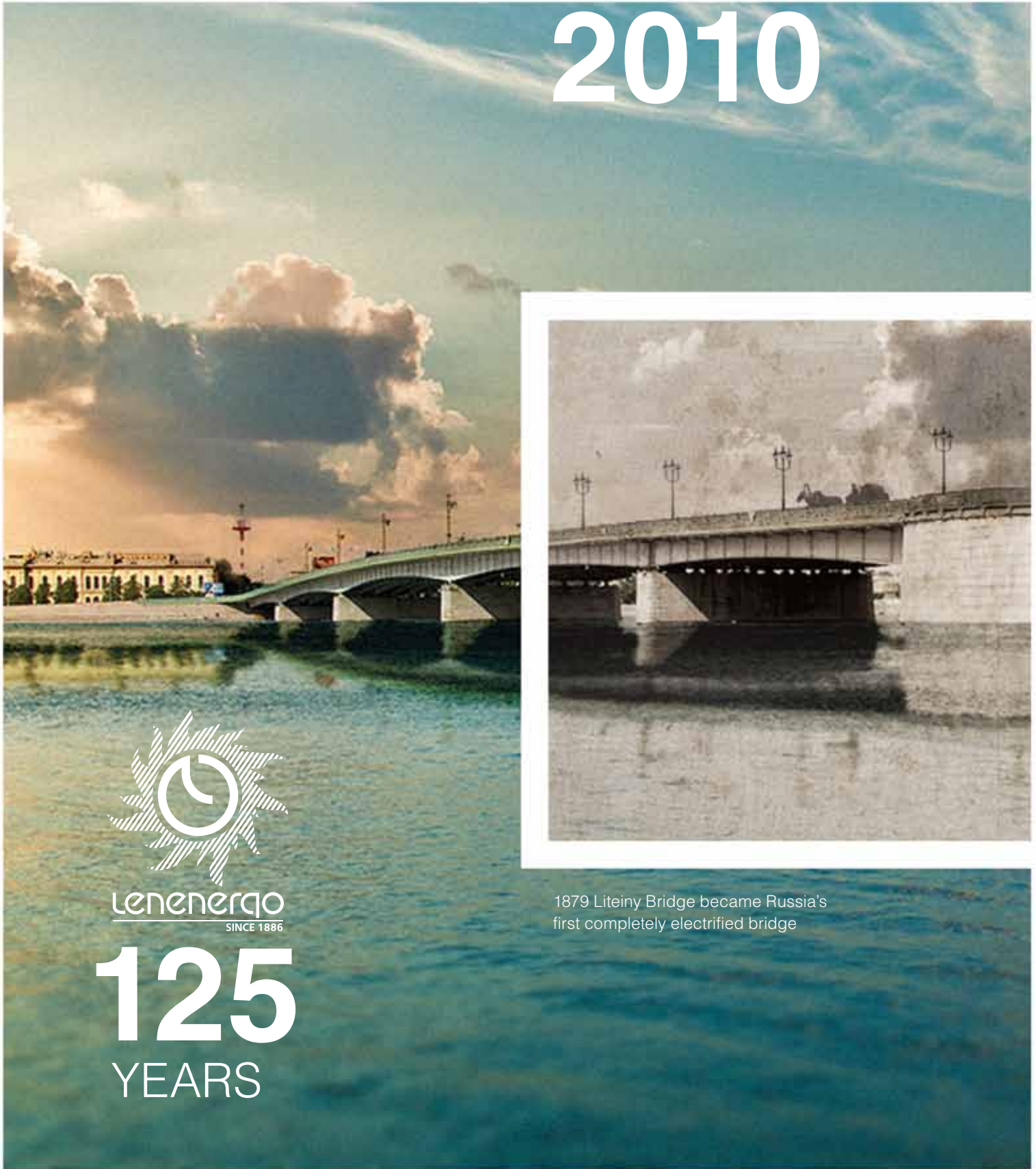


ANNUAL REPORT
JSC "LENENERGO"

2010



lenenergo
SINCE 1886

125
YEARS

1879 Liteiny Bridge became Russia's
first completely electrified bridge

Key financial and operational highlights of **2010**

>> Corporate Governance and Securities of the Company

Dividends

326

mIn RUR

Capitalization on MICEX

27,372

mIn RUR

>> Financial Results Overview

Revenue

+31 %

34,201

mIn RUR

EBITDA

+26 %

10,356

mIn RUR

NET Profit

+17 %

3,806

mIn RUR

>> Investment Activity

Capital Investments

+53 %
15,813
mln RUR

Commissioning of capacities

+12 %
932
MVA

+125 %
1,507
km

>> Production Activity

Supply to network

+31 %
33,495.6
mln kWh

Connected capacity

+30 %
185.3
MW

Address of the chairman of the board of directors to shareholders



Special attention was paid in 2010 to the transition to regulation of tariffs for services on electric power transmission using the method of return on investment capital (RAB). As a result, JSC «Lenenergo» has been working in accordance with a new tariff method since January 01, 2011



Dear Shareholders!

The last year was one of major transformations for JSC «Lenenergo». A new administrative team was formed, and the qualitative «reboot» of business processes was directed, first of all, at increasing the overall performance of the Company, radical renovation of capacities, and developing client services.

The organizational development of the Company was performed within the limits of strategic administrative decisions of JSC «IDGC Holding» on providing a reliable and uninterrupted electrical supply to consumers in 69 regions of the Russian Federation. St. Petersburg and Leningrad Region, with a population exceeding six mln people, are the major zones of responsibility of IDGC Holding, demanding effective investments, technologies and management methods.

JSC «IDGC Holding», the Government of St. Petersburg, and JSC «Lenenergo» signed a tripartite Agreement «On cooperation in the implementation of measures to ensure reliable electricity supplies and creation of conditions for connection of consumers to the elec-

tricity network» on May 20, 2010. A similar Agreement was signed between JSC «IDGC Holding», the Government of the Leningrad Region, and JSC «Lenenergo» on June 25, 2010. Under the conditions of these agreements, investments at the rate of RUR 101.5 bln (net after VAT) shall be provided for the electricity network infrastructure of JSC «Lenenergo» up to 2015.

A program for renovation of the cable network of JSC «Lenenergo» in St. Petersburg has been developed as well. This program assumes considerable capital investments at replacing cable lines, including at the expense of federal budget funds. Investments of RUR 9.063 bln (net after VAT) are planned in the first stage of the program.

JSC «Lenenergo» is continuing integration of its electricity network assets. The Company acquired 96.97% of the shares of JSC «Tsarskoye Selo Power Company» on August 16, 2010, and 98.13% of the shares of JSC «Kurortenergo». The given events were conducted in the framework of the policy of consolidation of IDGC

Holding, directed at creating operative dispatching management of electricity distribution networks in the regions of responsibility of the unified centre. Radical steps at enhancing the technique of technological connection of consumers and transformation of JSC «Lenenergo» into a unified centre of responsibility have been undertaken. All this has positively influenced the stability of the power supply system of the Northern capital of Russia, and has made it possible to lower general costs and optimize the use of resources.

JSC «Lenenergo» continues to improve its quality of corporate governance. A total of 22 meetings of the Board of Directors were conducted in 2010, including two full-time meetings, two full-time and absentee meetings, and eighteen absentee meetings, at which 183 questions were considered. The Board of Directors of the Company is comprised of thirteen persons: seven representatives from JSC «IDGC Holding» – the major shareholder of JSC «Lenenergo», two representatives from minority shareholders, three representatives from the Government of St. Petersburg, and one representative from the Leningrad Region. There Company approved the decision to change the Company registrar. Reports of the Director General on the principal activities of the Company were considered on a regular basis.

Special attention was paid in 2010 to the transition to regulation of tariffs for services on electric power transmission using the method of return on investment capital (RAB). As a result, JSC «Lenenergo» has been working in accordance with a new tariff method since January 01, 2011. The work of JSC «Lenenergo» management was concentrated around a number of basic documents, among which there are the investment program of the Company and the business plan for 2011-2015, the Program of perspective development of the billing system of electric power on the retail market, plans on fulfilling liabilities for technological connection, as well as regulating pro-

cedures for risk management and internal control. One of the priority activities has been to increase the level of antiterrorist and anti-subversive security of objects of the power network infrastructure of the Company.

On behalf of the Board of Directors of JSC «Lenenergo», I express my sincere gratitude to the members of the Board of Directors and the Company's management for their harmonious and effective work directed at providing for the Company's interests. My words of special gratitude are directed to the Administrations of St. Petersburg and the Leningrad Region for constructive cooperation and a systematic approach to developing electricity network infrastructure in the interests of a qualitative and reliable electrical supply for consumers. I sincerely thank all of the Company's employees, whose professional and productive work contributes to stability and reliability of the functioning of all electricity network infrastructure of JSC «Lenenergo».

I am positive that by the 125-year anniversary of the Company in 2011 the staff will provide the further growth of production indicators and make a worthy contribution to the forward development of Russian electric grids.

Chairman of the Board of Directors
of JSC «Lenenergo»

Nikolay N. Shvets



Address of the director general to shareholders



Resolving these tasks will allow JSC “Lenenergo” to become one of the most effective and strongest regional grid companies of Russia.



Dear Shareholders!

JSC “Lenenergo”, being an interregional distribution grid company servicing St. Petersburg and the Leningrad Region, has set itself two general goals: reliable and qualitative power supply to consumers, and operative, non-discriminatory technological connection to networks.

Our main production objectives comprise improving the quality of operative, repair and overhaul servicing of equipment, a decrease in technological accidents in 6–110 kV networks, and a reduction in average duration of liquidation of technological infringements. The intellectual and technological potential of the Company allows intensifying the application of new technologies and technical solutions in the operation of production equipment, including the use of modern diagnostic tools.

Enhancement of corporate governance, business planning and budgeting, and accomplishing the tasks set by the Board of Directors all allowed the Company to achieve positive results in 2010. Net profit of

JSC “Lenenergo” amounted to RUR 3,805,591 thousand in 2010, which is 1.2 times greater than the indicator for 2009 (RUR 3,258,036 thousand). Furthermore, the volume of useful electricity output into JSC “Lenenergo” networks constituted 33,495 mln kWh 2010, including 21,244 mln kWh in St. Petersburg and 12,251 mln kWh in the Leningrad Region.

The total volume of trading of JSC “Lenenergo” shares on the MICEX stock exchange in 2010 amounted to RUR 458.951 mln, which is 211.62% greater than the indicator for 2009 (RUR 147.282 mln). The total volume of trading of JSC “Lenenergo” shares on the RTS stock exchange in 2010 constituted RUR 209.960 mln, which is 64.04% greater than the indicator for 2009 (RUR 127.993 mln).

The Company’s capitalization following 2010 results amounted to RUR 27,372 mln / USD 902 mln, which is 7.1% higher than in 2009 (RUR 25,571 mln / USD 845 mln).

JSC "Lenenergo" plans to invest over RUR 100 bln in the development of electric grids in the Northern capital and the Leningrad Region in 2011-2015. The investment program of the Company for 2011-2015 was developed in accordance with the Agreements between JSC "IDGC Holding", JSC "Lenenergo" and the Governments of St. Petersburg and the Leningrad Region on cooperation at implementing measures to ensure reliable electrical supply and create conditions for connection of consumers to electric networks.

JSC "Lenenergo" plans to construct fourteen new 110 kV substations in St. Petersburg, and to upgrade almost twenty power-suppliers by 2015, among which there are the 110 kV substation No.17 "Volkhov-Yuzhnaya", substation No.46 "Novorzhevskaya", substation No.195A, substation No.185 "Pushkin-Yuzhnaya", substation No.29 "Sosnovskaya", substation No.621A "Solnechnaya", substation No.13A, and substation No.11A. Implementation of these projects will enhance the reliability of electrical supply to consumers in the Northern capital, and will increase network capacity. We shall pay very special attention to reconstruction and renovation of cable lines to enhance reliability and to ensure the connection of new consumers. JSC "Lenenergo" will introduce over 2,650 km of transmission lines in St. Petersburg by 2015.

Implementation of the Program of prime measures of JSC "Lenenergo" in the Leningrad Region for 2011-2015 envisages construction of six new 35-110 kV substations, upgrading more than twenty-two power-suppliers, as well as renovating existing overhead and cable lines (110-35 kV) and lining new ones. We plan to introduce 267 MVA of transformer capacity in 2011 and over 580 km of transmission lines in the Leningrad Region. We are planning works under the new investment projects as follows: building the "Taitsey" substation (110 kV) in the Gatchina area, reconstruction of the "Manushkino" substation No.244 (110 kV) in the Vsevolzhsk area, "Ulyanovka" substation No.724 (35 kV) in the Tosno area and "Ryabovo" substation No.484 (110 kV) in Lomonosov. Furthermore, we plan to expand the glades of overhead transmission lines in the Gatchina, Vyborg, Lodeynoye Pole, Luga, Novaya Ladoga, Kingisepp, Vsevolzhsk and Tikhvin areas of the Leningrad Region. The programs of prime measures for preventing power shortages and increasing the reliability of power supply in the Leningrad Region will enhance stability of operations

of the power system and reliability of the power supply of consumers.

The key challenge of the Company is to meet obligations for technological connections to power networks on time. In 2010, JSC "Lenenergo" concluded 11,159 contracts for technological connection and issued 4,173 acts of technological connection (net of connection of generating capacities). For the first time in many years, the Company completely fulfilled its obligations for connection of budgetary objects provided for commissioning in 2010, the customer of which is the Construction Committee of St. Petersburg. On the basis of the geo-information system which is already functioning in the branch of JSC "Lenenergo" - "Cable network", it is planned to conduct automation of business processes for technological connection.

The system of long-term tariff regulation (RAB-regulation) to which the Company shifted on January 01, 2011, allows implementing a large-scale investment program which is extremely necessary for provision of a reliable and qualitative power supply to the region and connection of new consumers. The tariff for JSC "Lenenergo" is set for the period from 2011 up to 2015, thus enabling the Company to predict costs and revenues for several years ahead.

