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STATEMENT BY NOVOSIBIRSKENERGO OJSC DIRECTOR GENERAL

Dear ladies and gentlemen!

Novosibirskenergo OJSC has completed one more successful year of development and advancement. Its impressive results reflect high professionalism and skills of the personnel, flexible and efficient governance, competently implemented reforms. Reliability, dynamism, and operational efficiency are the business card of our company as an energy producer.

I am pleased to note that 2005 was a year of skyrocketing and impressive success. The consistent implementation by the Novosibirskenergo OJSC management of the main strategic directions of the company's development brought highly positive results. We attained excellent financial and production performance, fulfilled all the plans and tasks we had set and provided sustainable foundation for our future development. This year we conducted intensive investment activity, owing to which new energy objects emerged on the Novosibirsk maps, i.e. electric power substations Chelyuskinskaya and Vypel, step-down pumping station (PNS-11).

The Company continues its dynamic development. Reforms helped it to cut down non-core directions, improve the promising business activities. In 2005, on the basis of five affiliates, a new integrated enterprise Engineering centre OJSC was set up. These measures are to make the operation of Novosibirskenergo OJSC even more efficient, reliable, and attractive for investors.

In 2005, we paid special attention to personnel management. Personnel

is the main value of Novosibirskenergo OJSC, therefore we take pride in the highly professional qualities of our team, which joins their efforts, potential, and energy to fulfil the Company's mission. We take special care of the health promotion among our staff, foster team spirit and culture; organize sports and corporate holiday events.

Novosibirskenergo OJSC is an open company. We comply with the western standards of public relations and transparency, inform the government structures, general public, and businesses about the key directions of our activity, and give extensive press coverage of our most significant events. This gives us confidence that all our undertakings aimed at the welfare and development of Novosibirsk and Novosibirsk oblast will elicit response and support of the community citizens.

Community development has become the focus of the Company's social activity. The priorities of our charity program still include youth and sports because the secret of successful future is a strong and healthy young generation. We participate in students and educational programs, provide on-going sponsorship to Orphanage #1, support important cultural and spiritual events, because giving rather than taking is the measure of success.

The activity of our energy company in 2005 implemented our motto "To develop is to act". There are new challenges and goals ahead. Market economy calls for the optimisation of all the resources, efficient and flexible government, introduction and master-

ing innovative technologies, attracting new investment. I can assure you that the mission of Novosibirskenergo OJSC is the same – to provide all the consumers with high-quality heating and energy.

With best regards,

Kornei Gibert,
Director General
Novosibirskenergo OJSC

BACKGROUND

1924. Big energy industry comes to Novosibirsk Region. Construction of the Novosibirsk right-bank TPP (TPP-1) begins.

1926, March. First two units, 500 KW each are launched at TPP-1.

1931, April 21. By Order of Energetsenter (the Energy Centre) No.158 Zapsibenergo district energy agency is established in Novosibirsk to manage the energy sector of West-Siberian Region. The agency includes energy objects of Kuzbass region.

1935, November. First turbo unit with the capacity of 24 thousand KW is launched at TPP-2. By that time 35 KW Power Transmission Line (PTL) had been completed linking the TPP-1 and TPP-2 for parallel operations.

1936. The foundation of the centralized heating of Novosibirsk was laid. The first TPP-1-based heat pipeline becomes operational.

1944, June 17. By Order of the NKHPP No.103⁸ Zapsibenergo was transformed into Novosibirskenergo the Regional Energy Agency.

1954. The 110 KW Novosibirsk-Barabinsk-Omsk Power Transmission Line is launched, which allowed to convert the Trans-Siberian Railroad to electric power and created proper environment for large-scale centralized electrification of agriculture in Novosibirsk Region.

1957. The first unit with the capacity of 57 thousand KW is launched at Novosibirsk HPP.

1960. The 220 KW Novosibirsk-Belovo Power Transmission Line is

launched. This PTL united Novosibirsk-Omsk Energy centre and Kuzbass energy system to lay the basis for setting up the Siberian Energy Association in 1960. For the first time ever the heat pipeline is constructed to link the left and the right banks of the Ob river via a new communications bridge. This initiated an intensive development of the city's heat networks.

1972. First super-voltage facilities 500 KW PTL and Zaria substation become operational.

1978. Novosibirsk-Rubtsovsk 500 KW high-voltage TL is launched to allow Novosibirsk energy system and Siberian Energy Association to link with the unified energy system of the USSR.

1985. The first energy unit of 180 MW is launched at Novosibirsk TPP-5.

1993, February 23. The companies of the energy system are privatized and Novosibirskenergo OJSC is established.

1994, December. The fifth energy unit at TPP-5 becomes operational. The total capacity of the station reaches 900 thousand KW.

2002. The program of restructuring Novosibirskenergo OJSC is adopted.

2003, December. Turbogenerator st. 3 becomes operational at Barabinskaia TPP with the electric capacity of 30 thousand KW. The station's total power capacity reaches 114 thousand KW.

2004, May. Cooling tower 3 at TPP-5 becomes operational as part of the launch system.

2004, June. Gas-based steam boiler BEM-25/1, 4-270 becomes operational

at the BTPP.

2004, September. The launch of energy unit st. 6 at TPP-5 with the electric capacity of 180 MW.

2005, February. The launch of turbo unit st. 14 at TPP-3 with the electric capacity 110 MW.

2005, July. Electric power substation Chelyuskinskaya is put into operation.

2005, December. Electric power substation Vympel and step-down pumping station PNS-11 were put into operation.

STRUCTURE OF NOVOSIBIRSKENERGO OJSC GROUP

Companies where Novosibirskenergo OJSC has an interest of over 20% of the charter capital as of 31 December, 2005

Name of joint-stock company Legal address	Share in charter capital
Private security agency Electra CJSC 186a-62 Pervomayskaya St., Novosibirsk 630032	99.9
Sib KOTES CJSC 18/1 Planirovochnaya St., Novosibirsk 630032	76.013
Sibirenergoinvest CJSC 7 Sverdlova St., Novosibirsk 630007	99.99
Sibirskaya Energeticheskaya lizingovaya kompaniya (Siberian Power Leasing Company) CJSC 7 Sverdlova St., Novosibirsk 630007	100
Sibirskaya Energiya CJSC 7 Sverdlova St., Novosibirsk 630007	100
Stroitel CJSC 7 Sverdlova St., Novosibirsk 630007	100
Avtotransportnoye predpriyatiye (automobile operating company) CJSC 228 Bolshaya St., Novosibirsk 630032	100
Novosibirslenergosbyt CJSC 32 Ordzhonikidze St., Novosibirsk 630099	100
CJSC «Information Technology and communication» 7 Sverdlova St., Novosibirsk 630007	100
Proyektno-tekhnologicheskoye buro (production engineering consultancy) OJSC 31 Ordzhonikidze St., Novosibirsk 630099	25
OJSC Novosibirskgorteploenergo 4 Serebrennikovskaya St., Novosibirsk 630007	50
Novosibirskenergo CJSC 201 Vybornaya, Novosibirsk 630126	100
Regionalnyie elektricheskoye seti (Regional electric mains) CJSC 80 S. Shamshinykh St., Novosibirsk 630005	100
Novosibirskii regionalnyi distpetcherskii centre (Novosibirsk regional control centre) CJSC 7 Sverdlova St., Novosibirsk 630007	100
ALBUMIN OJSC 195 Ostrovskogo St., Novosibirsk 630015	94.4

