additional shares is scheduled for the 2nd quarter of 2011.

In accordance with Article 11 of the Federal Law dated 13.12.2010 No.357-FZ "On federal budget for 2011 and the planned period of 2012 and 2013" (adopted by the State Duma on 24.11.2010), a part of funds will be obtained from the sale of shares in favor of JSC "IDGC Holding", allocated from the funds in the budget of the Russian Federation for 2011.

3.16. Information on related parties

The Board of Directors of the Company approved and concluded the following agreements with related parties (transactions of interest) in the reporting year.

Service contract between JSC "Lenenergo" and JSC "Energouchet"

Date of approval of the contract by the Board of Directors of JSC "Lenenergo": 23.04.2010 (Minutes No.17 dated 26.04.2010).

Related party of the contract is JSC "Energouchet", which holds more than 20% of the voting shares owned by JSC "Lenenergo".

Parties of the contract:

Customer: "Lenenergo" Open Joint-Stock Company of the Power Industry and Electrification.

Contractor: "Energouchet" Open Joint-Stock Company.

Subject of the contract:

The Contractor shall provide to the Customer services on verification of measuring instruments (MI) - the counters of electric power in the amount of 1,738 pieces for the branch of JSC "Lenenergo" "Gatchina power network", and the Customer shall pay for these services.

Requirements for services rendered, their volume, terms and the final result are contained in the Terms of reference.

Cost of services:

Cost of services provided under the contract amounts to 2,010,000 (Two million and ten thousand) rubles 00 kopecks, including VAT (18%) in the amount of 306,610 (Three hundred six thousand six hundred and ten) rubles 17 kopecks.

Terms of service delivery:

Services provided by the contract, are rendered and fulfilled by the Contractor within November 30, 2010 in accordance with the Terms of reference.

Term of contract:

The contract shall enter into force upon signature by both parties and is valid until the parties fulfill their obligations or termination of this contract.

Storage products contract between JSC "Lenenergo" and JSC "TGK-1"

Date of approval of the contract by the Board of Directors of JSC "Lenenergo": 12.05.2010 (Minutes No.19 dated 14.05.2010).

In accordance with item 1 of Article 81 of the Federal law "On Joint-Stock Companies", the contract concluded between JSC "Lenenergo" and JSC "TGK-1" is a transaction in which there is interest.

The interested person is recognized the member of the Board of Directors of JSC "Lenenergo" A.I. Sergeev, who is also a member of the Board of Directors of JSC "TGK-1".

Parties of the contract:

Customer: JSC "Lenenergo";

Contractor: JSC "TGK-1".

Subject of the contract:

The Customer charges, and the Contractor, at the expense of the agreed value of the contract, agrees to provide storage of the products.

Cost of services:

The total cost of services of storage of products under the contract is fixed and amounts to 90,000 (ninety thousand) rubles 00 kopecks, including VAT (18%) in the amount of 13,728 (thirteen thousand seventy hundred and twenty-eight) rubles 81 kopecks.

Term of contract:

The contract shall enter into force upon its signing and is valid until 31.12.2010, and in terms of calculations - up to the obligations' fulfillment. The parties agreed that the agreement applies to relations between the parties arising from 01.01.2010

Service contract between JSC "Lenenergo" and JSC "Energouchet"

Date of approval of the contract by the Board of Directors of JSC "Lenenergo": 02.06.2010 (Minutes No.21 dated 02.06.2010).

Related party of the contract is JSC "Energouchet", which holds more than 20% of the voting shares owned by JSC "Lenenergo".

Parties of the contract:

Customer: "Lenenergo" Open Joint-Stock Company of the Power Industry and Electrification.

Contractor: "Energouchet" Open Joint-Stock Company.

Subject of the contract:

The Contractor shall provide to the Customer services on verification of measuring instruments (MI) – measuring current transformers and voltage transformers in the amount of 996 pieces for the following branches of JSC "Lenenergo": "Gatchina power networks", "Suburban power networks", "Lodeynoe Pole power networks", "Novaya Ladoga power networks", and the Customer shall pay for these services.

Requirements for services rendered, their volume, terms and the final result are contained in the Terms of reference.

Cost of services:

Cost of services provided under the contract amounts to 3,600,202 (Three million six hundred thousand, two hundred and two) rubles 64 kopecks, including VAT (18%) 549,183 (Five hundred forty-nine thousand one hundred eighty-three) rubles 45 kopecks.