The Company will actively pursue, together with our major shareholder JSC "IDGC Holding" a search of ways to attract non-tariff sources of funding. Improving the efficiency of financial and economic activity of the Company will be conducted by implementing more efficient use of resources. A modern Company should be focused on minimum economically reasonable costs. Protected items of expenses should include wage costs, depreciation, repairs and taxes.

Resolving these tasks will allow JSC "Lenenergo" to become one of the most effective and strongest regional grid companies of Russia.

Director General of JSC "Lenenergo"



Andrey V. Sorochinskiy

Chapter 1

General information on the company

General information

Open Joint-Stock Company of Power Industry and Electrification “Lenenergo” is one of the largest distribution grid companies in Russia.

JSC “Lenenergo” was founded according to the Decrees of the President of the Russian Federation No.992 (as of August 14, 1992), No.923 (as of August 15, 1992), and No.1334 (dated November 05,1992), and registered by Decision of the Registration Chamber of the Administration of St. Petersburg dated January 22, 1993 No.2518. The Company is the legal successor of the State Enterprise of Power Industry and Electrification “Lenenergo”.

Main types of activity:

- » rendering services of electric power transmission and other services related to electric power supply to consumers;
- » technological connection to power consumption equipment (power stations) of legal entities and individuals to electric networks.

Tariffs for services rendered by the Company are established by State or regional regulators within the

frameworks of the decision approved by the Federal Tariff Service.

According to the Resolution of the Federal Energy Commission of Russia dated December 19, 1997 No.127/8 JSC “Lenenergo” is included in the Register of Subjects of Natural Economy regulated and controlled by the Government under Section I “Electric and (or) heat power transmission services”.

The management bodies of the Company are comprised of the General Meeting of Shareholders, the Board of Directors, the Management Board, and the Director General.

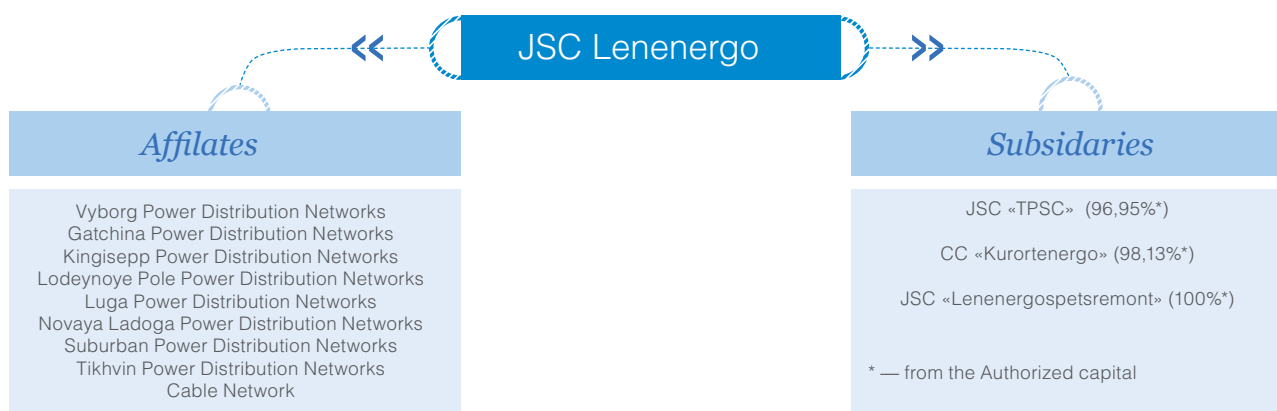
The Audit Commission and the Auditor perform control over the Company’s financial and economic activity.

The amount of payment of the Company’s Auditor for conducting the audit of the accounting reporting of the Company for 2010 is determined by Decision of the Board of Directors of the Company (Minutes No.1 dated July 20, 2010) and constitutes RUR 2,200,000, including VAT (18 %) —RUR 335,593.

The Auditor did not render any non-audit services to the Company in the reporting year.



As of December 31, 2010 JSC “Lenenergo” Group of Companies comprises the following branches and legal entities:



The organizational structure of JSC “Lenenergo” as of December 31, 2010 is given in Appendix 14.16.

At present, JSC “Lenenergo” serves a capacious market – the territory of St. -Petersburg and the Leningrad Region with a total area of 86,739 sq. km inhabited by 6,251 thousand people (4.4% of the total Russian population).

Competitive environment

The position of the grid company in the market of electric power transmission is primarily determined by the composition of power network facilities and its location on the territory of the region. For now, JSC “Lenenergo” is the largest network company in the region. In 2010, the share of electric power market in part of electric power transmission directly to consumers connected to the Company’s networks was estimated at 73.7% in St. Petersburg, and 64.4% in the Leningrad Region, considering those consumers connected to the networks of JSC “Lenenergo” indirectly through power installation of generating companies.

Currently, there exist three levels of grid companies in Russia, which were created following technological and administrative-territorial indications:

Level 1: federal grid company, which owns lines of 220 kV and higher. The company performs its activity on the whole territory of the Russian Federation, its branches are located in all regions of Russia.

Level 2: interregional distribution and other grid companies, which were formed following the reorganization of RAO UES. These companies own 110-0.4 kV networks and render services on electricity transmission on the territory of the region of their location.

Level 3: local grid companies, which own mainly 0.4-10 kV networks. These companies were mostly founded on the basis of wholesale entities – resellers or large industrial trades of consumers, which allocated electric power transmission into a separate type of activity.

JSC “Lenenergo” is among distribution companies of the second level, in other words a network company performing activity for electric power transmission via its own networks in territory of only two regions: St. Petersburg and Leningrad region.

Along with JSC “Lenenergo”, activities at connecting consumers on the territory of St. Petersburg and the Leningrad Region are performed by:

- » JSC “St. Petersburg Electric Networks”,
- » MES of the North-West - branch of JSC “FGC UES”,
- » JSC “Leningrad Regional Managing Electro Network Company” (JSC “LOESK”),
- » A number of adjacent network companies, whose spheres of responsibility are fixed by resolutions of the governments of the corresponding regions of the Russian Federation..

Regarding activity on technological connection, the competitive environment of JSC “Lenenergo” includes:

- » JSC “St. Petersburg Electric Networks” - on the territory of St. Petersburg,
- » JSC “Leningrad Regional Managing Electro Network Company” - on the territory of St. Petersburg.

Mission and strategy

The development strategy of JSC «Lenenergo» is aimed at securing reliable and stable electric power supply to consumers on the servicing area of St. Petersburg and the Leningrad Region.

In 2009, the Government of the Russian Federation approved Russia's Power Development Strategy for the period until 2030, on which the following strategic goals of the electricity distribution grid complex and JSC «IDGC Holding» are based:

- » increase in reliability and quality of services implemented;
- » increase in operating and investment efficiency;
- » increase in investment appeal;
- » increase in power efficiency and provision of innovative development;
- » increase in the availability of power network infrastructure;
- » development of human capital.



The Company's strategic goals, as well as tactical means in the key areas of its activity intended to secure the achievement of these goals, are listed below.



STRATEGIC GOALS OF JSC «LENENERGO»	TACTICAL MEANS INTENDED FOR IMPLEMENTATION OF JSC «LENENERGO» STRATEGIC GOALS
Securing a reliable and stable power supply within the area of responsibility of JSC «Lenenergo»: St. Petersburg and the Leningrad Region	Technical Policy <ol style="list-style-type: none"> 1. Optimization of processes for electric power transmission and technological connection; 2. Securing an uninterrupted and qualitative power supply; 3. Elimination of limitations on grid connection; 4. Creation of an efficient revenue metering system for registering the amounts of power supply and capacity.
Securing the operational efficiency of JSC «Lenenergo»	Financial Policy <ol style="list-style-type: none"> 1. Securing stable solvency and financial reliability; 2. Efficient use of funds and attracting financial resources on the most favorable conditions; 3. Efficient use of the new system of tariff regulation (RAB¹).
Creation and modernization of power industry facilities in St. Petersburg and the Leningrad Region	Corporate Policy <ol style="list-style-type: none"> 1. Increase in efficiency and transparency of corporate governance and enhancing informational openness; 2. Implementation of measures intended for the consolidation of network assets within the area of the Company's responsibility; 3. Measures which are supposed to increase the value of the Company's shares.
Increasing the investment appeal of JSC «Lenenergo»	Investment policy and innovations <ol style="list-style-type: none"> 1. Optimal use of investments; 2. Securing faster rates of the Company's development which meet and support the pace of development for the region set by the Governments of St. Petersburg and the Leningrad Region; 3. Developing and implementing the Company's innovative program.
	HR policy <ol style="list-style-type: none"> 1. Implementation of programs directed at developing personnel, including the Company's personnel reserve; 2. Attracting highly skilled personnel (within the limits of the state policy on innovative development of the industry); 3. Optimization of the structure and number of personnel; 4. Enhancement of systems of personnel motivation.

(1) - JSC «Lenenergo» switched to RAB-regulation from January 01, 2011

Corporate governance and securities of the company

Principles of corporate governance

JSC “Lenenergo” understands corporate governance to be a set of processes providing management and control of its activity and comprising relations between shareholders, the Board of Directors and the executive bodies of the Company in the interests of shareholders. The company considers corporate governance to be a means of increasing the efficiency of the Company’s activity, strengthening its reputation and decrease costs for attracting capital.

Corporate governance in the Company is based on the following principles:

Accountability. The accountability of the Company’s Board of Directors to all shareholders according to the applicable laws provides guidance to the Board of Directors in the course of development of strategy and performing management and control over the activity of executive bodies of JSC “Lenenergo”.

Fairness. The Company undertakes to protect the rights of shareholders and to ensure the equal treat-

ment of all shareholders. The Board of Directors provides all shareholders with the possibility of getting effective protection in case of infringement of their rights.

Responsibility. The Company acknowledges the rights of all stakeholders, which are envisaged by the current legislation of the Russian Federation, and strives for cooperation with such privies in view of its further development and enhancement of financial stability.

Transparency. The Company provides in due time disclosure of trustworthy information on all material facts concerning its activity, including on its financial position, social and environmental performance, results of its operating performance, structure of ownership and management of JSC “Lenenergo”, as well as an accessible approach to such information of all stakeholders.

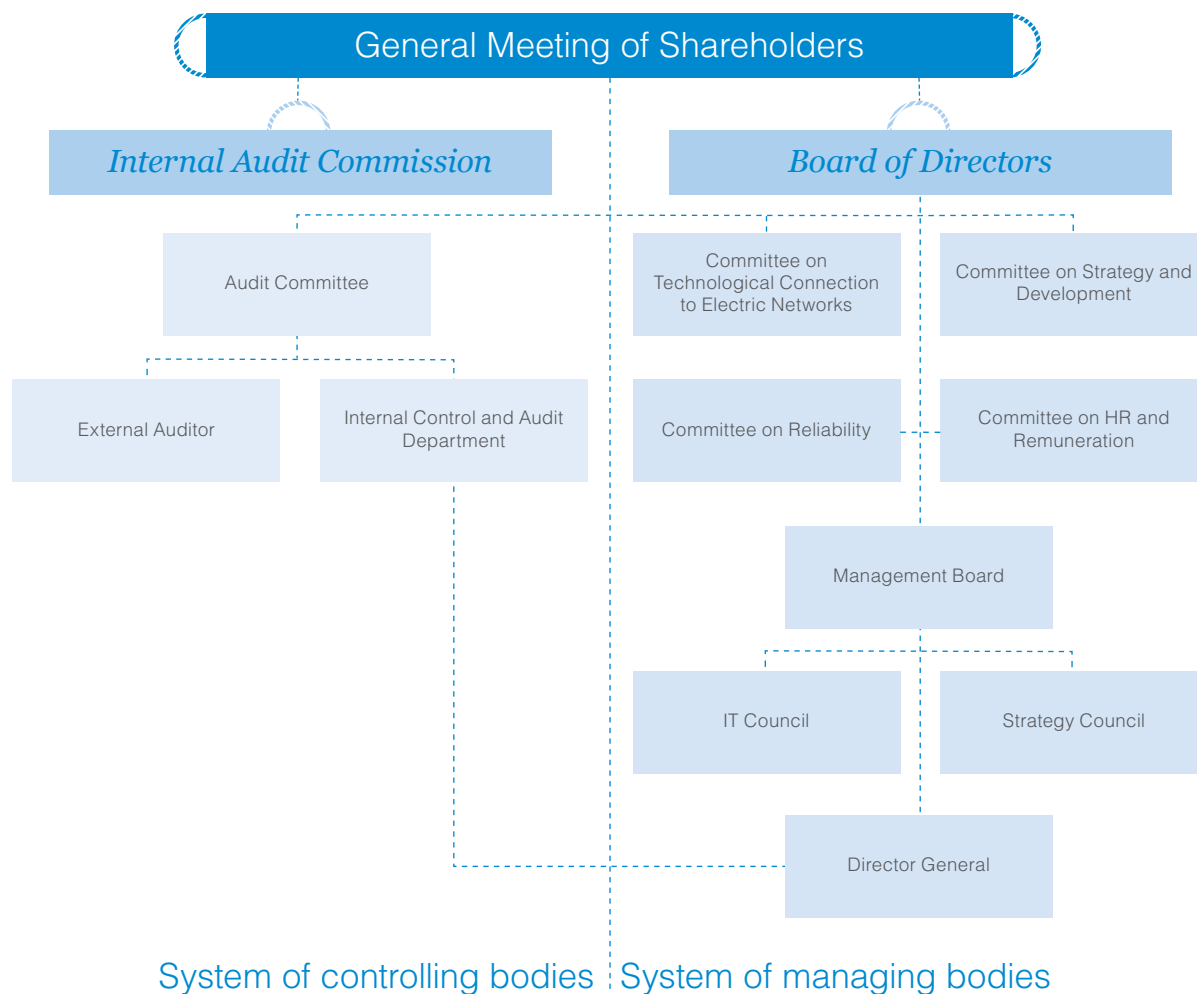
Information on the executive bodies of the Company



In accordance with item 9.1 of Article 9 of the Charter of JSC “Lenenergo”, the following bodies pertain to the executive bodies of the Company:



- » General Meeting of Shareholders;
- » Board of Directors;
- » Management Board (Collegial executive body);
- » Director General (Sole executive body).