KEY CHARACTERISTICS OF THE COMPANY

OJSC Novosibirskenergo's electric power stations

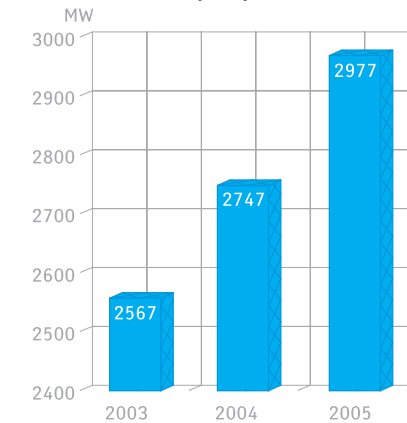
Station	First unit launch	Installed electric capacity, MWatt.	Number of turbines/ date of last unit launch	Installed thermal capacity, Gkal/hour	Number of boilers/ date of last unit launch	Fuel
TPP-2	November 1935	340	7 December 1987	920	7 December 1970	Kuznetsk coal, gas, furnace oil
TPP-3	October 1942	499.5	10 October 1974	1126	12 June 1983	Kuznetsk coal, Kansk-Achinsk coal (fourth cycle), furnace oil
TPP-4	May 1956	368.5	6 June 1970	1649	9 (6 VK water boilers) September 1970	Kuznetsk coal, gas, furnace oil
TPP-5	December 1985	1200	6 September 2004	2730	6 (7 VK water boilers + 2 DE boilers) December 2004	Kuznetsk coal, gas (1, 2 boiler), furnace oil
BTPP	December 2003	114	5 December 2003	293	7 (1 VK water boiler + 1 PK boiler) December 1958	Kuznetsk coal, furnace oil, gas
NHPP	November 1957	455	7 March 1959	-	-	-
NOK				64	5 December 1981	Gas, furnace oil
Total		2977	41	6782	46 (14 VK water boilers)	-

Novosibirsk energy system supplies electric power to Novosibirsk Region and assures centralized heat supply to the city of Novosibirsk and the city of Kuibyshev of Novosibirsk Region.

Novosibirsk Region area 178.2 thousand square meters;
 Novosibirsk Region population 2662.3 thousand;
 Novosibirsk population 1405.6 thousand.

As of December 31, 2005, the installed electric capacity of Novosibirskenergo OJSC was 2977 MW. The increase in the installed capacity was due to the launch of turbo unit st. #14 T-110-13 with the electric capacity 110 MW on February 1, 2005 and to remarking of turbines of st. #1-6 at Novosibirsk TPP-5. Since April due to the equipment remarking, the installed capacity of the power station and the energy system was increased by 120 MW.

Installed Electric Capacity



As of 1 January 2006, there are 314,084 km of heat pipelines on the balance of Novosibirskenergo OSJC (in double-pipe measurement). The length of heat pipelines of the heat networks is listed in the table by their service time.

Operation term limits	Length, km	% of total
up to 5 years	13,304	4,2
up to 10 years	43,862	14,0
up to 15 years	35,084	11,2
up to 20 years	37,547	11,9
up to 25 years	35,669	11,4
up to 25 years	148,618	47,3
Total	314,084	100

As of 1 January 2006, the length of the route overhead transmission lines on the balance of Novosibirskenergo OSJC is:

Voltage degree, KW	Length, km
220	1536
110	4818
35	4527
10	20979
6	63
0,4	13605
Total	45528

The number of electric power substations of 35-220 Kwatt is shown in the table:

Electric power substations, KW	Number of substations
220	11
110	158
35	161
Total	330

The installed capacity of transformer electric power substations is 10 242 thousand KWA.

PRODUCTION ACTIVITY OF THE COMPANY

Core business activities of the Company include:

- production activity;
- investment activity;
- Company reformation activity;
- financial activity;
- personnel management activity;
- social activity of the Company.

In 2005, production activity of the Company was in full compliance with the Budgeted balance sheet of electricity (heat) production and supply approved in the Business Plan of Novosibirskenergo OJSC, allowing for the future upgrade of the generating facilities' operation modes and potential replacement of self-performed condensing generation by a cheaper excess electricity purchased at an auction under the terms established by the Electricity

Pool and on the initiative of the Siberian Regional Despatch centre.

In comparison with 2004, the increase in power generation was 1410 million KWh (12.1%), including the growth for TPS of 1366 million KWh (14.0%), and the increase in 45 million KWh for HPS (2.4%).

The power station of the grid generated 13 043.5 million KWh, which is the absolute maximum for the entire grid history. The utilization factor of the grid installed capacity attained 50.8%.

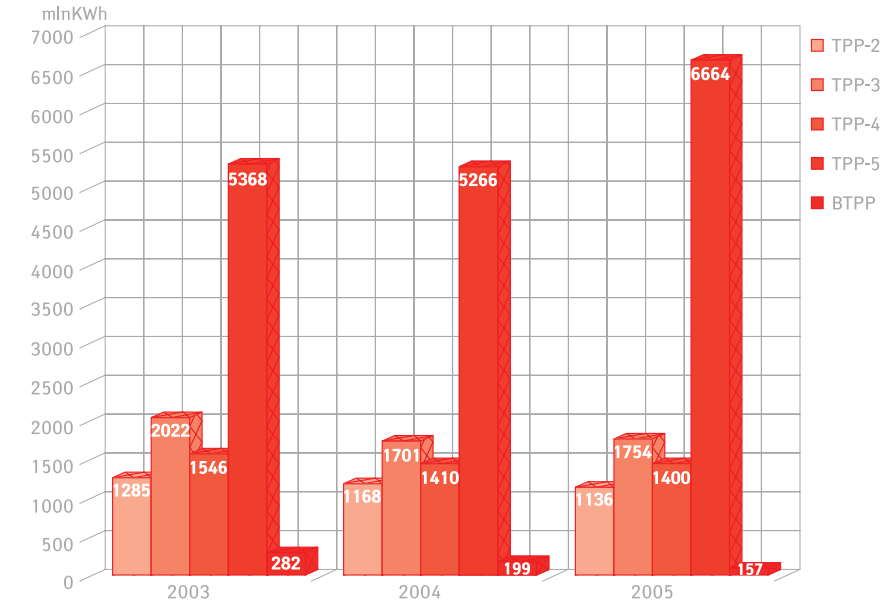
The increase in the electricity generation from the previous year can be attributed to:

- reduction in electricity purchases from 2004 by 999.5 million KWh;
- the increase in effective energy sales to the end consumers of 266.5 million KWh;

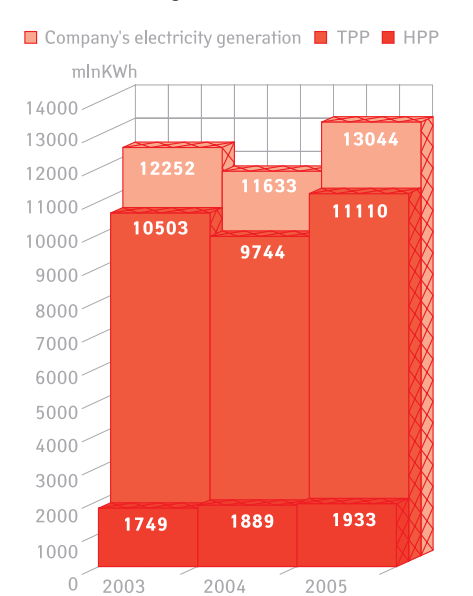
- the rise in the in-house electricity consumption on the account of the production increase by 88.1 million KWh.