Terms of service delivery:

Services provided by the contract, are rendered and fulfilled by the Contractor within September 30, 2010 in accordance with the Terms of reference.

Term of contract:

The contract shall enter into force upon signature by both parties and is valid until the parties fulfill their obligations or termination of this contract.

The parties agreed that the agreement applies to relations between the parties arising from 30.04.2010.

Service contract between JSC "Lenenergo" and JSC "FGC UES"

Date of approval of the contract by the Board of Directors of JSC "Lenenergo": 02.06.2010 (Minutes No.21 dated 02.06.2010).

In accordance with Clause 1, Art. 81 of FZ "On Joint Stock Companies," contract for services between JSC "Lenenergo" and JSC "FGC UES" is a transaction in which there is interest. Interested party is recognized the member of the Board of Directors of JC "Lenenergo" Ponomarev D.V., who is also the member of the Board of Directors of JSC "FGC UES".

Parties of the contract:

"Federal Grid Company of the Unifies Energy System" Open Joint-Stock Company – the Company.

"Lenenergo" Open Joint-Stock Company of the Power Industry and Electrification – JSC "Lenenergo".

Subject of the contract:

The Company under the Contract undertakes to pursue operational and technical maintenance of the equipment of JSC "Lenenergo" in accordance with the Terms of reference, and JSC "Lenenergo" shall pay the Company for the services provided.

Cost of services:

Cost of services provided under the Contract amounts to 1,148,242 (One million one hundred and forty-eight thousand two hundred and forty-two) rubles 50 kopecks, including VAT - 18% - 206,683 rubles 65 kopecks.

Term of contract:

The contract shall enter into force upon its signature by both parties and is valid until 31.12.2010. The agreement applies to relations between the parties arising from 01.01.2010.

Agreement on the protection of information which constitutes a trade secret, between JSC "IDGC Holding" and JSC "Lenenergo".

Date of approval of the contract by the Board of Directors of JSC "Lenenergo": 18.06.2010 (Minutes № 22 as of 18.06.2010).

Related party of the contract is JSC "IDGC Holding", which holds more than 20% of the voting shares of JSC "Lenenergo".

Parties to the agreement:

JSC "Lenenergo"

JSC "IDGC Holding"

Subject of Agreement:

Organization of the reciprocal access to information resources of the contracting parties, providing information, trade secrets, and conditions for the transfer of information which constitutes a trade secret.

Adoption by the parties of the obligations to disclose information that constitutes trade secrets to other party, provide special measures of protection and use of such information and penalties for violations of these obligations in accordance with the Russian legislation and the agreement.

Responsibility of parties:

A party in case of causing damage to another party - the owner of information containing commercial secrets, damage due to failure or improper fulfillment of the terms of agreement, shall compensate for losses caused in accordance with the Russian legislation.

Duration of agreement:

Agreement is valid for one (1) year and shall enter into force upon signature. If one month prior to the expiration of the agreement, neither party would not require its termination, the agreement recognizes extended under the same conditions and at the same time.

The agreement may be prematurely terminated by either party at any time upon prior written notice addressed to the contractor within seven days prior to the termination of the agreement. Early termination or expiration of the agreement shall not relieve the parties from the obligations assumed under the agreement in respect of the information constitutes a trade secret, passed her up to early termination or expiration of the agreement. These obligations remain in force for two (2) years after expiration or termination of the agreement.

Settlement of Disputes:

All disputes, differences and claims arising from the agreement or in connection therewith, including those related to its conclusion, modification, performance, breach, termination, cessation, and the reality to be settled by the Arbitration Court of Moscow.

Changes and additions to the agreement are negotiated by the parties and executed by signing additional agreements.

The contract between JSC "Lenenergo" and JSC "IDGC of Volga".

Date of approval of the contract by the Board of Directors of JSC "Lenenergo": 20.07.2010 (Minutes № 1 dated 20.07.2010).

In accordance with Clause 1, Art. 81 of FZ "On Joint Stock Companies" the agreement between JSC "Lenenergo" (hereinafter - the Company) and JSC "IDGC of Volga" (hereinafter - Agreement), is a transaction in which there is interest, and subject to prior approval by the Board of Directors of JSC "Lenenergo".