General Meeting of Shareholders

The General Meeting of Shareholders is the supreme managing body of JSC «Lenenergo».

The Annual General Meeting of Shareholders of JSC «Lenenergo» was held on 21.06.2010 (Minutes No.1/2010 dated 21.06.2010).

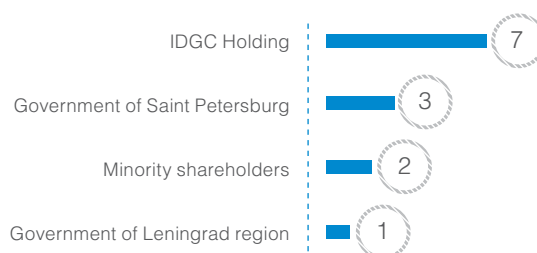
The Company did not hold any Extraordinary General Shareholder Meetings in 2010.

Board of Directors

The Board of Directors is the managing body of JSC «Lenenergo», which provides overall management of the company, and supervises the implementation of decisions of the General Meeting of Shareholders of JSC «Lenenergo» in accordance with the legislation of the Russian Federation.

In accordance with item 16.1 of Article 16 of the JSC «Lenenergo» Charter, the Board of Directors shall comprise 13 (thirteen) members. The members shall be elected by cumulative voting.

Period from 21.06.2010 up to 31.12.2010		
#	Full Name	Position
Chairman of the Board of Directors		
1	Nikolay Nikolayevich SHVETS	Director General of JSC "IDGC Holding"
Deputy Chairman of the Board of Directors		
2	Alexey Ivanovich SERGEEV	Vice-governor of St. Petersburg
Members of the Board of Directors		
3	Mikhail Viktorovich AZOVTSEV	Head of M&A Department of JSC "Integrated Energy Systems"
4	Grigory Viktorovich DVAS	Vice-governor of the Leningrad Region – Chairman of the Committee on economic development and investment activity
5	Alexey Vladimirovich DEMIDOV	Deputy Director General on economics and finance of JSC "IDGC Holding"
6	Alexey Valeryevich KUROCHKIN	Head of Department of corporate governance and interaction with shareholders of JSC "IDGC Holding"
7	Mikhail Eduardovich OSEYEVSKIY	Vice-Governor of St. Petersburg
8	Alexander Albertovich POPOV	Deputy Director General - Head of Office of JSC "IDGC Holding"
9	Remes Seppo Juha	Director General of LLC "Kiuru"
10	Oleg Borisovich TRISHKIN	Chairman of the Committee on power and engineering maintenance of the Government of St. Petersburg
11	Grigory Mikhailovich KHARENKO	Deputy Director General on Corporate Governance of JSC "Lenenergo"
12	Nikolay Grigoryevich SHULGINOV	First Deputy of the Chairman of the Management Board of JSC "SO UES"
13	Sergey Evgenyevich YURCHUK	Financial Director of JSC "IDGC Holding"



According to the decision of the Board of Directors dated 20.07.2010, Nikolay Nikolayevich Shvets, Director General of JSC "IDGC Holding", was elected Chairman of the JSC "Lenenergo" Board of Directors. Alexey Ivanovich Sergeev, Vice Governor of St. Petersburg, was elected Deputy Chairman of the Company's Board of Directors. Andrey Sergeevich Smolnikov, Head of the Corporate Governance Department of JSC "Lenenergo", was elected Corporate Secretary of JSC "Lenenergo".

The Company's Board of Directors performed all of its activities in 2010 in full compliance with the current

legislation of the Russian Federation, the Company's Charter, and the Regulations on the procedure of convocation and conduction of the meetings of the Board of Directors of JSC "Lenenergo" (approved by the Annual General Meeting of Shareholders on 26.06.2006, Minutes No.1 as of 11.07.2006).

The total amount of remuneration and compensation paid to the members of the Company's Board of Directors in 2010 constituted RUR 18,127.6 thousand, including taxes.

Committees of the Board of Directors

The main tasks of all Committees include preliminary discussion of the most important issues on the agenda scheduled for the meeting of the Board of Directors, leveling out of discrepancies between shareholders before the meeting, development of deliberate recommendations to the Board of Directors, and provision of effective performance of functions by the Board of Directors regarding the overall management of the Company.



Committee on Strategy and Development

- » Identification of strategic objectives of the Company;
- » Assessment of the Company's performance, etc.

Established in 2008



Committee on Reliability

- » Assessment of completeness and sufficiency of activities upon the results of accidents;
- » Monitoring and evaluation of technical Services of the Company;
- » Examination of the Investment program and plans for repair of power facilities, etc

Established in 2008

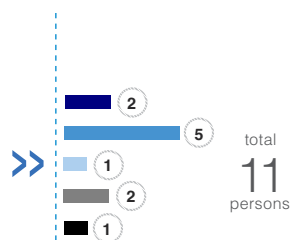
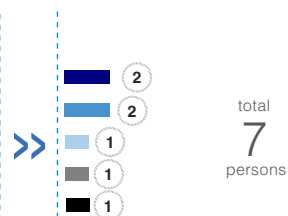
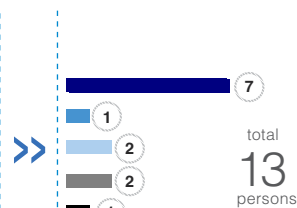


Committee on Technological Connection to Power Grids

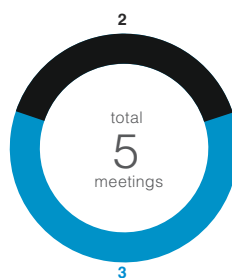
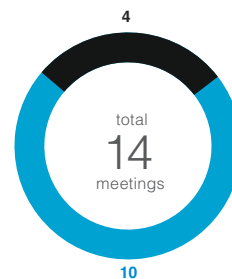
- » Developing proposals on working out and improving the Internal Instructions and Regulations on TC;
- » Analyzing the current situation of the Company as concerns TC;
- » Developing evaluation criteria and assessment of the Company's performance on TC, etc.

Established in 2008

Structure



Meetings





Audit Committee

- » Exercising control over conducting of the annual independent audit;
- » Evaluation of candidates for auditors of the Company (development of recommendations);
- » Analysis of the Company reporting and results of external audits;
- » Analysis and evaluation of internal control procedures, etc.

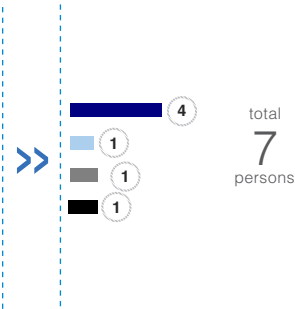
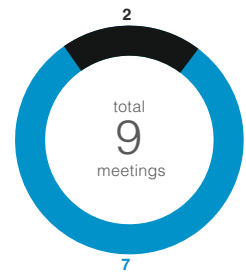
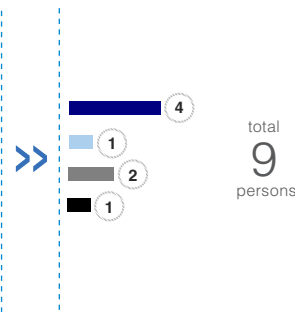
Established in 2009



Committee on HR and Remuneration

- » Developing guidelines and criteria for remuneration of members of the Board of Directors, the Management Board and Director General;
- » Determining essential conditions of contracts with members of the Management Board and Director General;
- » Evaluation of candidates for the post of Director General (defining criteria), etc.

Established in 2008



Structure

- IDGC Holding
- Lenenergo
- Government of SPB
- Minority Shareholders
- Government of Leningrad region

Meetings

- off-site
- on-site

Management Board

JSC “Lenenergo” Management Board is the collegial executive body of the Company performing powers from 11.07.2008 according to the Federal Law “On Joint-Stock Companies”, the Company’s Charter, and Regulations on the procedure for convocation and carrying out of the meetings of the Management Board of JSC “Lenenergo”.

The current members of the Management Board were elected by the Board of Directors of JSC “Lenenergo” on 11.07.2008 considering the re-election of 23.11.2009 and 19.10.2010.

According to the decision of the Board of Directors as of 11.07.2008 (Minutes No.1 dated 11.07.2008) the quantitative membership of the Management Board constitutes 7 (Seven) persons.

On 31.12.2010		
#	Full Name	Position
Chairman of the Management Board		
1	Andrey Valentinovich Sorochinskiy	Director General (since 31.07.2010)
Deputy Chairman of the Management Board		
2	Grigory Mikhailovich Kharenko	Deputy Director General on Corporate Governance
Members of the Management Board		
3	Vladimir Evgenyevich Farafonov	Deputy Director General – Technical Director
4	Sergey Valeryevich Nikolaev	Deputy Director General on Economy and Finance
5	Artem Yuryevich Petrov	Deputy Director General on Capital Construction and Logistics
6	Maksim Sergeevich Artemyev	Deputy Director General on Sales of Services
7	Vladimir Ivanovich Khrenov	Deputy Director General on HR and organizational planning

The work of the Management Board is organized by the Chairman of the Management Board - the Director General of the Company. During the period from the moment of election on 15.04.2008, the Director General of JSC "Lenenergo" Dmitry Vladislavovich Ryabov headed the Company Management Board.

From the moment of election on 31.07.2010, the Director General of JSC "Lenenergo", Andrey Valentinovich Sorochinskiy, heads the Company Management Board.

Councils of the Management Board

Councils were formed for the purpose of preliminary consideration of the most important issues of the competence of the Management Board, development reasonable recommendations to the Management Board

In 2010, 18 meetings of the Management Board of JSC "Lenenergo" were held, of which 5 meetings were conducted in the internal form, and 13 – in absentia, during which over 60 issues were considered.

The total volume of remuneration and compensation paid to the members of the Management Board of the Company in 2010 constituted RUR 1,187.9 thousand, including taxes.

and provisions of effective accomplishment by the Management Board of the Company of the functions of operative management of the Company's activity.

IT Council of the Management Board	Strategy Council of the Management Board
The main aim of the Council is the provision and increase in overall performance of the Company by means of introduction of modern information technology.	The main aim of the Council is the introduction of principles of strategic management in JSC "Lenenergo" and subsidiaries and dependent companies.

Director General of the Company

The management of Company's current activities is performed by the Sole Executive Body, i.e. the Director General.

In accordance with the Company's Charter, Federal Law "On Joint-Stock Companies" as of 26.12.1995 No.208-FZ, the competence of the General Director of the Company includes all issues related to the management of the Company's current activities, except for any issues falling within the competence of the

General Meeting of Shareholders, the Board of Directors, or the Management Board of the Company

The Director General is elected by the Company's Board of Directors. The decision of the Board of Directors as of 30.07.2010 (Minutes No.2 as of 30.07.2010) terminated the powers of the Director General of JSC "Lenenergo" Dmitry Vladislavovich Ryabov, and elected Andrey Valentinovich Sorochinskiy as Director General of the Company.



General information on the Director General of JSC "Lenenergo"



Full Name	Andrey Valentinovich Sorochinskiy
Birth year. Nationality	1975. Russian Federation
Education	Higher: St. Petersburg State University, 1997 North-West Academy of State Service, 2007 PhD in Economics
Positions within 5 last years	Period: 2010 – present Company: JSC "Lenenergo" Position: Director General Period: 2004 – 2010 Committee on P and Engineering of the Government of St. Petersburg Position: Deputy Chairman
Share in the authorized capital of the Company	None
Positions in other organizations	Chairman of the Board of Directors : JSC "Tsarskoselskaya Power Company" JSC "Kurortenergo"

The compensation to the General Director is defined by the Employment Contract and the Regulations on financial stimulation approved by the Company's Board of Directors (Minutes No.21 of 11.04.2008).

The payment of awards to the General Director of the Company depends on the compliance with the Key Performance Indicators (KPI) determined by the Company's Board of Directors for accounting periods (quarter and year).

Information on controlling bodies

According to item 9.2 of Article 9 of the Charter of JSC "Lenenergo", the body of the control of financial and economic activity of the Company is the Internal Audit Commission.

Internal Audit Commission of the Company

The Internal Audit Commission of JSC "Lenenergo" is a constantly acting body of internal control of the Company, and is independent on the functionaries of the management and executive bodies of the Company, and performs its duties as stipulated by the Federal Law of the Russian Federation "On Joint-Stock Companies", the Company's Charter and the Regulations on the Internal Audit Commission of JSC "Lenenergo" approved by the General Meeting of Shareholders of the Company on 23.05.2002 (Minutes No. 1).

According to the Charter of the Company, the Internal Audit Commission is elected by the General Meeting of Shareholders in the number of 5 (five) persons for the term of one year (before the date of the next Annual General Meeting of Shareholders).



Members of the Internal Audit Commission of the Company



On 31.12.2010		
#	Full Name	Position
1.	Izumrud Aligadzhievna ALIMURADOVA	The director for internal audit and management of risks of JSC "IDGC Holding"
2.	Vladimir Nikolayevich ARHIPOV	Head of the Department for Security of JSC "IDGC Holding"
3.	Denis Lvovich GURYANOV	Head of the Department for corporate governance and interactions with shareholders of JSC "IDGC Holding"
4.	Lyudmila Dmitrievna KORMUSHKINA	Head of the division on arrangement and conducting of audits of the Department for Internal Audit of JSC "IDGC Holding"
5.	Galina Ivanovna MESHALOVA	Head expert of the Division of Investment Activity Control of the Department for Internal Audit of JSC "IDGC Holding"

The current members of the Internal Audit Commission were elected on 21.06.2009 by the decision of the Annual General Meeting of Shareholders (Minutes No. 1/2010 as of 21.06.2010).

The total amount of compensation and remuneration paid to the members of the Internal Audit Commission including involved specialists in 2010 amounted to RUR 632.6 thousand including taxes.