The increase in electricity generation took place at the energy-saving stations with specific consumption below 295 g/KWh: TPP-3 by 3.1%, TPP-5 by 26.6%. The established actual operating mode complies with the requirements of optimising the production load of TPS facilities. Structure optimisation enabled the company to reduce generation by uneconomic equipment at TPP-2, TPP-4, BTPP.

Dynamics of electricity generation by power stations of Novosibirskenergo OJSC for 2003-2005

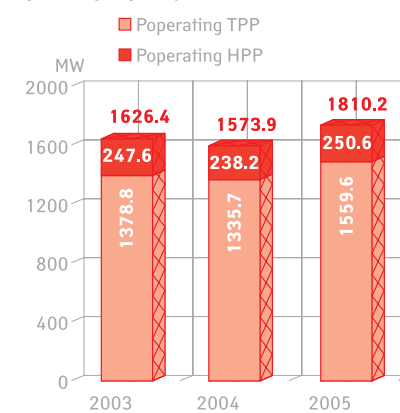


Dynamics of electricity generation by Novosibirskenergo OJSC for 2003-2005



Electricity generation, MW	2003	2004	2005	Deviation of 2005 from 2004	Deviation of 2005 from 2003
TPP-2	1 285	1 168	1 136	-32	-149
TPP-3	2 022	1 701	1 754	53	-268
TPP-4	1 546	1 410	1 400	-10	-146
TPP-5	5 368	5 266	6 664	1 398	1 296
BTPP	282	199	157	-42	-125
TOTAL for TPS	10 503	9 744	11 110	1 366	607
HPS	1 749	1 889	1 933	44	184
Power grid	12 252	11 633	13 044	1 411	792
Electricity consumption	13 080	13 344	13 755	0	0
Purchased electricity	828	1 711	712	411	675

Structure of OJSC Novosibirskenergo operating capacity



Structure of effective electricity sales

Consumer group	Measurement units	2003	2004	2005
Industry	Effective sales, thousand KWh	2 890 495	3 225 116	4 564 939
	Ratio, %	30.0	31.6	38.8
Agriculture	Effective sales, thousand KWh	632 871	565 181	532 256
	Ratio, %	6.6	5.6	4.5
Forest management	Effective sales, thousand KWh	7 021	6 758	5 932
	Ratio, %	0.1	0.2	0.1
Transport and communications	Effective sales, thousand KWh	2 071 160	2 160 513	2 326 505
	Ratio, %	21.5	21.1	19.8
Construction	Effective sales, thousand KWh	130 479	146 236	165 170
	Ratio, %	1.4	1.5	1.4
Housing maintenance and utilities	Effective sales, thousand KWh	949 674	888 872	877 276
	Ratio, %	9.9	8.8	7.5
Households	Effective sales, thousand KWh	1 741 337	1 769 411	1 883 714
	Ratio, %	18.1	17.4	16.0
Other industries and groups	Effective sales, thousand KWh	1 215 165	1 474 291	1 403 773
	Ratio, %	12.4	14.4	11.9

Structure of the effective sales of thermal energy

Consumer group	Measurement units	2003	2004	2005
Industry	Effective sales, Gcal	2 170 899	5 160 763	5 352 549
	Ratio, %	19.07	39.78	40.70
Communal services	Effective sales, Gcal	35 043	69 400	79 686
	Ratio, %	0.31	0.53	0.61
House management units	Effective sales, Gcal	160 932	6 638 644	6 765 813
	Ratio, %	1.41	51.17	51.44
Housing groups (cooperatives)	Effective sales, Gcal	65 182	884 149	932 571
	Ratio, %	0.57	6.82	7.09
Hot house plant growing farms	Effective sales, Gcal	11 999	16 490	15 518
	Ratio, %	0.11	0.13	0.12
Garage-building cooperatives	Effective sales, Gcal	2 548	4 968	5 694
	Ratio, %	0.02	0.04	0.04
Wholesale resellers	Effective sales, Gcal	8 934 691	198 740	0
	Ratio, %	78.50	1.53	0.00

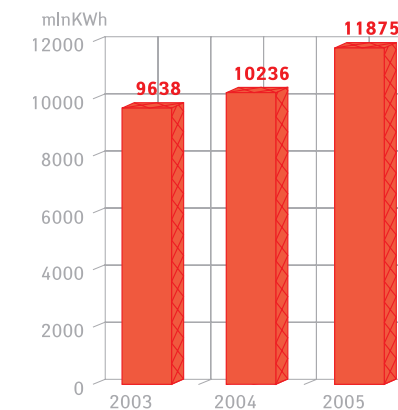
Effective electricity sales

FOREM (Federal Wholesale Market) electricity sales, dynamics of the amounts of self-generated and purchased electricity for the last three years.

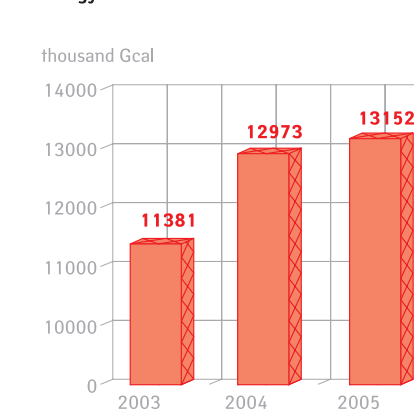
Dynamic changes in self-generated electricity and amounts of purchased electric power are presented in the table below. The major part of energy consumption is covered by the Company's self-generation (in 2003 – 93.7%, in 2004 – 87.2%, in 2005 – 94.7%), and only a small part of electricity was purchased from FOREM (Federal Wholesale Market) (6.3%, 12.8%, and 5.3% respectively).

Item	2003	2004	2005
Electricity consumption less RAO UES of Russia transit, million KWh	13 080	13 344	13 780
% growth (reduction) against previous year	103.9	102.0	103.3
Electricity generation,			
million KWh	12 252	11 633	13 044
Idem as percentage of consumption	93.7	87.2	94.7
Purchased electricity less RAO UES of Russia transit, million KWh	828	1 711	736
Idem as percentage of consumption	6.3	12.8	5.3

Dynamics of effective sales of electricity in 2003-2005



Dynamics of the effective sales of thermal energy in 2003-2005



MAINTENANCE AND REPAIR

The specific fuel consumption for the electricity sales over 12 months of 2005 for the entire grid are 305.1 g/KWh, which exceeds the previous year level by 2.0 g/KWh, and for thermal energy it was 141.8 kg/Gcal, which exceeds the previous year level by 0.3 kg/Gcal. The increase in the production load for the condensing cycle resulted in an insignificant specific fuel consumption (0.65% for electricity sales and 0.2% for the thermal energy sales).