Interested persons are recognized:

- JSC "IDGC Holding", which holds more than 20% of the voting shares of JSC "Lenenergo" and JSC "IDGC of Volga";
- Member of the Board of Directors of JSC "Lenenergo" Kurochkin A.V., which is also a member of the Board of Directors of JSC "IDGC of Volga".

Parties to the agreement:

"Participant 1" - JSC "Lenenergo";

"Participant 2" - JSC "IDGC of Volga".

Subject of the contract:

"Participant 2" commits itself to organize and conduct activities on the basis of the training site of JSC "IDGC of Volga" - "Penzaenergo" (Penza), during the period from 06.09.2010 till 10.09.2010, in accordance with the Regulations on conducting of 2010 All-Russian competition for professional skills of crews to service high-voltage transmission lines of distribution networks, "IDGC Holding", and "Participant 1" provides funding for activities in accordance with the terms of the contract.

The contract price:

The size of funding is 834,000.00 (eight hundred and thirty-four thousand) rubles including VAT 18% - 127,220.34 rubles (One hundred and twenty-seven thousand two hundred and twenty rubles thirty four kopecks).

Term of contract:

The Agreement shall enter into force upon signature and is valid until 31.12.2010.

Contract of sale of shares of JSC "Tsarskoselskaya Energy Company" between JSC "Lenenergo" and JCS "Lenenergospetsremont."

Date of approval of the contract by the Board of Directors of JSC "Lenenergo": 30.07.2010 (Minutes № 3 of 02.08.2010).

Related party of the contract is JSC "LESR", more than 20% of the voting shares of which is owned by JSC "Lenenergo".

Parties to the agreement:

Buyer - JSC "Lenenergo";

Seller - JSC "Lenenergospetsremont."

Subject of the contract:

Seller shall transfer to the Buyer, and Buyer shall accept and pay for the following securities (hereinafter - the "Shares"):

1)

Type, category and form of securities:	Ordinary registered shares
Issuer of securities:	"Tsarskoselskaya Energy Company" Closed Joint-Stock Company
Par value of one security	RUR 1,500
State registration number of the issue	1-02-15777-J
Number of securities sold under the contract	7,229 (Seven thousand two hundred and twenty nine) pcs.

2)

Type, category and form of securities:	Preferred registered shares
Issuer of securities:	"Tsarskoselskaya Energy Company" Closed Joint-Stock Company
Par value of one security	RUR 1,500
State registration number of the issue	2-02-15777-J
Number of securities sold under the contract	1,272 (One thousand two hundred and seventy two) pcs.

Buyer agrees to purchase all shares in one package and pay the Seller the cost.

The contract price:

The purchase price payable by the Purchaser for shares (the "Purchase Price") amounts to 372,312,640 (three hundred seventy two million three hundred and twelve thousand six hundred and forty) rubles 00 kopecks (VAT exempt), including:

- per one ordinary share of 51,200 (Fifty-one thousand two hundred) rubles 00 kopecks, which is 370,124,800 (three hundred and seventy million one hundred and twenty-four thousand eight hundred) rubles 00 kopecks per 7,229 pieces of such shares;
- per one preferred share of 1,720 (one thousand seven hundred and twenty) rubles 00 kopecks, which is 2,187,840 (Two million, one hundred and eighty-seven thousand eight hundred and forty) rubles 00 kopecks per 1,272 pieces of such shares.

Purchase price is paid by the Buyer without any deduction or withholding.

Payment Procedure:

The Buyer transfers funds to the Seller's bank account within 30 (thirty) calendar days from the date of signing the contract - 100% of the purchase price.

The moment at which the obligation to pay the Buyer the Shares is completely filled, is a write-off of funds from the account of the Buyer. The Buyer must confirm the payment for the shares of the original provision of the payment order with bank stamp on the performance, within 3 (three) working days after the write-off from the account of the Buyer.

Procedure for transfer of ownership of shares

Ownership of the shares is transferred from seller to buyer at the time of making entry on the personal account of the Purchaser in the Company's register of shareholders of JSC "Tsarskoselskaya Energy Company".

Contract of sale of shares of JSC "Kurortenergo" between JSC "Lenenergo" and JCS "Lenenergospetsremont."