Subsidiaries and dependent companies

Subsidiaries

Full Name	Closed Joint-Stock Company "Lenenergospetsremont"
Abbreviation	JSC "Lenenergospetsremont"
Stock of JSC "Lenenergo" in the authorized capital of the Company	100%
Full Name	JOINT-STOCK COMPANY "Tsarskoselskaya Power Supplying Company"
Abbreviation	JSC "TPSC"
Stock of JSC "Lenenergo" in the authorized capital of the Company	96,95%
Full Name	Закрытое акционерное общество «Курортэнерго»
Abbreviation	CC "Kurortenergo"
Stock of JSC "Lenenergo" in the authorized capital of the Company	98,13%

Dependent companies

Full Name	Joint-Stock Company "Energouchet"
Abbreviation	JSC "Energouchet"
Stock of JSC "Lenenergo" in the authorized capital of the Company	40%

Authorized capital. Share capital structure

The Company's Authorized capital is RUR 1,019,285,990.04 as of 31.12.2010, and is divided into 926,021,679.04 ordinary shares with a par value of RUR 1 each and 93,264,311 preferred shares with a par value of RUR 1 each

Brief History of the Company's Issuing Activity	State Registration Number	Number of shares, pcs.
First issue:	72-1p-191	2,951,852
<p>The shares were issued in connection with the privatization of the Company by virtue of Decree No.923 as of 15.08.1992 of the President of the Russian Federation. The issue was registered by the Financial Committee of St. Petersburg Mayor's office on 01.02.1993. Par value: RUR 1,000 (before denomination). Minutes on the results of the issue were officially registered on 06.09.1999. Including:</p>		
Ordinary shares		2,519,852
Preferred shares		432,000
Additional issue (1):	72-1-2367	894,411,156
<p>The issue was registered by the Economical and Financial Committee of St. Petersburg on 29.09.1995. Par value of each security of the issue: RUR 1,000 (before denomination). Minutes on the results of the issue were officially registered on 09.08.1999. Including:</p>		
Ordinary registered shares		763,515,156
A-type preferred shares		130,896,000
Consolidation of issues		
<p>The issues were merged by the Decree of the Financial Committee No.03-1269/r as of 27.06.2003. Par value of each security of the issue: RUR 1. The size of Charter capital decreased as a result of the redemption of shares according to the decision of the General Meeting of Shareholders on the reorganization, held on 08.04.2005 (Minutes on results of the redemption as of 01.08.2005): repayment of a part of ordinary shares by redemption from the shareholders quantity of securities is reduced by 74 180 864 pieces; repayment of a part of preferred shares by redemption from shareholders, quantity of securities is reduced by 38,063,689 pieces; Following the results of the redemption of shares the Charter capital structure corresponds to:</p>		
Ordinary registered shares	1-01-00073-A	691,854,144
A-type preferred shares	2-01-00073-A	93,264,311

Brief History of the Company's Issuing Activity	State Registration Number	Number of shares, pcs.
Additional issue (2)*	1-01-00073-A-001D	234,167,535.04
The issue was registered by the Federal Service for Financial Markets of the Russian Federation on 25.10.2007. Par value of each security of the issue: RUR 1. Minutes on the results of the issue were officially registered on 12.12.2008.		
Cancellation of issues		
Notification of the FSFM of Russia as of 01.04.2009 No.09-EK-03/6679 performed cancellation of the individual number (code) of additional issue of securities. Par value of each security of the issue: RUR 1. At the current moment there is a uniform registration number (No. - 1-01-0073-A) on a share issue, on the expiration of 3 months from the moment of the state registration of Minutes on results of additional issue of ordinary registered shares of JSC "Lenenergo" cancellation of the individual number of additional issue - 001D (GRN – 1-01-0073-A-001D) was performed.		

* - The additional issue of JSC "Lenenergo" was aimed at creation of a unified grid company in St. Petersburg with a higher technological and economic reliability on the basis of uninterrupted and interconnected network equipment

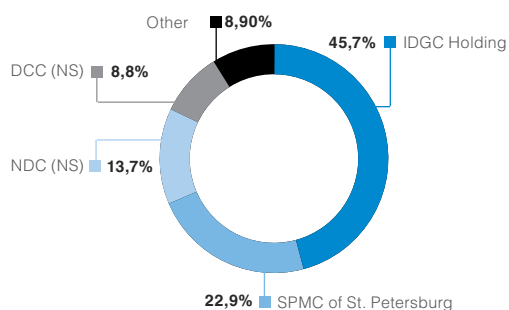
Share capital structure

Information on Shareholders as of 31.12.2010	Number of Shareholders	% from Authorized capital
Nominal shareholders	13	74.26
Corporate shareholders	38	23.03
Individual shareholders	6 476	2.69
Pledge holders	1	0
Shares in joint share possession	45	0.02
TOTAL, number of persons in the register of shareholders	6 174	100.00

Major shareholders of JSC "Lenenergo" in 2009

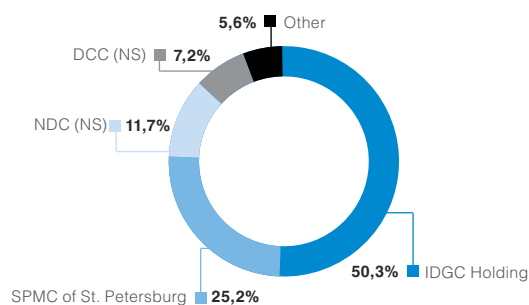
Share capital structure,

% from authorized capital as of 31.12.2009



Share capital structure,

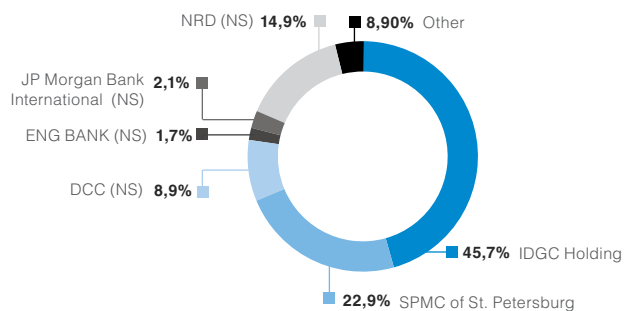
% from ordinary shares as of 31.12.2009



Major shareholders of JSC "Lenenergo" in 2010

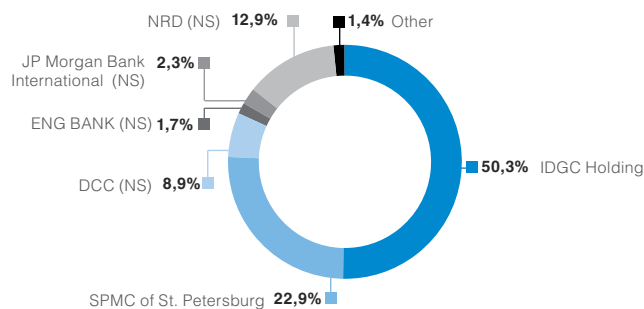
Share capital structure,

% from authorized capital as of 31.12.2010



Share capital structure,

% from ordinary shares as of 31.12.2011





Structure of share capital as of 31.12.2010, over 1%:



Name of Shareholder	Share from Authorized capital as of 31.12.2010	Portion of ordinary shares as of 31.12.2010
IDGC Holding	45.7 %	50.3 %
Federal City of St. Petersburg, represented by the State Property Management Committee (SPMC)	22.9 %	25.2 %
NRD (Nominal Shareholder)	14.9 %	12.9 %
DCC (Nominal Shareholder)	8.9 %	6.3 %
JP Morgan Bank International (Nominal Shareholder)	2.1 %	2.3 %
ENG BANK (Eurasia) (Nominal Shareholder)	1.7 %	1.6 %
Other	3.8 %	1.4 %
TOTAL	100.0 %	100.0 %

Securities. Capitalization. Indicators of 2010

JSC «Lenenergo» was one of the first distribution grid companies to perform the procedure of listing of its shares at the MICEX and RTS Stock Exchanges.

Historical Overview (Quotation of shares at MICEX and RTS Stock Exchanges)	Event (date)
RTS Stock Exchange	
Ordinary shares	
Start of trades	01.09.1995
Included in Quotation List B	25.12.2007
Included in Quotation List A2	02.02.2009
Preferred shares	
Start of trades	19.09.1996
Included in Quotation List B	25.12.2007
Included in Quotation List A2	02.02.2009
MICEX Stock Exchange	
Ordinary shares / Preferred shares	
Start of trades	16.07.2003
Included in Non-listed securities of MICEX Stock Exchange	31.12.2004
Included in Quotation List B	27.12.2007

JSC «Lenenergo» shares were admitted for trade at the RTS and MICEX Stock Exchanges without a listing procedure up to December 2007.

JSC «Lenenergo» was the first among Russian electric grid companies with its shares to be included into Quotation List A2.

Name	Ticker	RTS	MICEX
Ordinary shares	LSNG/LSNGG	926,021,679 and 4/100	926,021,679 and 4/100
A-type preferred shares	LSNGP/LSNGPG	93,264,311	93,264,311
Start of trades (Ord./Pref.)		23.11.2004	16.07.2003

With a view of compliance with the requirements of stock exchanges on maintenance of shares in Quotation lists B and A2, JSC «Lenenergo» constantly per-

forms monitoring of trades of the Company's shares at stock exchanges, interaction with the Market-maker of the Company, RTS and MICEX Stock Exchanges.

Global Depository Receipts



At present, the Company participates in four Global Depository Receipt programs:



No.	Type of Security	Program	Date of Start	Ratio	Number of receipts
1	Ordinary shares	144A	24.10.2008	1:10	0 pcs.
2	Preferred shares	144A	28.10.2008	1:10	0 pcs.
3	Ordinary shares	Reg S	24.10.2008	1:10	7,496 pcs.
4	Preferred shares	Reg S	28.10.2008	1:10	0 pcs.

Depository bank – The Bank of New York Mellon

Bonds

Non-convertible certified interest 02 series bonds payable to bearer with obligatory centralized custody.

Type, category, form	Number, pcs.	Par Value, RUR	Registration Date	State Number	Series	Redemption period
Bonds payable to bearer, certified	3,000,000	1,000.00	14.11.2006	4-02-00073-A	02	27.01.2012

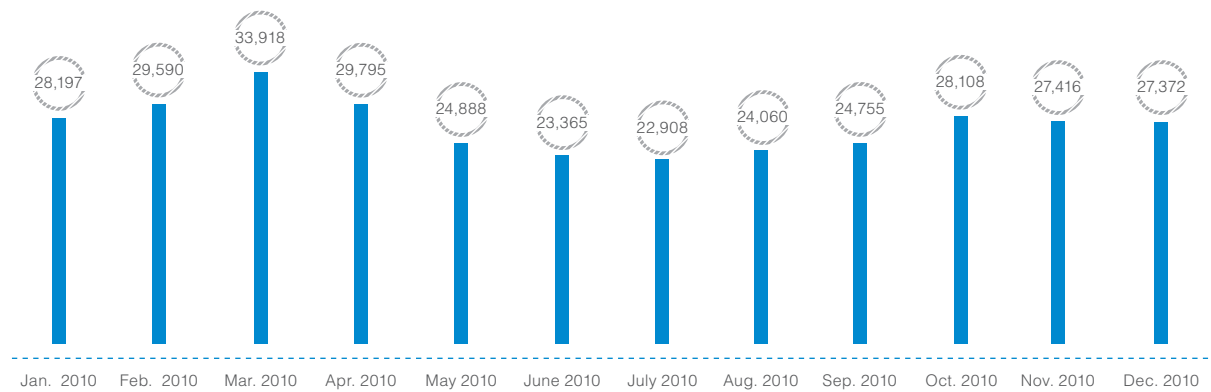
Non-convertible certified interest 03 series bonds payable to bearer with obligatory centralized custody.

Type, category, form	Number, pcs.	Par Value, RUR	Registration Date	State Number	Series	Redemption period
Bonds payable to bearer, certified	3,000,000	1,000.00	27.03.2007	4-03-00073-A	03	18.04.2012

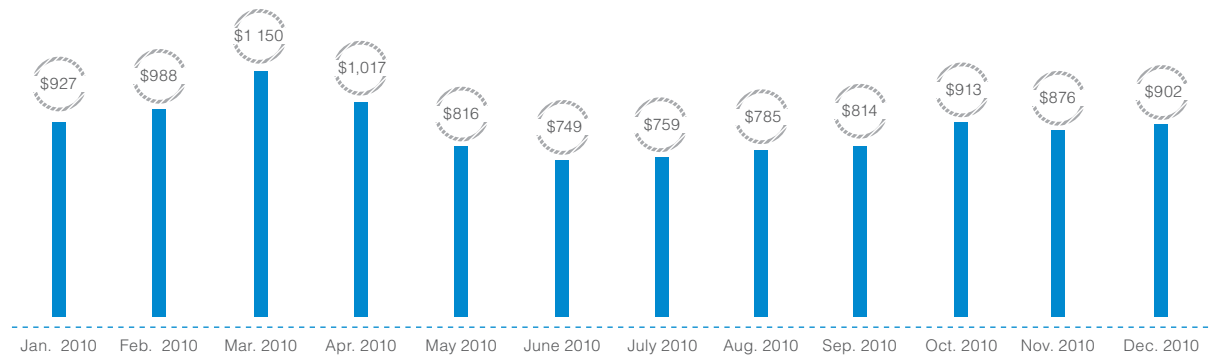
Капитализация Общества на торговых площадках фондовых бирж

Stock Exchange (Capitalization)	2008	2009	2010	Growth, %
MICEX, RUR mln	12,434	25,571	27,372	107.0
RTS, RUR mln	11,739	25,703	27,516	107.1