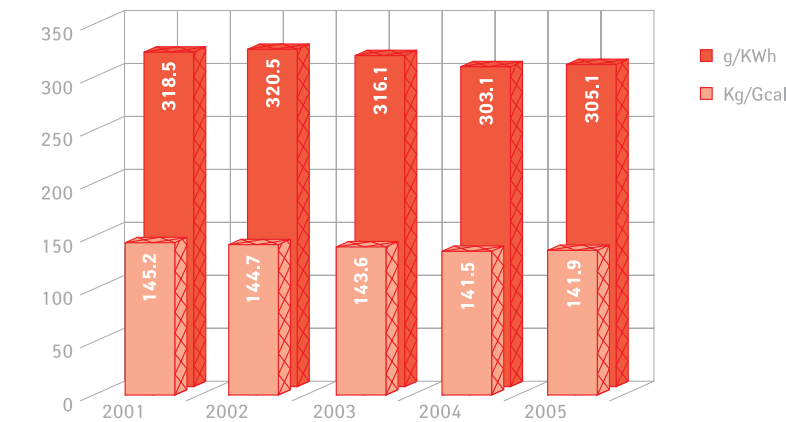
The grid operation under intensive market competition led to the significant increase in the energy generation in the condensing cycle. The power generation increase in the condensing cycle was 1218.7 million KWh, which is higher by 33.5% than over the previous year whereas 726.4 million KWh (97.1%) in the 3rd quarter with specific fuel consumption exceeding the annual average level by 50-80 g/KWh, which threatened to raise the

annual specific fuel consumption by 21.2 g/KWh leading to excess expenditures of 166.3 million roubles. The excess fuel consumption caused by the additional work in the condensing cycle was reduced.

The successful reduction of losses from the additional generation in the condensing cycle was attained through careful daily adjustment of technical and economical parameters to the standard level and optimisation of the power stations operation.

The performance and technical and economical indices of Novosibirskenergo OJSC power stations make them competitive with FOREM stations. The cost effectiveness and economic feasibility indices of the power stations belonging to Novosibirskenergo OJSC are at the level standard for the industry, the specific fuel consumption of electricity and heat sales was lower than that of the peer grids.

Dynamic changes in specific fuel consumption over the period from 2001 to 2005



For several years, Novosibirskenergo OJSC has been applying the strategy of transfer from scheduled preventive maintenance to on-condition maintenance of the facility based on fault diagnosis. The latter approach requires timely and complete maintenance and of especial significance is on-condition fault diagnosis of the equipment, buildings and constructions at present and for the future. All this taken together makes it possible to direct funds to general overhauls with the sufficient degree of reliability and efficiency thus reducing the risks.

The results of technical diagnosis and failure analysis enabled the Company in 2005 to postpone the scheduled overhaul and intermediate maintenance of 2 turbine units, scheduled overhauls and intermediate maintenance of 4 boiler units because of

their satisfactory technical condition. At the same time, a major unscheduled overhaul of 3 turbogenerators was performed in connection with the repair of sleeve tubes as well as routine repairs at 3 boiler units.

In 2005, overhauls and intermediate maintenance of electric power stations grid enterprises were performed within the power grid: 4 power boilers were repaired with the aggregate steam-generating capacity 1480 t/h, 4 turbine units with the aggregate capacity of 525 MW, the overhaul of the 1st hydroelectric generating set with the capacity of 65 MW started in 2004 was completed, and the overhaul of the 1st hydroelectric generating set with the capacity of 65 MW was started, which is too be completed according to the schedule in 2006. In the electric mains 44 electric power substations were repaired with

the voltage of 35 KW and higher and 1186.16 km power transmission lines, including high-voltage — 328.3 km, medium voltage — 588.58 km, and low-voltage — 269.28 km. In the city of Novosibirsk major repairs (transposition) were performed of 9164 running meters of heating mains and 52777 running meters of block heating pipelines. In the city of Kuibyshev, overhauls (transposition) of 200 running meters of heating mains and 3110 running meters of block heating pipelines were performed.

INFORMATION TECHNOLOGY

Over 2005, the corporate data communication network (CDCN) of Novosibirskenergo OJSC was significantly extended. Internet technology is being implemented in CDCN Novosibirskenergo OJSC at an annually increasing level. New communication channels were introduced between enterprises within CDCN Novosibirskenergo OJSC. The connected objects are developing intensively, which is accompanied by the steady growth of both telephone network subscribers and Internet users.

- The following facilities have been implemented and continue to develop:
 - the corporate e-mail system of the Holding with an efficient spam-protection system;
 - CISCO PIX firewall and security area;
 - protected access to LAN through VPN channels;
 - verifactory centre of ITS CJSC.
- Communications have been established and maintained between the servers of APSMCS (automated power supply monitoring and control system) and ATPSMCS (automated thermal power supply monitoring and control system) of remote branches and departments of the Company.
- Auto update of operation systems was introduced for computers within the Holding local area network. WWW sites are designed and developed on application from departments.
- In 2006, the following important solutions are to be implemented:

- setting up and maintaining a global data warehouse based on EVA equipment;
- allocating and implementing facilities and equipment for the Balancing market operations.
- The engineering department of Novosibirskenergo OJSC designed 300 km fibre-optic communication lines in the city of Novosibirsk and Novosibirsk oblast.
- A new digital exchange with the functions of dispatcher switch board was put into operation at RES CJSC (80 S. Shamshinykh St.) with the installed capacity of 304 numbers and communication organized via 2 Mb stream.
- The interconnecting channels are continued to be transferred to new TFM-12 equipment.
- A new sound-recording system StealthLine for dispatchers' conversations was put into operation at NRDC CJSC.
- A multiplexer switch EDTS-66 was replaced at the Block No 3 of Novosibirsk TPP-5 for the Meridian.
- An operation and telecommunication network was put into operation at the conveyor No 20 at HTPP-3.
- A fibre-optic communication line was installed with optical cross connect devices from CDD TPP-4 to the cross connect device at OSDTU of TPP-4.
- An uninterrupted power supply was installed for dispatch registers K1216P No 1 and 2 at BTPP.

- Construction and assembly works as well as startup-setup operations were completed for communication facilities, security and fire alarm, and automatic fire extinguishing systems at substation Chelyuskinskaya and PNS-11 of Novosibirskgorteploenergo OJSC.
- Application software GeKon (TUBR) and "Consumption forecast" for balancing market for wholesale electricity trading.
- Work was started on working out APSMCS and Generation (in 2005, an exploratory design was carried out).

FUEL SUPPLY. LOGISTICS. TRANSPORT

In 2005, Novosibirskenergo OJSC signed contracts for supply of the following kinds of fuel:

- Kuznetsk coal (suppliers: OJSC «CC Kuzbassrazrezcoal, Investresurs CJSC).
- Kansk-Achinsk coal (suppliers: CJSC Regional Power-Generating Coal, LLC Sereulskii Coal Strip Mine).
- Gas (supplier: Novosibirskregiongas OJSC).
- Furnace oil (supplier: Novosibirskneftprodukt OJSC).

