

**OPEN JOINT STOCK COMPANY MOSENERGO
IFRS CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002**

**ZAO PricewaterhouseCoopers
Audit**

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AUDITORS' REPORT

To the Shareholders and Board of Directors of the Open Joint Stock Company for Energy and Electrification Mosenergo ("JSC Mosenergo")

1. We have audited the accompanying consolidated balance sheet of JSC Mosenergo and its subsidiaries (the "Group") as at 31 December 2002, the related consolidated statements of operations for the year ended, and the related consolidated statements of cash flows and of changes in shareholders' equity for year then ended. These consolidated financial statements, set out on pages 1 through 19, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2002, and the results of its operations, and its cash flows for the year then ended, in accordance with International Financial Reporting Standards

PricewaterhouseCoopers

Moscow, Russian Federation

25 March 2003

JSC Mosenergo		
Consolidated Balance Sheet as at 31 December 2002		
(in millions of Russian Roubles ("RR") expressed in terms of the purchasing power of the Russian Rouble as at 31 December 2002)		
	31 December 2002	31 December 2001
Assets		
Non-current assets		
Property, plant and equipment	95,051	97,504
Other non-current assets	628	482
Total non-current assets	95,679	97,986
Current assets		
Cash and cash equivalents	1,663	2,696
Accounts receivable and prepayments	9,017	9,581
Inventories	3,362	3,858
Other current assets	546	620
Total current assets	14,588	16,755
Total assets	110,267	114,741
Shareholders' equity and liabilities		
Shareholders' equity		
Share capital		
Ordinary shares (nominal value RR 28 268 million)	154,720	154,720
Treasury shares	(14)	-
	154,706	154,720
Accumulated deficit	(70,357)	(67,469)
Total shareholders' equity	84,349	87,251
Minority interest	79	59
Non-current liabilities		
Deferred profits tax	10,476	9,287
Non-current debt	3,901	2,877
Other non-current liabilities	112	-
Total non-current liabilities	14,489	12,164
Current liabilities		
Current debt and current portion of non-current debt	3,152	7,338
Accounts payable and accrued charges	5,936	6,193
Taxes payable	2,262	1,736
Total current liabilities	11,350	15,267
Total liabilities	25,839	27,431
Total shareholders' equity and liabilities	110,267	114,741

JSC Mosenergo
Consolidated Statement of Operations for the year ended 31 December 2002
(in millions of Russian Roubles ("RR") expressed in terms of the purchasing power of the Russian Rouble as at 31 December 2002)

	Year ended 31 December 2002	Year ended 31 December 2001
Revenues		
Electricity	37,685	35,594
Heating	16,742	16,216
Other	1,869	1,878
Total revenues	56,296	53,688
Costs and other deductions		
Fuel expenses	18,338	16,801
Wages and payroll taxes	9,370	8,473
Depreciation	8,191	8,012
Repairs and maintenance	6,275	6,251
Transmission fees	4,608	3,374
Taxes other than on income	2,136	1,893
Other materials	1,211	895
Water payments	836	613
Purchased power	835	237

JSC Mosenergo		
Consolidated Statement of Cash Flows for the year ended 31 December 2002		
(in millions of Russian Roubles ("RR") expressed in terms of the purchasing power of the Russian Rouble as at 31 December 2002)		
	Year ended 31 December 2002	Year ended 31 December 2001
Cash flow from operating activities		
(Loss) / income on ordinary activities before profit tax	(380)	1,625
Adjustments to reconcile (loss) / income on ordinary activities before taxation to net cash provided by operations:		
Depreciation	8,191	8,012
Release of provision for impairment of receivables	(759)	(231)
Interest expense	917	819
Loss on disposals of fixed assets	506	437
Monetary effects on non-operating balances	(619)	(915)
Other	(120)	3
Operating profit before working capital changes	7,736	9,750
Working capital changes:		
Decrease in accounts receivable and prepayments	978	6,942
(Increase) / decrease in other current and non-current assets	(71)	368
Decrease in inventories	496	626
Decrease in accounts payable and accrued charges	(664)	(4,188)
Increase / (decrease) in taxes payable other than profit tax	364	(1,654)
Decrease in other long term liabilities	-	(1,152)
Profit tax paid	(132)	(3,610)
Net cash provided by operating activities	8,707	7,082
Cash flow from investing activities		
Additions to property, plant and equipment	(5,635)	(5,828)
Proceeds from sale of property, plant and equipment	96	140
Net cash used in investing activities	(5,539)	(5,688)
Cash flow from operating financing activities		
Proceeds from current debt	7,274	1,810
Proceeds from non-current debt	2,360	2,697
Repayment of debt	(12,276)	(2,555)
Interest paid	(695)	(816)
Dividends paid	(547)	(261)
Purchase of treasury shares	(193)	-
Proceeds from sale of treasury shares	179	-
Net cash (used in) / provided by financing activities	(3,898)	875
Effect of inflation on cash and cash equivalents	(303)	(312)
(Decrease) / increase in cash and cash equivalents	(1,033)	1,957
Cash and cash equivalents at the beginning of year	2,696	739
Cash and cash equivalents at the end of year	1,663	2,696

JSC Mosenergo
Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2002

(in millions of Russian Roubles ("RR") expressed in terms of the purchasing power of the Russian Rouble as at 31 December 2002)

	Share capital, ordinary shares	Treasury shares	Accumulated deficit	Total shareholders' equity
At 31 December 2000	154,720	-	(69,085)	85,635
Net income	-	-	1,879	1,879
Dividends	-	-	(263)	(263)
At 31 December 2001	154,720	-	(67,469)	87,251
At 31 December 2001	154,720	-	(67,469)	87,251
Net loss	-	-	(2,341)	(2,341)
Dividends	-	-	(547)	(547)
Purchase of treasury shares	-	(193)	-	(193)
Sale of treasury shares	-	179	-	179
At 31 December 2002	154,720	(14)	(70,357)	84,349