Capitalization of JV “Lenergo”, RUR mln.* January - December 2010



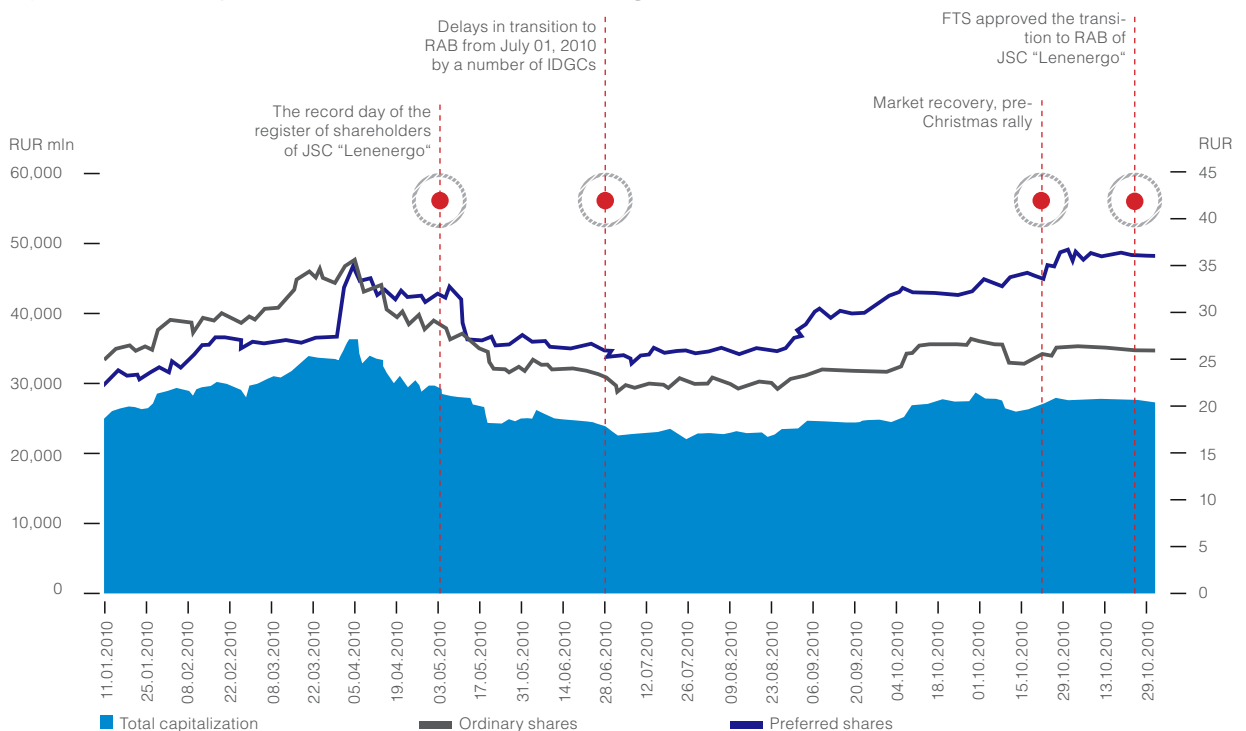
Capitalization of JV “Lenergo”, USD mln.* January - December 2010



* - Calculation of capitalization is performed at the average price on the MICEX Stock Exchange

** - on a Central Bank of the Russian Federation rate for the last trading date of the month

Dynamics of quotations of JSC “Lenenergo” securities



Profit distribution and dividend policy



The profit distribution in accordance with the decisions of the General Shareholder Meetings over the past three years is given in the table below:



Type of income	2007 (AGMS 2008)	2008 (AGMS 2009)	2009 (AGMS 2010)	Growth, 2010/2009
Unallotted profit, RUR thsd	916,067	1,539,618	3,258,036	111.6%
Reserve Fund, RUR thsd	0	18,289	0	-100.0%
Savings Fund, RUR thsd	824,460	1,367,368	2,932,233	114.4%
Dividends, RUR thsd	91,607	153,962	325,804	111.6%
Other purposes, RUR thsd	0	0	0	-

Dividend history of the Company for the past 3 years.
Plan of dividend payments for 2010

Type of income	Dividends for 2007 (AGMS 2008)	Dividends for 2008 (AGMS 2009)	Dividends for 2009 (AGMS 2010)	Growth, 2010/2009	Dividends for 2010 (plan)
Per one ordinary share, RUR	0.00	0.00	0.00	-	0.00
Per one preferred share, RUR	0.98	1.65	3.49	111.6%	4.08

Information on the sums of added dividends

Type of income	Dividends for 2007 (AGMS 2008)	Dividends for 2008 (AGMS 2009)	Dividends for 2009 (AGMS 2010)	Growth, 2010/2009
Ordinary shares, RUR thsd	0.00	0.00	0.00	-
Preferred shares, RUR thsd	91,606.68	153,961.83	325,803.63	111.6%

Chapter 3

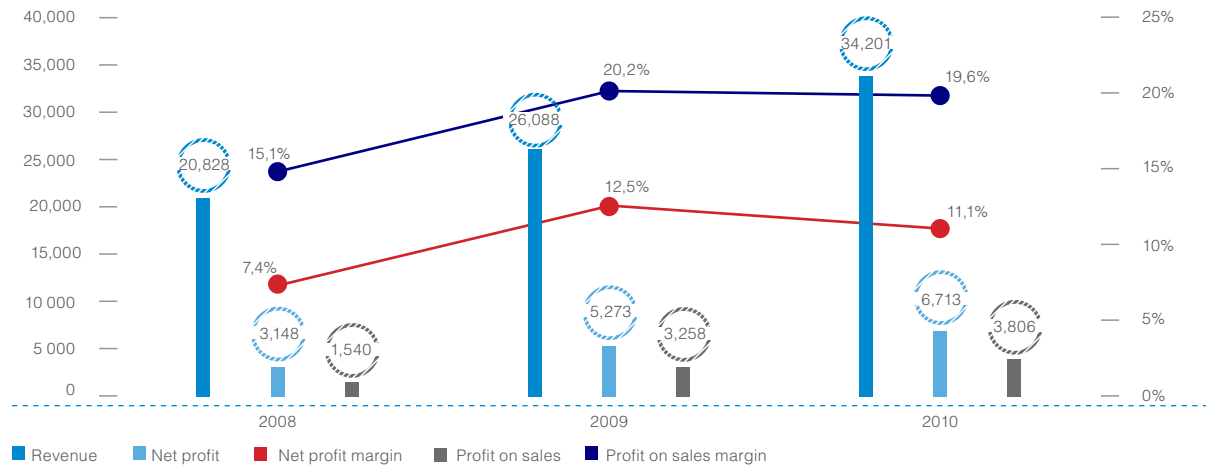
Key financial indicators of the Company



The key financial and economic indicators of JSC “Lenenergo” in dynamics for the three years from 2008 up to 2010 are given in the diagram:



Key financial indicators of the Company for 2008-2010



Financial and economic performance of JSC “Lenenergo” for 2010 as compared to 2009 is characterized by the following trends:

- » increase in sales volumes;
- » increase in profit on sales;
- » increase in net profit.

Parameters of RAB-regulation for 2011-2015

The legal and regulatory base in part of regulation of the activity on electric power transmission under the method of return on investment capital:

- » Order of the FTS of Russia as of 26.06.2008 No.231/e “On approval of Methodical instructions on regulation of tariffs of the companies rendering services in electric power transmission, with application of the method of return on investment capital”;
- » Order of the FTS of Russia as of 18.08.2008 No.183-e/1 “On approval of the Order of endorsement by the Federal Tariff Service of the offers of executive authorities of subjects of the Russian Federation in the field of tariff regulation, concerning transition to regulation of tariffs with application of the method of return on investment capital, and decisions on prolongation of the validity period of the first three-year long-term period of regulation”.

Definition and advantages of the method of return on investment capital

RAB (Regulatory Asset Base) is a system of long-term tariff setting whose main objective is the attraction of investments aimed at expansion and modernization of infrastructure.

According to the Federal law of the Russian Federation as of 23.11.2009 No.261-FZ "On energy saving and on power efficiency increase, and on modification of separate legal acts of the Russian Federation" and the Order of the Government of the Russian Federation as of 19.01.2010 No.30-r, JSC "Lenenergo"

after the endorsement of the Federal Tariff Service, performed the transition to regulation of tariffs for electric power transmission in the form of establishment of long-term tariffs on the basis of the method of return on investment capital from 01.01.2011 (the Order of the FTS of Russia No.487-e/4 as of 28.12.2010).

The regional tariff regulatory bodies established long-term parameters of RAB-regulation for 2011-2015 for JSC "Lenenergo" (the Order of the Committee on Tariffs of St. Petersburg as of 29.12.2010 No.377-r in the version of Orders of CT SPB as of 04.02.2011, the Order of the Committee on Tariffs and Price Policy of the Leningrad Region as of 28.12.2010 No.291-p).

Parameters of RAB-regulation

RUR mln			
Indicator	St. Petersburg	Leningrad region	JSC "Lenenergo"
Size of investment capital (residual) as of 01.01.2011	53,290	25,267	78,557
Size of capital costs considered at tariff regulation (CapEx), 2011-2015	52,062	17,331	69,393
Rate of return on investment capital – old capital, %			
2011	6%	6%	6%
2012	9%	9%	9%
2013, and further	11%	11%	11%
Rate of return on investment capital – new capital, %			
2011	12%	12%	12%
2012	12%	12%	12%
2013, and further	11%	11%	11%
Term of return of investment capital, years	35	35	35

Balance sheet

Balance currency (i.e. the sum of assets at the Company's disposal) at the end of 2010 constituted RUR 88,700 mln. In comparison with the balance sheet as of 31.12.2009, the total sum of property of the Company and sources of its forming increased by RUR 5,916 mln (7.1%). The principal causes of changes in the balance sheet are as follows:

- » Accomplishment of the investment program of the Company;
- » Reception of JSC "Lenenergo" following the results of 2010 of net profit.

As JSC "Lenenergo" is an enterprise related to capital-intensive industry, the structure of liabilities of the balance sheet of the Company is characterized by a great volume of borrowed funds, and non-current assets prevail in the asset structure.

As of 31.12.2010, the balance sheet of the Company is characterized by the following peculiarities:

- » High share of non-current assets – 87.3% of balance currency;
- » High share of accounts receivable – 10.8% of balance currency, or 85.0% of current assets;
- » Considerable volume of loans and credits – 16.6% of balance currency, 39.9% of total liabilities of the Company.

Line	Line code	31.12.2009 Fact	Share in balance currency (BC), %	31.12.2010 Fact	Share in balance currency (BC), %	Changes relative to 31.12.09 (+,-)		
						Sum	%	By share in BC
(1)	(2)	(3)	(4)	(5)	(6)	(7)=(5)-(3)	(8)=(7)/(3)	(9)=(6)- (4)
ASSETS								
Non-current assets								
Intangible assets	110	105	0.1%	145	0.2%	40	37.9%	0.0%
Fixed assets	120	53,116	64.2%	61,616	69.5%	8,499	16.0%	5.3%
Construction in progress	130	12,483	15.1%	14,484	16.3%	2,001	16.0%	1.3%
Long-term financial investments	140	579	0.7%	946	1.1%	367	63.5%	0.4%
Deferred tax assets	145	163	0.2%	206	0.2%	43	26.3%	0.0%
Total for Section I	190	66,447	80.3%	77,398	87.3%	10,951	16.5%	7.0%
Current assets								
Inventories	210	1,408	1.7%	1,108	1.2%	-300	-21.3%	-0.5%
Value-added tax	220	284	0.3%	256	0.3%	-27	-9.6%	-0.1%
Accounts receivable (over 12 months)	230	1,270	1.5%	1,098	1.2%	-172	-13.5%	-0.3%
Accounts receivable (less than 12 months)	240	10,794	13.0%	8,512	9.6%	-2,282	-21.1%	-3.4%
Short-term financial investments	250	100	0.1%	0	0.0%	-100	-100.0%	-0.1%
Monetary funds	260	2,483	3.0%	329	0.4%	-2,154	-86.8%	-2.6%
Total for Section II	290	16,337	19.7%	11,303	12.7%	-5,034	-30.8%	-7.0%
Balance (sum of lines 190+290)	300	82,784	100.0%	88,700	100.0%	5,916	7.1%	0.0%
LIABILITIES								
Capital and Reserves								
Authorized capital	410	1,019	1.2%	1,019	1.1%	0	0.0%	-0.1%
Additional capital	420	40,897	49.4%	40,469	45.6%	-428	-1.0%	-3.8%
Reserve capital	430	153	0.2%	153	0.2%	0	0.0%	0.0%
Financial result of past years	460+465	3,016	3.6%	6,313	7.1%	3,296	109.3%	3.5%
Financial result of fiscal year	470+475	3,258	3.9%	3,806	4.3%	548	16.8%	0.4%
Total for Section III	490	48,344	58.4%	51,759	58.4%	3,415	7.1%	0.0%
Long-term liabilities								
Loans and credits	510	13,900	16.8%	13,562	15.3%	-338	-2.4%	-1.5%
Deferred tax liabilities	515	790	1.0%	1,050	1.2%	260	32.9%	0.2%
Other long-term liabilities	520	223	0.3%	149	0.2%	-74	-33.3%	-0.1%
Total for Section IV	590	14,913	18.0%	14,760	16.6%	-153	-1.0%	-1.4%
Short-term liabilities								
Loans and credits	610	246	0.3%	1,172	1.3%	925	375.5%	1.0%
Accounts payable	620	19,133	23.1%	20,836	23.5%	1,703	8.9%	0.4%
Deferred income	640	146	0.2%	137	0.2%	-9	-6.1%	0.0%
Reserves of future expenses	650	0.52	0.0%	35.30	0.0%	34.78	6685.5%	0.0%
Total for Section V	690	19,527	23.6%	22,181	25.0%	2,654	13.6%	1.4%
Balance (sum of lines 490+590+690)	700	82,784	100.0%	88,700	100.0%	5,916	7.1%	0.0%

Net assets

RUR mln

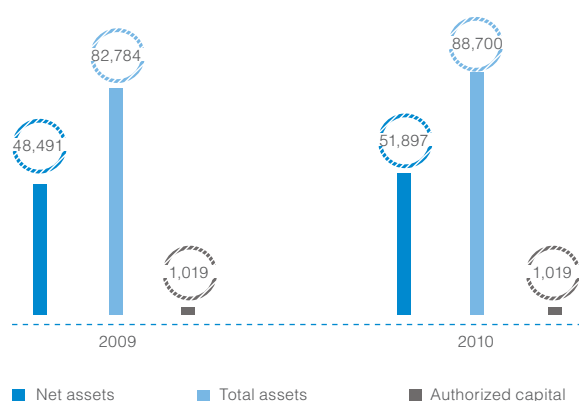
Indicator	31.12.2008	31.12.2009	31.12.2010	Growth
Net assets, RUR mln	45,314	48,491	51,897	7.0%
Total assets, RUR mln	76,688	82,784	88,700	7.1%
Authorized capital, RUR mln	1,019	1,019	1,019	0.0%

The growth of net assets in the reporting period by RUR 3,406 mln in comparison with the balance sheet data as of 31.12.2009 is mainly caused by reception of net profit by JSC "Lenenergo" following the results of the fiscal year. Essential (in 51 times) excess of net

assets over authorized capital completely meets the requirements of normative acts¹ to the size of net assets of the organization, and it can be regarded as a major factor of stability of the financial position of the Company under modern conditions and in the future.