The contractual amounts of fuel reflected the actual need for the generation of thermal and electric power:

requirement:

- Kuznetsk coal: 4 843.8 thousand tons;
- Kansk-Achinsk coal: 1 420.6 thousand tons;

furnace oil: 6.07 thousand tons;
gas: 363.869 million m³.

volume of delivery according to the contracts:

- Kuznetsk coal: 5 313.9 thousand tons;
- Kansk-Achinsk coal: 1 353.5 thousand tons;
- furnace oil: 5.986 thousand tons;
- gas: 363.869 million m³.

The timely delivery of the supplied fuel in 2005 enabled the Company to comply with RAO UES of Russia requirements to fuel reserve on the check dates.

At present, there are 332 automotive vehicles on Novosibirskenergo OJSC balance, out of which 184 vehicles are leased out to affiliates and dependent companies, 2 vehicles are subleased,

and 1722 vehicles are on the balances of the affiliates and dependent companies. 20 vehicles are leased from the municipal unitary enterprise "Energy". The Company's affiliates and dependent companies sublease 33 vehicles. 207 vehicles will be sold.

In 2005, Novosibirskenergo OJSC sold its unneeded motor transport – 66 vehicles for the sum of 5 810.4 thousand roubles (without VAT), and the motor transport belonging to OJSC Novosibirskenergo affiliates and dependent companies – 37 vehicles for 3 057.2 thousand roubles (without VAT).

As of January 1, 2006, stock inventory of the divisions and affiliates of Novosibirskenergo OJSC were 6 085 thousand roubles, or 52% of statutory requirement amounting to 11 625 thousand roubles. The stock of materials of the divisions and affiliates of Novosibirskenergo OJSC recorded under the "capital construction" item (no statutory requirement has been established) as of January 1, 2006 was 18 529 thousand roubles.

Over 12 months of 2005, Novosibirskenergo OJSC obtained funds from the sales of material assets, used pipes, and scrap metal amounting 29 887 thousand roubles including VAT (25 328 thousand roubles without VAT) while the target sum was 23 720 thousand roubles without VAT.



INSURANCE COVERAGE OF THE COMPANY'S INTERESTS



Novosibirskenergo OJSC provides the insurance coverage of the Company's property interests related to:

- property damage or loss of property;
- risk of the third-party legitimate liability claims to Novosibirskenergo OJSC for compensation of damage inflicted by Novosibirskenergo OJSC to their life, health or property and to the environment while operating a hazardous production facility;

- risk of the third-party legitimate liability claims to Novosibirskenergo OJSC for compensation of damage inflicted by Novosibirskenergo OJSC to their life, health or property while operating a transportation device.

In 2005, the major part of Company's property was insured with OJSC "Joint-Stock Insurance Company Leader" (Moscow). The equity capital is over 400 million roubles. According to the rating agency "Expert RA", Leader ranks 13th among 67 leading companies of the insurance market (reliability

rating "A" reflects its high reliability). Part of the property is insured with the LLC "Insurance Company Kovcheg" (Moscow). LLC Kovcheg is an affiliate of Joint-Stock Insurance Company Leader, the charter capital of the company is 300 million roubles.

All the HPF (hazardous production facilities) in 2005 were insured with LLC "IA Region Soyuz" (Moscow). TCN are insured in OJSC Moscow Insurance Company (MSK) (with the representative office in Novosibirsk). The MSK charter capital is 3.5 billion roubles. The Company ranks 35th among 67 leading companies of the insurance market (reliability rating "A" reflects its high reliability).

Automotive vehicles belonging to Company and its enterprises are insured with LLC RIC Gubernskaya (Novosibirsk). This company acts as an agent of OJSC Moscow Insurance Company (MSK), on the basis of agency contract.

FINANCIAL STATEMENTS FOR 2005

CONDENSED BALANCE SHEET OF NOVOSIBIRSKENERGO OJSC, THOUSAND ROUBLES

	01.01.2005	31.12.2005
ASSETS	20,295,294	18,152,686
Intangible assets	0	0
Fixed assets at net book value	4,970,970	3,261,171
Construction in progress	2,826,013	2,181,207
Long-term financial investments	8,459,015	8,413,671
Other non-current assets	106,733	107,551
Inventories	545,064	1,123,573
Value Added Tax on purchases	474,116	411,414
Accounts receivable	1,960,853	2,123,258
Short-term financial investments	930,796	463,767
Cash and cash equivalents	21,734	67,074
Other current assets	0	0
LIABILITIES	20,295,294	18,152,686
Authorized capital	160,746	160,746
Treasury shares bought out from stockholders	0	(81)
Additional paid-in capital	8,098,344	6,514,323
Surplus reserve	0	8,037
Social security funds	0	0
Retained earnings of past years	4,944,485	6,560,253
Retained earnings of the current fiscal year	243,180	280,586
Long-term loans	250,541	676,398
Long-term liabilities	880,673	785,954
Short-term loans	1,906,079	696,432
Short-term liabilities	3,802,781	2,462,650
Arrears of income due to constitutors	3,280	7,359
Deferred income	5,185	29
Reserves for future expenses and payments	0	0
Other liabilities	0	0

PROFIT AND LOSS STATEMENT OF NOVOSIBIRSKENERGO OJSC, THOUSAND ROUBLES

	2004	2005
Net revenues (from products, works and services) (net of value added tax and other similar obligatory payments)	13,706,341	16,483,238
Prime cost of sales, output, works, and services	12,742,910	15,695,855
Selling expenses	0	0
Administrative costs	0	0
Sales proceeds (profit)	963,431	787,383
Interest receivable	67,859	37,127
Interest payable	161,635	230,853
Earnings from equity interest in other companies	164	9,971
Other operating income	4,209,190	4,306,718
Other operating expenses	4,153,467	4,066,022
Other non-operational income	267,307	193,777
Other non-operational expenses	788,501	515,179
Profit before tax	404,348	522,922
Profit tax and other similar obligatory payments	161,168	242,336
Profit from main business	243,180	280,586
Extraordinary income	0	0
Extraordinary expenses	0	0
Net profit (retained earnings) of the reporting period	243,180	280,586

FINANCIAL PERFORMANCE RESULTS

Financial and business activities of Novosibirskenergo OJSC in 2005 were characterized by the following trends:

- significant increase in sales (products, works, and services);
- net profit increase.

In 2005, Company's sales (of products, works, and services) amounted to 16,483,238 thousand roubles, which is by 2,776,897 roubles (or by 20.32%) more than in 2004.

The revenues from the electricity sales were 10,670,248 thousand roubles, or 125.2% of the electricity sales revenues for the previous year; the heat energy sales amounted to 5,394,978 thousand roubles, or 109.2% of the previous year's value; other sales (products, works, and services) totalled 418,012 thousand roubles.

Over the accounting period, the profitability of all the activities was decreasing. The profitability of electricity sales reduced from 9.8% for 2004, to 7.7% in 2005; the profitability of thermal energy sales remained negative and for 2005 was 3.6%, against 1.78% in 2004; the profitability of sales of other products (works, services) was 51.7 percentage points lower than for the previous year and for 2005 totalled 39.1%.