Date of approval of the contract by the Board of Directors of JSC "Lenenergo": 30.07.2010 (Minutes № 3 of 02.08.2010).

Related party of the contract is JSC "LESR", more than 20% of the voting shares of which is owned by JSC "Lenenergo".

Parties to the agreement:

Buyer - JSC "Lenenergo";

Seller - JSC "Lenenergospetsremont."

Subject of the contract:

Seller shall transfer to the Buyer, and Buyer shall accept and pay for the following securities (hereinafter - the "Shares"):

1)

Type, category and form of securities:	Ordinary registered uncertified shares
Issuer of securities:	"Kurortenergo" Closed Joint-Stock Company
Par value of one security	RUR 120 (One hundred and twenty)
State registration number of the issue	1-03-02030-D
Number of securities sold under the contract	1,599 (One thousand five hundred and ninety nine) pcs.

2)

Type, category and form of securities:	A-type preferred registered uncertified shares
Issuer of securities:	"Kurortenergo" Closed Joint-Stock Company
Par value of one security	RUR 160 (One hundred and sixty)
State registration number of the issue	2-03-02030-D
Number of securities sold under the contract	77 (Seventy seven) pcs.

Buyer agrees to purchase all shares in one package and pay the Seller the cost.

The contract price:

The purchase price payable by the Purchaser for shares (the "Purchase Price") amounts to 517,140,000 (Five hundred and seventeen million one hundred forty thousand) rubles 00 kopecks (VAT exempt), including:

- 299,000 (two hundred and ninety-nine thousand) rubles 00 kopecks per one ordinary registered uncertified share, which is 478,101,000 (four hundred and seventy eight million one hundred and one thousand) rubles 00 kopecks per 1,599 pieces of such shares;
- 507,000 (five hundred and seven thousand) rubles 00 kopecks per one A-type preferred registered uncertified share, which is 39,039,000 (Thirty nine million, thirty nine thousand) rubles 00 kopecks per 77 pieces of such shares.

Purchase price is paid by the Buyer without any deduction or withholding.

Payment Procedure:

The Buyer transfers funds to the Seller's bank account within 30 (thirty) calendar days from the date of signing the contract - 100% of the purchase price.

The moment at which the obligation to pay the Buyer the Shares is completely filled, is a write-off of funds from the account of the Buyer. The Buyer must confirm the payment for the shares of the original provision of the payment order with bank stamp on the performance, within 3 (three) working days after the write-off from the account of the Buyer.

Procedure for transfer of ownership of shares

Ownership of the shares is transferred from seller to buyer at the time of making entry on the personal account of the Purchaser in the Company's register of shareholders of JSC "Kurortenergo".

Agreement on offsetting counterclaims between JSC "Lenenergo" and JSC "Lenenergospetsremont."

Date of approval of the contract by the Board of Directors of JSC "Lenenergo": 30.07.2010 (Minutes № 3 of 02.08.2010).

Related party of the contract is JSC "LESR" more than 20% of the voting shares is owned by JSC "Lenenergo".

Parties to the Agreement:

JSC "Lenenergo";

JSC "Lenenergospetsremont."

Subject of the Agreement:

1. JSC "Lenenergo" and JSC "Lenenergospetsremont" agreed on the classification of mutual counter similar claims in accordance with Art.410 of the Civil Code of the Russian Federation.

2. Requirements of JSC "Lenenergospetsremont" to JSC "Lenenergo" in terms of payment:

- Under the contract of sale of shares of JSC "Tsarskoselskaya energy company" in the amount of 372 312 640.00 (Three hundred seventy two million three hundred and twelve thousand six hundred and forty) rubles 00 kopecks, VAT exempt;

- Under the contract of sale of shares of JSC "Kurortenergo" in the amount of 570,140,000.00 (Five hundred and seventy million one hundred and forty thousand) rubles 00 kopecks, VAT exempt.

The total sum of requirements on the contracts listed in this paragraph at the time of conclusion of the Agreement of JSC "Lenenergospetsremont" to JSC "Lenenergo" is 889,452,640.00 (Eight hundred eighty nine million four hundred fifty two thousand six hundred and forty) rubles 00 kopecks, VAT exempt.

3. The requirements of JSC "Lenenergo" to JSC "Lenenergospetsremont" in terms of payment:

- Under the loan agreement № 08-2987 dated 12.08.2008, which amounts to 907,468,333.38 (Nine hundred seven million four hundred sixty eight thousand three hundred thirty three) rubles 38 kopecks.