Dynamics of net assets and total assets,

RUR mln



Indicators of the Profit and Loss Statement



Following the results of financial and economic activity of JSC "Lenenergo" in 2010 the following financial results were reached:



RUR mln

Indicator	Line code	2008	2009	2010	Growth 2010/2009
Revenue (net)	010	20,828	26,088	34,201	31.1%
Cost of goods sold (COGS)	020	-17,680	-20,815	-27,488	32.1%
Profit (loss) from sale	050	3,148	5,273	6,713	27.3%
Interest receivable	060	378	35	63	79.9%
Interest payable	070	-722	-773	-938	21.3%
Profit from participation in other organizations	080	26	16	25	56.1%
Miscellaneous incomes	090	427	1,930	1,496	-22.5%
Miscellaneous expenses	100	-973	-2,395	-2,076	-13.3%
Profit (loss) before taxation	140	2,284	4,086	5,282	29.3%
Deferred tax assets	141	37	16	43	161.7%
Deferred tax liabilities	142	-92	-80	-260	224.7%
Profit tax	150	-690	-764	-1,260	64.8%
Other similar payments		0	0	0	-
Total profit tax and other payments		-745	-828	-1,477	78.4%
Net profit (loss) of the reporting period	190	1,540	3,258	3,806	16.8%

(1) Item 35 of the Federal Law "On joint stock companies" as of 26.12.1995 No.208-FZ.

Revenue

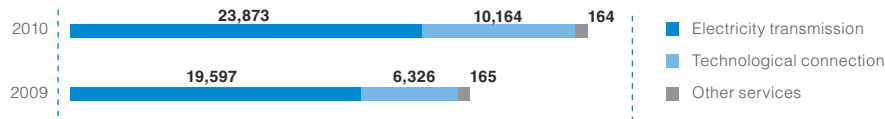
«» JSC «Lenenergo» revenue in 2010 constituted RUR 34,201 mln (the growth of 31.1% to the level of 2009).



RUR mln

Revenue	2009	Share in revenue	2010	Share in revenue
Revenue, total, including:	26,088	100.0%	34,201	100.0%
From electric power transmission on networks	19,597	75.1%	23,873	69.8%
From technological connection	6,326	24.2%	10,164	29.7%
Other services	165	0.6%	164	0.5%

Sales of services in 2009-2010, RUR mln



Cost of goods sold (COGS)

Cost of goods sold of JSC «Lenenergo» in 2010 constituted RUR 27,488 mln (+32.1% to the level of 2009).

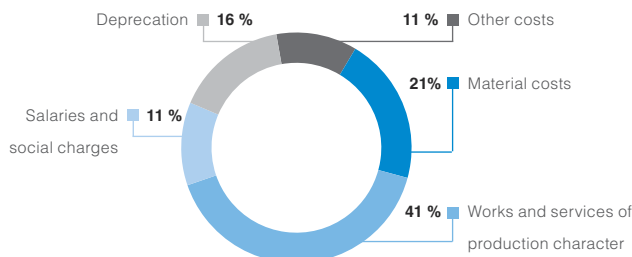
COGS, total	2009	Share in total sum	2010	Share in total sum
COGS, total	20,815	100.0%	27,488	100.0%
Network services, including:	20,670	99.3%	27,417	99.7%
Electric power transmission	19,301	92.7%	26,112	95.0%
Technological connection	1,369	6.6%	1,305	4.7%
Other services	145	0.7%	71	0.3%

«» The structure and dynamics of total cost of goods sold of JSC «Lenenergo» for 2009 and 2010 is presented in the table and charts:

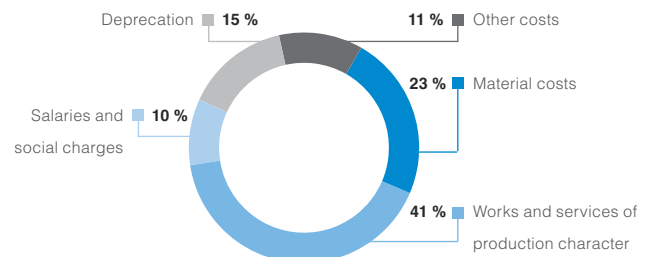


COGS, total	2009	Share in total sum	2010	Share in total sum
COGS, total	20,815	100.0%	27,488	100.0%
Material costs	4,334	20.8%	6,300	22.9%
Works and services of production character	8,468	40.7%	11,313	41.2%
Salaries and social charges	2,374	11.4%	2,643	9.6%
Depreciation	3,330	16.0%	4,135	15.0%
Other costs	2,309	11.1%	3,098	11.3%

COGS structure for 2009



COGS structure for 2010



Profit before taxation, profit tax

RUR mln

Period	Total profit	Balance of miscellaneous incomes and expenses	Profit before taxation	Profit tax and other similar payments	Net profit
1	2	3	4=2+3	5	6=4+5
2009	5,273	-1,187	4,086	-828	3,258
2010	6,713	-1,430	5,282	-1,477	3,806
Change	1,440	-243	1,196	-649	548

Profitability indicators

Profitability indicators	Formula	2008	2009	2010
Return on sales (ROS)	050 (f.2)/010 (f.2)	15.11%	20.21%	19.63%
Return on total assets (ROTA)	190 (f.2) / 300 (f.1)	2.01%	3.94%	4.29%
Return on equity (ROE) ¹	190 (f.2) corrected/ 490 on the beginning (f.1)	4.35%	6.37%	7.80%
Return on capital	190 (f.2) / (490-450+640) (f.1)	3.40%	6.72%	7.33%

Chapter 4

Investment activity.

Investment program parameters

Actual disbursement of capital investments for the reporting period amounted to RUR 15,813 mln.

Dynamics of basic indicators of the investment program in 2009-2010

JSC "Lenenergo"	Disbursement	Commissioning of fixed assets	Funding	Commissioning of capacities		Capacity gain	
	RUR mln, net of VAT	RUR mln	RUR mln, including VAT	MVA	km	MVA	km
net of VAT	net of VAT	RUR mln	RUR mln,	832	669	619	430
including VAT	including VAT	MVA	km	MVA	km	863	1 091
2009	10,334	10,062	12,321	832	669	619	430
2010	15,813	13,750	16,428	932	1,508	863	1,091
Growth rate	153%	137%	133%	112%	225%	139%	254%

Capital investments, RUR mln, net of VAT



(1) Calculation of actual ROE for 2008-2010 is produced according to the technique regulated by the Standard of business planning of the Company. For calculation of ROE the corrected indicator of Net profit is used.

In comparison with 2009, the volume of capital investments in 2010 increased by RUR 5,479 mln, with growth amounting to 53%.

The increase in parameters of the investment program of 2010 in relation to 2009 is associated:

- » with implementation of the program of connection of objects of JSC “Gazprom Invest West” by RUR 1,288 mln;
- » with the increase in works on technological connection of subscribers to distribution networks of 0.4-10 kV by RUR 1,006 mln;

- » with the increase in volumes under property contracts on technological connection by RUR 1,916 mln;

- » with the redemption of shares of JSC “Kurortenergo” and “Tsarskoselskaya Power Company” by RUR 890 mln;

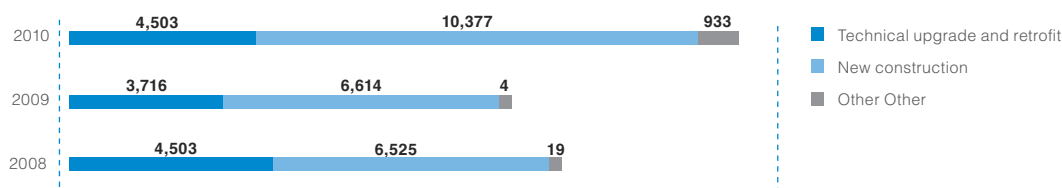
- » withdrawal of equipment from leasing by RUR 376,5 mln.

The volume of commissioning of fixed assets for the whole Company constituted RUR 13,750 mln, 932 MVA of transformer capacity and 1,508 km of transmission lines were commissioned.

Structure of the investment program on directions of capital investments

JSC "Lenenergo"	2008	2009	2010	2010/2009
Total	11,409	10,334	15,813	153%
Technical upgrade and retrofit	4,863	3,716	4,503	121%
New construction	6,525	6,614	10,377	157%
Other	19	4	933	223 times

Dynamics of capital investments in 2008-2010, RUR mln, net of VAT



The analysis of structure of the investment program shows an increase in capital investments directed to both new construction and reconstruction of existing objects of power network economy of the Company. Considerable excess on new construction is associated with the increase in volumes under property contracts on technological connection.

The increase in other capital investments is associated with acquisition of shares of JSC “Kurortenergo” and “Tsarskoselskaya Power Company”.

Parameters of the investment program in St. Petersburg and the Leningrad Region in 2010

RUR mln

Indicator	St. Petersburg			Leningrad region		
	2009	2010	Growth rate	2009	2010	Growth rate
Disbursement, RUR mln, net of VAT	7,654	12,574	164%	2,681	3,239	121%
Commissioning of fixed assets, RUR mln	7,206	11,328	157%	2,856	2,421	-115%
Funding, RUR mln, including VAT	8,670	12,704	147%	3,651	3,723	102%
Commissioning of capacities, MVA	495	704	142%	337	228	-132%
Commissioning of capacities, km	316	995	315%	353	512	145%
Capacity gain, MVA	336	647	193%	283	215	-124%
Capacity gain, km	253	912	360%	176	180	102%
Прирост мощности, км	253	912	260 %	176	180	2 %

The increase in parameters of commissioning of fixed assets in 2010 across St. Petersburg relative to 2009 is associated with:

- » increase in volumes of work on building and reconstruction of 0.4-10 kV distribution networks on connection of consumers and statement on the balance of the works performed till 2010 (the fact of 2009 constituted RUR 2,104 mln, 262 km, gain of 222 km, the fact of 2010 constituted RUR 3,216 mln, 378 km, gain of 349 km).
- » statement on the balance of objects under property contracts. The sum of excess from 2009 constitutes RUR 2,275 mln, which in physical terms corresponds to 543 km, and 344 MVA.

The increase in disbursement of capital investments on the objects of the Leningrad Region is associated with the implementation of the program of connection of objects of JSC "Gazprom Invest West" by RUR 1,288 mln. The decrease in commissioning of fixed assets in 2010 is associated with building and reconstruction of objects of JSC "Gazprom Invest West", the commissioning of which is planned for 2011, and the delay in registration of title documents on the land plot of the "Kudrovo" substation, which has not allowed to enter into fixed assets the sum of RUR 131 mln on the substation put in operation.

Sources of funding of the investment program

Key sources of funding of capital investments of the Investment program of JSC "Lenenergo" in 2010 were as follows: depreciation, charges for technological connection, and borrowed funds (credits).

RUR mln, net of VAT

Sources of investments, total	15,813
Own sources of funding	
Depreciation of the reporting year	2,564
Outstanding depreciation of past years	92
Undistributed profit of past years	376.6
Profit of the current year to be used in the investment program, including:	
Other own sources (property settlements, lost incomes)	5,824
External sources of funding	
Borrowed funds (loan, interest-bearing)	3,371
Payment for network connection - advances	3,585

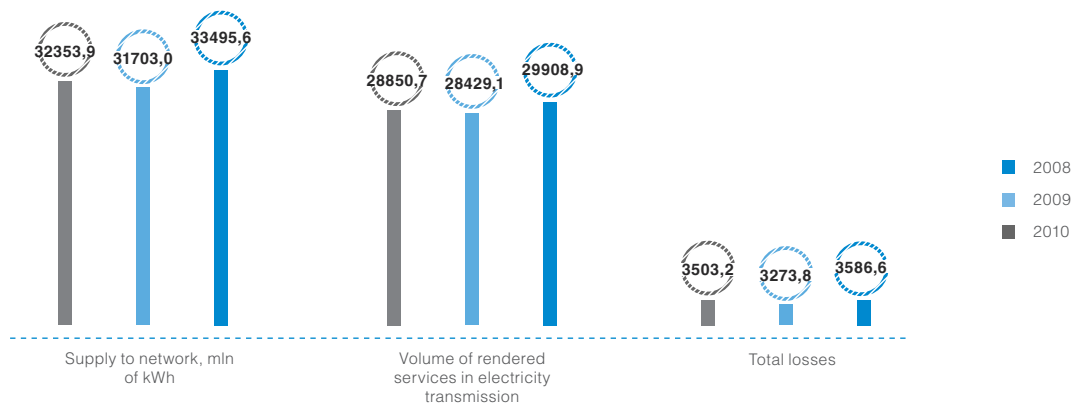
Chapter 5

Review of production activity

Key performance indicators

Indicator	Unit	2008	2009	2010	2010/2009 growth
Installed capacity	MVA	19,365.5	19,901.4	20,740.5	2.5%
Overhead power lines (PL) circuit of 0.38-110 kV	Km	39,084.6	39,285.9	39,418.8	0.3%
Cable lines of 0.38-110 kV	Km	16,730.9	17,650.7	18,622.3	5.5%
substations of 35-110 kV	Pcs (MVA)	368 (12,818)	370 (13,083.8)	372 (13,465.5)	0.5%
Transformer substations of 6-35 kV	Pcs (MVA)	13,646 (6,547.5)	13,909 (6,817.6)	14,361 (7,275.0)	3.3%
Disbursement of repair funds	RUR thou	704,314	740,946	770,597	4.0%

Dynamics of indicators on electric power transmission over CS «Lenenergo» networks



Dynamics of the volume of services for electric power transmission in 2008-2010

	Volume of services in electric power transmission, mln kWh						
	2008	2009	2010	2010 / 2008		2010 / 2009	
				Mln kWh	%	Mln kWh	%
JSC «Lenenergo»,	28,850.7	28,429.1	29,908.9	1,058.3	3.7	1,479.8	5.2
Including:							
St. Petersburg	18,212.8	18,036.7	18,930.8	717.9	3.9	894.1	5.0
Leningrad Region	10,637.8	10,392.4	10,978.2	340.4	3.2	585.8	5.6

Dynamics of electric power losses

Indicators	Total losses							
	Mln kWh		%		Mln kWh		%	
	2008		2009		2010			
JSC «Lenenergo»,	3,503.2	10.8	3,273.8	10.3	3,586.6	10.7		
Including:								
St. Petersburg	2,098.9	10.3	2,185.7	10.8	2,313.3	10.9		
Leningrad Region	1,404.3	11.7	1,088.2	9.5	1,273.3	10.4		

The level of electric power losses for 2010 approved in the business plan by the Board of Directors of the Company for 2010, totaled 3,570 mln kWh, or 10.72% from supply to the network. Following the results of

2010, actual electric power losses were below the indicators approved by the business plan by 4.4 mln kWh, or 0.01%.