All in all, due to the significant drop in the profitability of the core activities, i.e. generation and sales of electricity and thermal energy (accounting respectively 65% and 33% of the total sales), the sales profitability decreased from 7.0 kopecks per rouble of sales revenues in 2004 to 4.8 kopecks per

rouble of sales revenues over the accounting period.

Sales revenues for 2005 were 787,383 thousand roubles, showing decrease from the previous year level by 176,048 thousand roubles, or by 18.3%.

The extraordinary and non-sale expenses of 264,461 thousand roubles reduced the Company's profit to 522,922 thousand roubles.

The net profit (retained earnings) for 2005 totalled 280,586 thousand roubles, which exceeded the figure of the previous year by 37,406 thousand roubles (or by 15.4%). As a result, the return on assets increased from 2004 by 0.19 percentage points and was 1.46%, and the return on equity capital grew by 0.26 percentage points and totalled 2.08%.

The net profit margin over the accounting period was 1.70 kopecks per rouble of sales revenues against 1.77 kopecks per rouble of sales revenues for 2004.

ASSETS

The non-current (immobilized) assets account for the highest ratio (77.0%) of Company's total assets (assets holding), which is characteristic of the most power generation com-

panies due to a high capital intensity of their production. Their percentage decreased by 3.7 percentage points against 2004, which can be attributed to a considerable reduction in the volume of non-current assets in absolute terms by 2,399,131 thousand roubles (by 14.7%) accompanied by a much smaller increase in total current assets by 256,523 thousand roubles (by 6.5%).

Dynamics of changes in the structure of non-current assets are characterized by:

- decreased percentage of fixed assets from 30.4% to 23.4%;
- increase in the percentage of long-term financial investments by 8.6 percentage points;

- decrease in the percentage of construction in progress by 1.7 percentage points – from 17.3% to 15.6%.

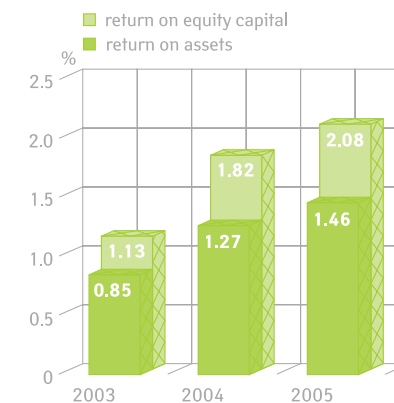
Dynamic changes in the structure of current assets are characterized by changes in the following indicators:

- the increased proportion of accounts receivable, their percentage in the working capital grew from 49.9% to 50.7%;
- the increased proportion of inventories, their percentage in the working capital grew from 13.9% to 26.8%;
- the decrease in the proportion of cash equivalents and short-term financial investments by 11.5 percentage points;
- decrease in the percentage of Value Added Tax on purchases by 2.2 percentage points.

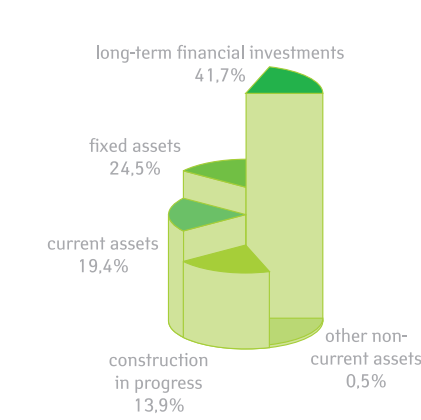
Basic financial indicators of the Company, thousand roubles

Indicators	2004	2005	2005/2004, absolute variation	2005/2004, %
Revenues from sales of goods (products, works, services)	13,706,341	16,483,238	2,776,897	120.3%
Prime cost of sales, output, works, and services	12,742,910	15,695,855	2,952,945	123.2%
Costs as per 1 rouble of sales, kopecks.	93.0	95.2	2.3	102.4%
Sales proceeds (profit)	963,431	787,383	-176,048	81.7%
Sales profitability, %	7.0%	4.8%		68.0%
Other operating income and expenses	-37,889	56,941	94,830	-150.3%
Profit from financial and business activity	925,542	844,324	-81,218	91.2%
Profitability of financial and business activity, %	6.8%	5.1%		75.9%
Extraordinary (non-sale) revenues and expenses	-521,194	-321,402	199,792	61.7%
Profit before tax	404,348	522,922	118,574	129.3%
Profit tax and other similar compulsory payments	161,168	242,336	81,168	150.4%
Net profit (retained earnings)	243,180	280,586	37,406	115.4%
Net profitability, kopecks per 1 rouble of sales revenues (proceeds)	1.77	1.70		95.9%

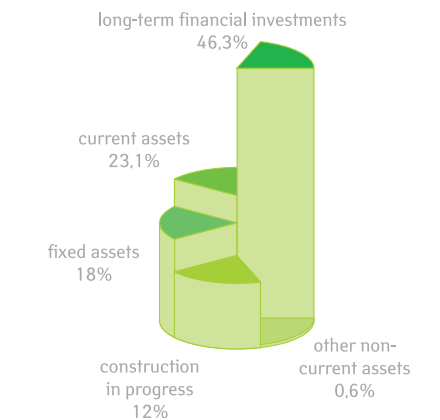
Dynamics of Company's profitability indicators changes



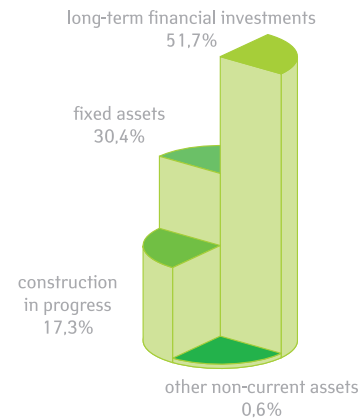
Structure of total assets in 2004



Structure of total assets in 2005



Structure of non-current assets in 2004



LIABILITIES

Dynamic changes in the liabilities structure are characterized by:

- the increased proportion of the equity capital by 8.2 percentage points – from 66.3% to 74.5%;
- increase in the percentage of long-term liabilities by 2.5 percentage points;
- reduction in the percentage of short-term liabilities from 28.2% to 17.4%, or by 10.7 percentage points.

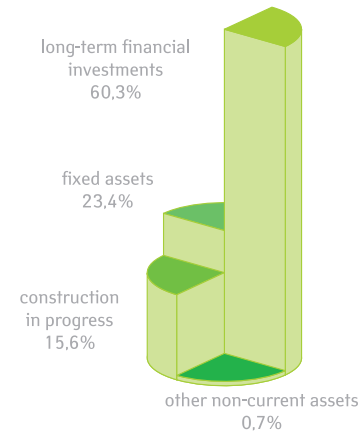
Dynamic changes in the structure of borrowed funds (loan proceeds) are characterized by:

- the decreased proportion of short-term debt from 55.5% to 53.2%;
- the increased proportion of long

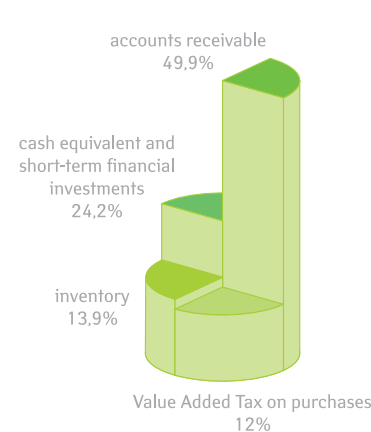
- term debt by 4.1 percentage points – from 12.9% to 17.0%;
- significant drop in the percentage of short-term credits and loans by 12.8 percentage points;
- increased proportion of long-term credits and loans by 11.0 percentage points – from 3.7% to 14.6%;
- increased percentage of other short-term liabilities from 0.1% to 0.2%.