4. The offsetting counter similar claims referred to in items 2 and 3 of the Agreement shall be made to the amount of 889,452,640.00 (Eight hundred eighty nine million four hundred fifty two thousand six hundred and forty) rubles 00 kopecks, VAT exempt.

5. Date of performance of the requirements specified in paragraphs 2 and 3 of the Agreement has come.

6. The parties acknowledge that since the signing of the Agreement:

- obligations of JSC "Lenenergo" towards JSC "Lenenergospetsremont" to pay for the contracts of sale of shares specified in Section 2 of the Agreement are satisfied in full. On these obligations the parties undertake not to charge a penalty (fines and penalties), interest and other penalties;

- Outstanding liabilities of JSC "Lenenergospetsremont" to JSC "Lenenergo" make 18,015,693.38 (Eighteen million fifteen thousand six hundred and ninety three) rubles 38 kopecks.

Price of the Agreement:

The size of counter similar claims, subject to credit is 889,452,640.00 (Eight hundred eighty nine million four hundred fifty two thousand six hundred and forty) rubles 00 kopecks.

Agreement on technological cooperation between JSC "Lenenergo" and JSC "SO UES" to ensure reliability of the UES of Russia.

Date of approval of the contract by the Board of Directors of JSC "Lenenergo": 28.12.2010 (Minutes № 12 of 31.12.2010).

In accordance with Clause 1, Art. 81 of FZ "On Joint Stock Companies' agreement on technological cooperation between JSC "Lenenergo" and JSC "SO UES" to ensure reliability of the UES of Russia, is a transaction in which there is interest.

Interested party is recognized the member of the Board of Directors of JSC "Lenenergo" Shulginov N.G., who is also a member of the Management Board of JSC "SO UES".

In accordance with Article 16 of the Federal Law dated 26.03.2010 № 35-FZ "On Power energy" "subjects of electricity and consumers of electrical energy, technological and operational mode of the state power generation facilities or power receivers have an impact on the electricity power system operation, conclude with system operator (in technologically isolated regional electric power systems - with the other subject of dispatching in power), royalty-free agreement, which establishes the procedure for the implementation of technological interaction of the system operator or other entity dispatching in power with these subjects of electricity and electric power consumers in order to ensure the reliability of the Unified Energy System of Russia (technologically isolated regional electric power systems)".

During the year, contractual relationship with the private pension funds of power energy operating in the interests of the Company's employees, continued on the following contracts:

- Contract № 253/06-1053 dated 17.04.2006 - the formation of pension reserves and placing them to generate income solely in the interests of participants for future payments to non-state pension (scheme number 3)
- Contract number 25P 001/06-3385 dated 18.10.2006 - the formation of pension reserves and placing them to generate income solely in the interests of participants for future payments to non-state pension (scheme number 9)
- Contract № 4/08-5248 dated 24.11.1994 - making payments on supplementary pensions.

**Transactions with related parties in terms of receivables
and payables on December 31, 2009**

RUR thousand

Counterpart	Type of indebtedness	Sum of accounts receivable	Sum of accounts payable
JSC "Kurortenergo"	Company's assets on lease	30,063	
	Power transmission services		29,137
	Services of grid connections		79,748
NPF of Power Industry	Non-state pension support in interest of Company's personal – several programs	118,837	
JSC "NW Power Management Company"	Lease of office equipment (office furniture) to the address: Marsovo pole,1	516	
IDGC Holding, JSC	Information and consulting services		5,664
JSC "Tsarskoselskaya Energy Company"	Company's assets on lease	550,316	
	Power transmission services		22,877
	Services of grid connections		-
JSC "Energouchet"	Check of electricity supply meters		323
JSC "Saint-Petersburg Power Sales Company"	Power transmission services	89,357	
	Electricity on operational processes	10,725	
	Losses compensation	2,177	
JSC "FGS UES"	Grid connection of power-consuming equipment		232

	Power transmission services		389,971
	For services of grid connection to FSG UES' network	53,075	
	Rent of Last Mile	10	
	For technical services providing	699	
	by the decision of the arbitral court		37,568

In 2010, the amount of remuneration to the members of the Company's Board of Directors and the Internal Audit Commission in wages and bonus terms in accordance with the Articles of Association of the Company totaled 18,841 thousand rubles.