Key measures aimed at decrease of electric power losses

JSC "Lenenergo" on the priority basis implements comprehensive measures aimed at optimizing (reducing) the level of losses.

Key measures aimed at decrease of electric power losses for 2010

Measure	Decrease in losses, mln kWh
Measures for decrease in technical losses of electric power	9.5
Replacement of TL wires	0.989
Replacement of overloaded / underloaded transformers	0.596
Switching-off of transformers on 2 transformer substations and on substations with seasonal loading	3.063
Equalization of phases loadings in 0.4 kV networks	0.267
Optimization of loading of substations and places of disconnection of lines by switching in the main grid	0.346
Decrease in the expense on own needs of substations	3.95
Optimization of distribution of loading at the expense of building of substations and lines, including transfer to a higher voltage level	0.26
Measures for decrease in commercial losses of electric power	349.8

Organization of technological connection

Results of activity on technological connection in 2010

Indicator	Unit	2009 fact	2010 fact	Deviation 2010 / 2009	
				Abs	rel
Leningrad Region					
Revenue	RUR thousand	1,712,144	2,256,775	544,631	31.8%
Connected capacity	MW	142.4	185.3	42.9	30.2%
Average rate under closed contracts	RUR thousand/ MW	12,028	12,180	152	1.3%
St. Petersburg					
Revenue	RUR thousand	4,613,870	7,906,919	3,293,049	71.4%
Connected capacity	MW	210.6	460.0	249.4	118.4%
Average rate under closed contracts	RUR thousand/ MW	21,909	17,190	-4,719	-21.5%
JSC "Lenenergo" total					
Revenue	RUR thousand	6,326,014	10,163,694	3,837,680	60.7%
Connected capacity	MW	352.9	645.3	292.3	82.8%
Average rate under closed contracts	RUR thousand/ MW	17,924	15,751	-2,173	-12.1%

The increase in revenue on technological connection in 2010 relative to 2009 was generally associated with the growth of volumes in obligations fulfillment towards applicants.

Dynamics of demand for technological connection of power accepting devices

For 12 months 2010 the volume of capacity declared by consumers on JSC «Lenenergo» amounted to 14,686 pcs with capacity of 2,089.7 MW.

JSC "Lenenergo"	Installed capacity			
	2009		2010	
	Applications accepted, pcs.	Total capacity, MW	Applications accepted, pcs.	Total capacity, MW
Total, including	11,444	1,883,600	14,686	2,089,700
St. Petersburg	2,809	1,255,500	3,524	1,078,132
Leningrad Region	8,635	628,100	11,162	1,011,571

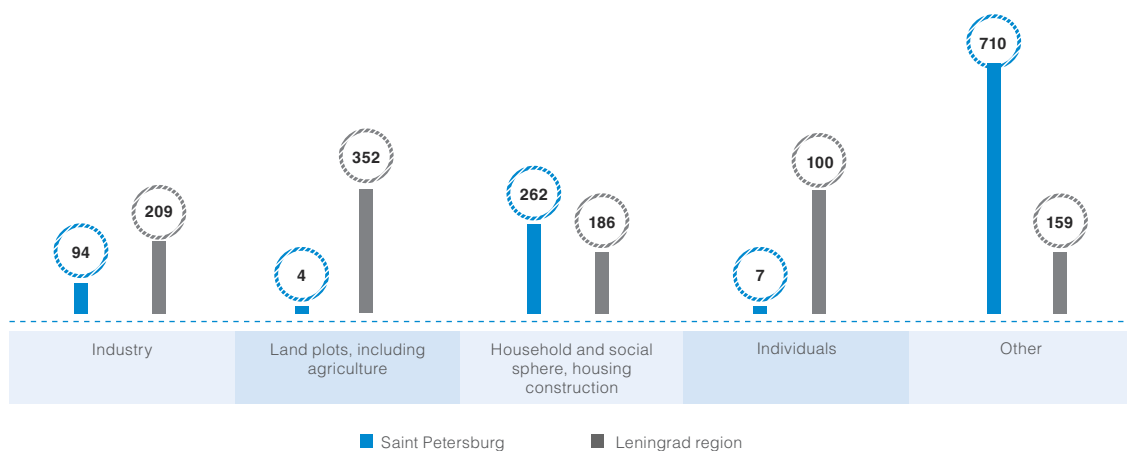
The analysis of distribution over economic activities for 2010 showed that the household and social sphere, as well as housing construction took first place in installed

capacity, and constituted 24% from the total installed capacity across St. Petersburg and 18% from the total installed capacity across the Leningrad Region.

Distribution of installed capacity by sectors of economic activity (MW)

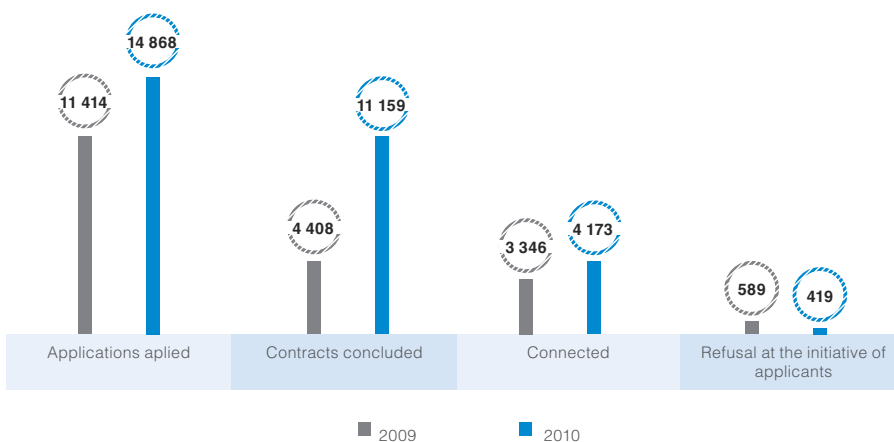
Economic activity	St. Petersburg	Leningrad region	Total
Industry	94	209	303
Land plots, including agriculture	4	358	362
Household and social sphere, housing construction	262	186	448
Individuals	7	100	107
Other	710	159	869

Analyses of distribution of installed capacity by sectors of economic activity, MW



Connection category	Contracts concluded		Contracts executed	
	Pcs.	Capacity, MW	Pcs.	Capacity, MW
JSC "Lenenergo"				
up to 15 kW	10,164	102.33	3,269	25.99
from 15 up to 100 kW	559	25.44	411	17.89
from 100 up to 750 kW	357	111.89	350	114.71
over 750 kW	79	389.80	143	486.69
TOTAL	11,159	629.46	4,173	645.28
St. Petersburg				
up to 15 kW	887	6.30	742	3.91
from 15 up to 100 kW	313	13.27	269	11.43
from 100 up to 750 kW	140	44.09	231	81.93
over 750 kW	50	184.21	114	362.72
TOTAL	1,390	247.87	1,356	459.99
Leningrad Region				
up to 15 kW	9,277	96.03	2,527	22.08
from 15 up to 100 kW	246	12.18	142	6.46
from 100 up to 750 kW	217	67.80	119	32.78
over 750 kW	29	205.58	29	123.98
IN TOTAL	9,769	381.59	2,817	185.29

Results of work on technological connection in 2009-2010, pcs



For the reporting period there was indicated a decrease in the share of refusals at the initiative of applicants concerning 2009, including on small and medium-sized business (capacity up to 750 kW) by 54%, on large business (capacity over 750 kW) - by 50%.

For 2010, nine contracts for a total capacity of 108 kW were terminated.

Chapter 6

Analytical summary of management

Sergey Valeryevich NIKOLAEV

– Deputy Director General on Economy and Finance

In the reporting year the management of JSC “Lenenergo” undertook all steps to direct the Company’s potential for implementation of planned activities in the adverse economic conditions.

As well as in the previous reporting year, in 2010 factors of world financial crisis which caused deterioration of economic situation both in the country as a whole, and in the regions of servicing of the Company, in particular, continued to render negative influence on JSC “Lenenergo” activity. In comparison with the pre-crisis period, there was a delay of rates of economic development of St. Petersburg and the Leningrad region, and regional macroeconomic indicators have worsened.

Implementation by the city and regional Government of anti-recessionary events has allowed avoiding deep crisis phenomena and promoted the revival in the economy of the region in 2010. Concerning 2009, a considerable part of regional macroeconomic indicators (industrial production index, volume of investments into fixed capital) showed positive dynamics. Forecasts of development of economy of the region of servicing of JSC “Lenenergo” were regarded as favorable enough.

In view of the economic tendencies, it is possible to assert that the crisis phenomena will further influence economic development of the Company, however in process of stabilization of economic situations degree of their influence will decrease.

Taking into account the negative influence of external factors, the system of strategic targets of JSC “Lenenergo” is basically focused on effective implementation of production-economic activities in the conditions of economic recession, and the most possible balanced use of available resources. The essential factor, making positive impact on the company financial position in medium-term, becomes transition to long-term tariff regulation from 01.01.2011.

Thanks to effective administrative decisions of management of the Company, and adequate economic conditions, throughout last three years net profit indicators showed a steady tendency of growth that was caused

by the increase in revenues of JSC “Lenenergo” from its primary activity. The Company net profit was at high level that promoted provision of stability of its financial condition.

In 2010, implementation of events for costs management that provided non-admission of unreasonable increase in costs of the Company proceeded. The majority of indicators of profitability reached maximum for the last three years– so, return on equity for the reporting year constituted 7.80%. Dynamics of values of indicators of business activity testified to increase in efficiency of use by the Company of resources, and acceleration of their turnover.

The level of financial solvency of the Company remain high enough, and throughout the three-year period practically did not change – sources of forming of corporate property on 58.4% were generated at the expense of own funds. In 2010, JSC “Lenenergo” involved credit resources for financing its operational and investment activity regarding accomplishment of overdue obligations of applicants in St. Petersburg, and refinancing of the previously borrowed credits. Growth of credit portfolio occurred only at the expense of new investment borrowings, i.e. credits for development.

In 2010, the Company performed optimization of receivables and payables on a continuous basis – including decreasing in the level of accounts receivable by strengthening of the control of given out advances that led to essential decrease in their size concerning the beginnings of the year.

Positive dynamics of some key financial and economic indicators allowed positioning JSC “Lenenergo” as reliable, perspective and investment-appeal Company.

Nevertheless, as a whole, the financial condition of the Company on the end of 2010 on formal signs cannot be characterized as financially stable.

In the conditions of reduction in the size of current assets, liquidity indicators, and the indicator reflecting

the ratio debit and accounts payable have worsened.

Essential negative influence on a number of the indicators characterizing the financial condition of the Company, in 2010, as well as earlier, there rendered a great sum of liabilities on the advances received from subscribers under contracts on technological connection.

In the long term, as a result of a decrease in the sum of the advances received by accomplishment by the Company of the obligations to subscribers, i.e. increase in revenues from rendering of services in technological connection, weak financial indicators of JSC "Lenenergo" (liquidity, ratios of payables and receivables) will be corrected towards increase, and the financial condition of the Company will essentially improve.

Accomplishment of events regarding transition to RAB

In 2010, as well as in previous years, tariffs for services in electric power transmission for JSC "Lenenergo" were established on the method of economically reasonable expenses ("costs +"), transition to regulation on the method of return on investment capital (RAB-regulation) was performed from 01.01.2011 (the given term is regulated by the Order of the Government of the Russian Federation No.30-r as of 19.01.2010).

Forming of long-term tariffs and transition to the new method of regulation will allow the Company:

- » to perform more exact planning of activity for 5 years;
- » to raise guarantees and to provide credit organizations and foreign investors with estimation of risks of financial relations with JSC "Lenenergo";
- » To implement in full the necessary long-term investment program at the expense of capital borrowing.

Forming of tariffs on RAB method has the features proceeding from which JSC "Lenenergo" activity shall change:

1) Regulators fix for 5 years size of operational expenses of the Company, i.e. expenses which depend on decisions and the Company internal policy. Their change is possible only at difference of actual rates of inflation from estimated ones and deviations of implementation of the investment program from the plan. Therefore, it is necessary for JSC "Lenenergo" to perform the strict control of use of the given means since in case of their excess over the approved ones,

the Company will receive losses which will not be compensated.

2) Implementation of investments should be produced only at constant interaction with regulators. Approved by Administrations of St. Petersburg and the Leningrad Region in 2010, long-term investment programs for 2011-2015 have been considered at calculation of tariffs. The deviation of actual implementation of the program from the plan not agreed by regulators will not be considered in the capital base and at adjustment of a tariff projection the investment constituting and tariff revenue will be lowered.