In absolute terms, the largest reduction in the structure of Company's assets was in the fixed assets amounting to 1,709,799 thousand roubles (by 34.4%), construction in progress by 644,806 thousand roubles (or by 22.8%) and cash equivalents and short-term financial investments by 421,689 thousand roubles

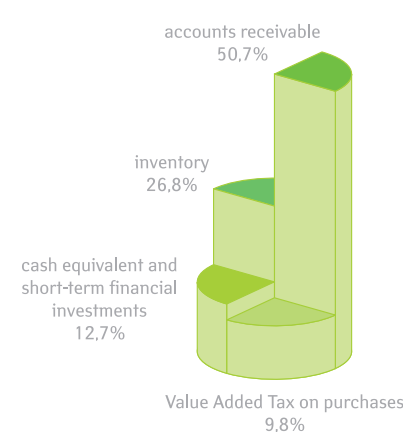
Structure of non-current assets in 2005



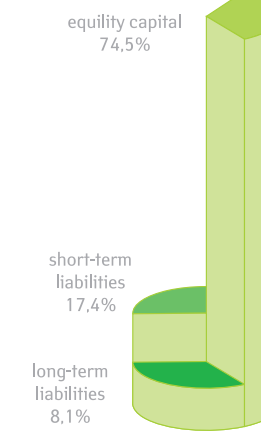
Structure of current assets in 2004



Structure of current assets in 2005



Liabilities structure in 2005



(by 44.3%). The greatest increase was observed for such items as inventories by 578,509 thousand roubles (by 106.1%) and accounts receivable by 162,405 thousand roubles (by 8.3%).

In the structure of Company's liabilities, accounts payable (debt) dropped by 1,434,850 thousand roubles, or by 30.6% (mostly due to the decrease in arrears of dues to the charter capitals of the affiliates by 1,183,244 thousand roubles and the reduction in Company's debt to its suppliers and contractors by 368,889 thousand roubles), the amount of obtained loans and bank credits was down by 783,790 thousand roubles (by 36.3%), the amount of other liabilities dropped by 1,077 thousand roubles (by 12.7%), the equity capital increased by 77,109 thousand roubles (by 0.6%).

The balance-sheet total for 2005 decreased by 2,142,608 thousand roubles and as of the end of the accounting period was 18,152,686 thousand roubles.

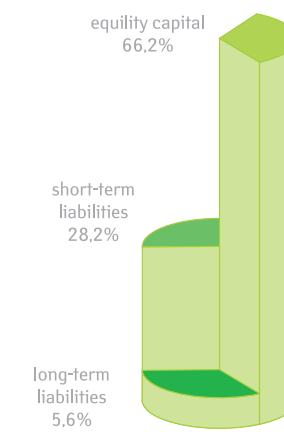
Since the value of non-current assets has been decreasing faster than the equity capital gain, the working capital value increased by 2,842,378 thousand roubles and became a positive value of 1,022,616 thousand roubles.

Business activity

Dynamic changes in the basic parameters of the company's business activity reflect the enhanced efficiency of the utilization of Company's resources and the increased rate of turnover thereof:

- receivables turnover increased by 1 day;
- inventory turnover dropped by 2 days;
- payables turnover dropped significantly by 26 days;
- duration of financial cycle in the reporting year assumed a positive value of 1 day.

Liabilities structure in 2004



	Measurement unit	2004	2005
Receivables turnover	days	43	44
	turnovers	8	8
Inventory turnover	days	31	29
	turnovers	12	12
Payables turnover	days	98	72
	turnovers	4	5
Duration of the financial cycle	days	-24	1

Liquidity of assets

The increase in liquidity ratios against the previous year was due to:

- reduction in the sum of short-term credits and loans by 1,209,647 thousand roubles (by 63.5%);
- repayment of 1,183,244 thousand roubles arrears of dues to the charter capitals of Company's affiliates for the accounting period.

Cash, cash equivalents, and short-time financial investments provide 17% coverage of short-term liabilities of the Company against the recommended values of 20%–50%.

The assets with the highest liquidity level (short-term receivables, cash, cash equivalents, and short-time financial investments) cover short-term liabilities by 84%.

The total current asset coverage of the short-term liabilities is 132%.

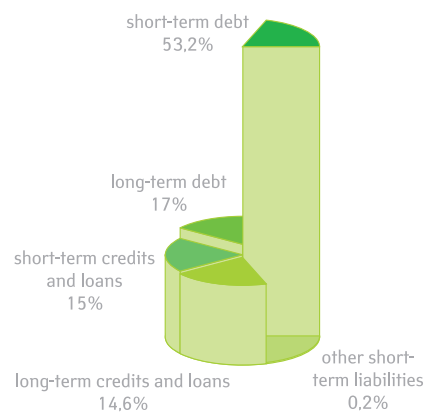
Liquidity ratios

	2004	2005
Absolute liquidity ratio (cash ratio)	0.17	0.17
Quick liquidity ratio	0.50	0.84
Current liquidity ratio	0.70	1.32
Working capital*, thousand roubles	-1,819,762	1,022,616

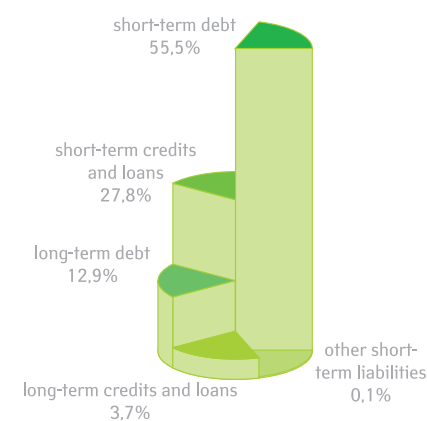
Indicators of financial stability

	2004	2005
Coefficient of equity capital concentration	0.66	0.75
Leverage ratio	0.51	0.34

Structure of borrowed funds (borrowings) in 2005



Structure of borrowed funds (borrowings) in 2004



Financial stability

Indicators of financial stability are within recommended range:

- the percentage of the owner's equity capital in Company's joint liabilities is 75% with the critical minimum value of equity capital concentration equal to 50%;
- the leverage ratio is 0.31, whereas the critical maximum value is 1.0.