The List of Affiliates is indicated in Appendix 1 to the Explanatory Note.

3.17. Conditional facts of economical activity

The Russian tax legislation, the currency and tariff legislation permit several interpretations and are subject to the frequent amendments.

The Company's management don't exclude that some operations that took place in the reporting and previous years can be source of tension with regulating authorities in the future and which may result in changes of results of the Company's operational and financial performance. In accordance with item 24 of RAS 8/01 "Conditions facts of economical activity", the detailed information about such operations does not disclosed in the report.

In the Company's management opinion as of December 31, 2010, the appropriate statements of the legislation are interpreted correctly by the Company, and the Company's condition from the viewpoint of the tax, currency and customs legislation will be stable.

Statements of claim work in Arbitrage of the first , appellate and appeal arbitration (statements of claim in intermediate court as well) in 2010

No.		Company's statements of claim to contractors		Contractor's statement of claim to Company	
		Quant.	RUR thousand	Quant.	RUR thousand
1	Arbitrage				
1.1	Bring a suit (total), incl.:	51	35,061,982	54	79,817
	Prior to 2010	36	357	30	72,150
	In 2010	15	35,061,625	24	7,667
1.2	Claims satisfied	33	415,824	12	19,666
1.3	Writ of executions returned to the Company (fact)	2	1,232		
1.4	Claims denied	5	6,619	9	549
1.5	On consideration	13	34,639,539	33	59,602
2	Intermediate court 2010				
2.1	Bring a suit (total), incl.:	1	Termination of the lease contract		
2.2	Claims satisfied				
2.3	Writ of executions returned to the Company (fact)	-	-	-	-
2.4	Claims denied	-	-	-	-
2.5	On consideration	1	-	-	-

Company's statements of claim work in courts of general jurisdiction in 2010.

№o.		Company's statements of claim		Statement of claim to the Company	
		Quant.	RUR thousand	Quant.	RUR thousand
3	Courts of general jurisdiction				
3.1	Bring a suit (total), incl.:	2	40	46	5,856
3.2	Claims satisfied	2	40	10	1,099
3.3	Claims denied	-	-	6	1,556
3.4	On consideration	-	-	30	3,201

As of 31.12.2010, the Company is in the process of reviewing 18 cases of the Antimonopoly Service, without any defining of the decision term.

In the Company's opinion, the results of the stated processes will not influence the Company's financial condition.

3.18. Information on segments

The principal types of activity of the Company in 2010 were rendering services related to electric power transmission and grid connection services to the network of JSC "Lenenergo". Revenues from sales of services on the principal types of activity constituted RUR 34,036,596 thousand that corresponds to 99.52% of total revenues.

Accordingly, there are the following segments of the operational activity of the Company:

- Electric power transportation;
- services on technological connection to networks.

For 2010	Power transmission services (RUR thousand)	Grid connection to the Company's network (RUR thousand)	Other	Total on the Company
The segment's revenue	23,872,903	10,163,694	163,961	34,200,557
The segment's cost price	26,112,155	1,305,190	70,573	27,487,918
The segment's profit/loss	(2,239,252)	8,858,504	93,388	6,712,640

The segment's revenue (income) was formed as a result of operations with external customers. Into the calculation of the segment's profit/loss the expenses on profit tax and other similar expenses, interest payable and receivable, incomes from participation in other companies, contingency incomes and expenses were not included. The distribution of other incomes and expenses among the segments was not implemented due to the inexpediency and lack of the necessary fundamentals.

3.19. Disclosure of information in accordance with the Federal Law No.261 "On energy saving and on raising of energy efficiency" dated 23.11.2009

During the reporting calendar year, the Company incurred the following costs to pay the used energy resources:

- Costs of electricity for household needs accounting for 79,820.8 thousand rubles (including VAT), consumed respectively 23,831 thousand kW;
- Costs of electricity to compensate losses in electric networks of JSC "Lenenergo" amounted to 6,921,123.8 thousand rubles (including VAT), which amounted to 3,586,608 thousand kW.

"____" February, 2011

Director General of the Company

_____ /A.V. Sorochinskiy/

Chief Accountant of the Company

_____ /G.V. Kuznetsova/