3) Compensation of investments should be produced only after their implementation. Besides, application of the mechanism of "smoothing" leads to necessity of attraction of extra means for implementation of the investment program. Accepting of positive investment or credit decisions is probable only provided that investors and creditors see the real picture of development of the Company for the whole perspective period during which return of investments to the Company is expected. In this connection transition to RAB considerably facilitates the process of borrowing and improves its conditions.

4) The Company has additional obligations on increase of reliability level and quality of rendering of services, and also implementations in full of investment obligations. For a deviation of the given indicators from approved ones, regulators provide penalties which will lower revenue and tariffs during the subsequent periods.

5) The Company has a stimulus to decrease in costs: the economy (regarding operational expenses and electric power losses in company networks) remains at the Company within 5 years, directions of its use should be defined by JSC "Lenenergo" management.

Credit policy (characteristics of current credit portfolio, and basic partners with which interaction is performed)

The order of estimation of financial stability and credit status of the Company is determined by the Regulations on the credit policy of JSC "Lenenergo". Within 2010, the Company on the indicators calculated according to given Regulations, is related to the category of financially steady groups - group of "A" credit status.

Credit rating of the Company and short excerpts from Moody's Report

In November, 2009, Moody's Investor Service Agency appropriated JSC "Lenenergo" a corporate rating at Ba2 level with the stable forecast. On March 04, 2011, the rating was confirmed.

"The rating outlook is stable, as Moody's believes that the Company has sound and prudent plans to develop and adjust its business in close interaction with

its shareholders taking into account the availability of funding, tariff evolution and the wider economic environment. Moody's expects JSC "Lenenergo" to manage its financial profile and liquidity in line with the current rating category based on support from its large shareholders".

Simultaneously Moody's Interfax Rating Agency, which major shareholder is Moody's, confirmed JSC "Lenenergo" a rating on the national scale at Aa2.ru level.

Maxim Sergeevich ARTEMYEV

- Deputy Director General on Delivery of Services

In 2010, within the limits of implementation of the investment program, JSC "Lenenergo" executed obligations under contracts on technological connection of 645.28 MW, the value of subscribers' contracts amounted to RUR 10,163.69 mln (net of VAT). The largest ones are as follows:

- » JSC "First container terminal" — connected object: terminal, volume of connected capacity: 10 MW, value of the subscriber's contract amounts to RUR 142.19 mln (including VAT).
- » JSC "Adamant" — the enterprise with the volume of connected capacity of 31 MW and the value of the subscriber's contract of RUR 515.06 mln (including VAT).
- » JSC "Cement" — connected object: factory, volume of the connected capacity: 50 MW, the value of the subscriber's contract of RUR 812.48 mln (including VAT).

For 2009 JSC "Lenenergo" executed obligations under contracts on technological connection on general capacity of 352.9 MW, value of subscribers' contracts of RUR 6,326.1 mln (net of VAT), in 2010 increase in the given indicator constituted 82% on the volume of capacity, and 60% on the value of the subscribers' contracts. The increase in the given indicator became possible thanks to execution of the investment program of the Company, development and starting of implementation of the concept on execution of the overdue and accumulated obligations, and optimization of business processes in the Company.

Key directions of strategic development of the Company

JSC "Lenenergo" is the leading enterprise of electric power industry in the Northwest of the Russian Federa-

tion on electric power transmission and connection of new consumers to power networks.

The primary goals of activity of JSC "Lenenergo" on economic development as a whole are as follows:

- » Provision of break-even activity and maximization of profit of the Company;
- » Provision of uninterrupted and qualitative power supply of consumers;
- » Exception of restrictions on connection of new consumers and new capacities to power networks of the Company;
- » Increase in market cost of the Company (that is, increase of level of capitalization of the Company);
- » Increase in overall performance of the Company;
- » Observance of all rights and legitimate interests of shareholders of the Company;
- » Observance of interests of the Company at long-term regulation of tariffs for electric power transmission.

JSC "Lenenergo" intends to perform further the activity proceeding from the following main principles:

- » Obligations of the Company to consumers and subscribers will be carried out in full.
- » Achievement of equation of interests of the Company and consumers in the territory of all served subjects (the city of St. Petersburg and the Leningrad region) should become the basis of forward development.

- » Problems existing for today and negative influence of financial and economic crisis are not an occasion to refuse long-term priorities of modernization of depreciated assets and development of new fixed assets. The technical potential and reliability of network structure should be kept and strengthened.
- » The basis of development of the Company is, first, own funds, including net profit and depreciation charges. Aspiration to easing of dependence of economic development of the Company from external factors, and the most effective involvement of internal resources are key tasks of the management of the Company in prospect. However the expanded reproduction will demand attraction of additional sources, including, bank borrowings and stock market means. Therefore at the choice of sources of financing of activity the special attention should be given to the cost of borrowing of means, terms of their possible use, as well as the speed of accepting and implementation of decisions.
- » Management and proprietors of the Company will implement the responsible administrative policy directed both on maintenance of technical efficiency, and on growth of financial results, increase of financial stability and investment appeal of the Company. It assumes the weighed financial and economic policy, maintenance of conformity of incomes and company expenses, the multi factorial analysis of influence of accepted administrative decisio

Necessity of development of events for increase of efficiency of financial and economic activity of the Company is obvious to the decision of tasks in view of economic development, including, from the point of view of more rational use of resources.

With a view of provision of break-even activity and maximization of profit of the Company, and in view of negative influence of the world financial crisis on activity of the Russian enterprises, a special urgency for JSC "Lenenergo" development and implementation by management of the Company of the events focused on decrease of costs and growth of incomes acquires. Already in modern conditions the Company implements the events directed on reception of positive net profit and profitability, which cover various types of expenses, and strategic development of the Company provides orientation to the minimum economically reasonable costs.

Within the limits of economic development of JSC "Lenenergo" the further decrease in costs on a number of directions is planned. Thus the protected

clauses of the budget which are not subject to sequestering, there are expenses on a salary with deductions on social needs, depreciation, repair, and taxes.

Events aimed at decrease in costs are real to implementation and do not influence volumes of rendered services, and reliability of electrical supply. Accordingly, risks at implementation of the given events are minimal.

In connection with the annual revision of tariffs within the limits of the long-term period there should be performed a tariff projection on the basis of RAB method proceeding from compromise conditions for regulation authorities, JSC "Lenenergo" and consumers which assume:

- » Break-even activity of the Company in the long-term period of regulation;
- » Implementation of the investment program in necessary volume, accounting of changes in structure, volumes and sources of funding;
- » Admissible level of growth of tariffs for electric power transmission;
- » Decision of current problem questions associated with tariff regulation.

Chapter 10

Enclosures

Reference information

Full name:	Joint-Stock Company "Lenenergo"
Abbreviated name:	JSC "Lenenergo"
Seat:	196247, Saint Petersburg, Constitution Square, 1
TIN (taxpayer id. number)/RRC (registration reason code):	7803002209/78345001
PSRN (primary state registration number):	1027809170300
Bank details:	settl. account 40702810855000164957, corr. account 30101810500000000653 NORTH-WESTERN BANK OF JSC "SBERBANK OF RUSSIA" Saint Petersburg, RCBIC (Russian Central Bank identification code) 044030653
E-mail:	office@lenenergo.ru
Website:	www.lenenergo.ru
General Director	Andrey Valentinovich Sorochinsky Reception: t. (812) 331-87-95; f. (812) 331-87-96
Chief Accountant	Galina Vladimirovna Kuznetsova t. (812) 595-86-78; f. (812) 224-81-67
Corporate Secretary of the Company	Andrey Sergeevich Smolnikov t. (812) 595-31-76; f. (812) 494-37-34 E-mail: Smolnikov.AS@nwenergo.com
Shareholder and Investor Relations Division	t. (812) 494-74-35; f. (812) 494-37-34 E-mail: ir@lenenergo.ru
Chief of the Authorities, Public Entities, Mass Media Relations Service	Elena Alexandrovna Pokrovskaya t. (812) 494-32-99; f. (812) 494-35-44 E-mail: pr@lenenergo.ru
Chief of the Competitions Preparation and Holding Division	Olga Alexandrovna Bordukova t. (812) 494-38-72; f. (812) 595-33-48 E-mail: Bordukova.OA@nwenergo.com
Hot Line telephone number:	t. (812) 595-86-62; f. (812) 595-86-26

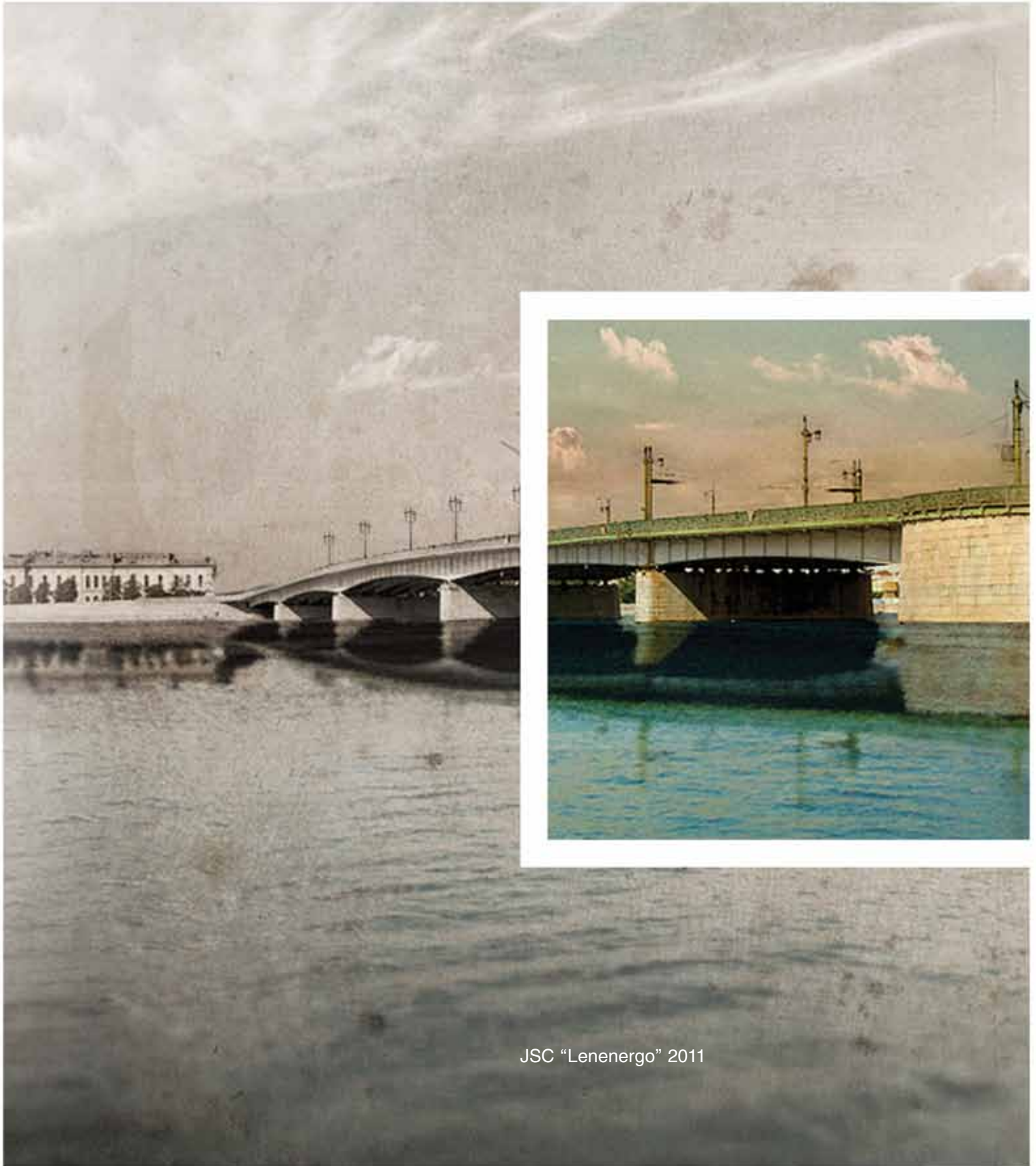
General information on the Company Registrar

Full name:	Open joint-stock company "R.O.S.T. Registrar"
Abbreviated name:	OJS Company "R.O.S.T. Registrar"
Date of registration:	22 November 1993, registered by the Moscow Registration Chamber, registration number #447.993
Number of License:	License issued by RF FSC (the Federal Securities Commission of the Russian Federation) #10-000-1-00264 dated 3 December 2002
Seat address:	107996, Moscow, Stromynka Street, 18, bld. 13 199026, Saint Petersburg, 26th line of Vasilievsky Ostrov, 15, bld. 2, lit. A
Contact information:	telephone/fax: (812) 322-76-27, (812) 322-48-91 E-mail: roost-spb@roost.ru

The shareholder register was maintained by JSC "MCD" before 14 December 2010 (www.mcd.ru)

General information on the Company Auditor

Full name of the official auditor:	HLB Vneshaudit Closed Joint Stock Company
Abbreviated name of the official auditor:	"HLB Vneshaudit CJSC"
Legal address:	Russia, 109180, Moscow, B. Yakimanka Street, 25-27/2
Actual address:	123610, Moscow, Krasnopresnenskaya Embankment, 12, International Trading Center, entrance 3, office 701
Telephone, fax numbers	+7 (495) 967-04-95; +7 (495) 967-04-97
Internet address	www.vneshaudit.ru
Included into the Unified State Register of Legal Entities	PSRN 1027739314448
Included into the Unified State Register of Legal Entities:	PSRN 1024001183898 Certificate of series 40 #000224832
E-mail	info@vneshaudit.ru
License	license on performance of auditing activities #E 006548, issued by the RF Ministry of Finance dated 25 June 2002 with the period of validity before 25 June 2012. license on performance of works related with use of the information representing the State secret #11141 dated 19 November 2007
Insurance of the professional responsibility of the auditor	Professional risks of "HLB Vneshaudit CJSC" are insured by Ingosstrakh OJSIC according to the requirements made to the auditing activities and audit-related services (including legal ones). Insurance policy #433-004898/09 for the amount of 40,000,000 USD



JSC "Lenenergo" 2011