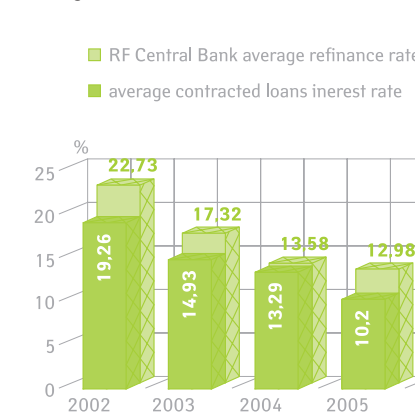
*in calculating, owner's equity capital is increased by the amount of long-term liability

CREDIT HISTORY

COMPANY'S LOANS AND CREDITS IN 2004

Creditor	Credit currency	Debt outstanding as per beginning of the period (in credit currency), thousand	Credits extended (in credit currency), thousand	Credits paid (in credit currency), thousand	Debt outstanding as per the end of the period (in credit currency), thousand
CREDITS					
Sberbank	rouble	500 000	1 200 000	1 010 000	690 000
Alpha-Bank	rouble	16 363	1 405 000	799 763	621 600
Gazprombank	rouble	0	300 000	0	300 000
Promstroibank	rouble	0	900 000	640 000	260 000
TransCreditBank	rouble	0	295 000	295 000	0
Avtobank-Nikoil	rouble	0	480 000	480 000	0
Kommerzbank (Eurasia)	US dollar	0	10 000	1 250	8 750
Aleamar Bank	euro	0	49	49	0
LOANS					
LLC SC Novy Gorod LLC	rouble	7 200	0	0	7 200
ATP CJSC	rouble	0	3 992	3 992	0
Engineering Centre CJSC	rouble	0	24 624	12 844	11 780
ITS CJSC	rouble	0	22 509	3 250	19 259
PRP CJSC	rouble	0	45 400	45 400	0
Energospetsmontazh CJSC	rouble	0	2 757	2 757	0

Changes in credit interest rate, % annual



Company has an approved well-developed credit policy, which determines its borrowing activities.

Company has a perfect credit history and has never been default on credit obligations, which made it an A-rated borrower of western and leading Russian banks enjoying the minimum interest rate.

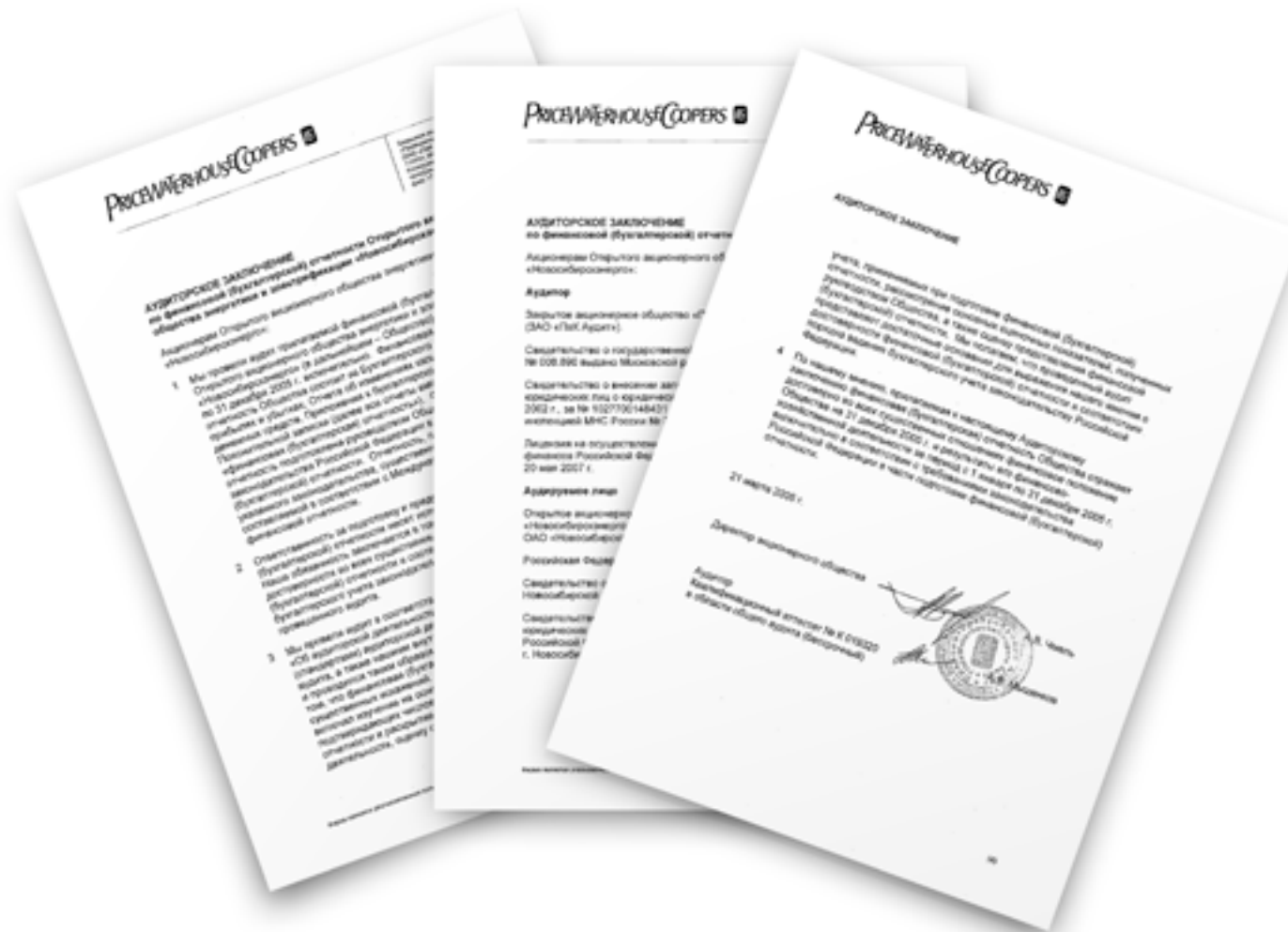
As of December 31, 2005 the weighted average interest rate for credits extended to Novosibirskenergo OJSC is 9.18% a year.

The borrowed funds are mostly used for specified purposes such as payments to fuel suppliers, RAO UES subscription fees, financing of investment programs and tax payments.

AUDIT REPORT

COMPANY'S LOANS AND CREDITS IN 2005

Creditor	Credit currency	Debt outstanding as per beginning of the period (in credit currency), thousand	Credits extended (in credit currency), thousand	Credits paid (in credit currency), thousand	Debt outstanding as per the end of the period (in credit currency), thousand
CREDITS					
TransCreditBank	rouble	1	333 998	333 999	0
Alpha-Bank	rouble	621 600	1 206 409	1 828 009	0
Gazprombank	rouble	300 000	1 220 000	1 520 000	0
Sberbank	rouble	690 000	542 000	1 232 000	0
Promstroibank	rouble	260 000	1 128 000	1 388 000	0
Bank Levoberezhny	rouble	0	50 000	50 000	0
Raiffeisenbank Austria	US dollar	0	15 000	6 429	8 571
International Moscow Bank	rouble	0	300 000	0	300 000
Raiffeisenbank Austria	rouble	0	500 000	0	500 000
Kommerzbank (Eurasia)	US dollar	8 750	10 000	9 167	9 583
LOANS					
ATP CJSC	rouble	0	7 000	7 000	0
Engineering Centre CJSC	rouble	11 780	1 163	5 329	7 614
ITS CJSC	rouble	19 259	40 401	30 385	29 275
CJSC Novosibirskenergo	rouble	0	670	670	0
NRDC CJSC	rouble	0	1 903	550	1 353
NESR CJSC	rouble	0	1 539	0	1 539
PRP CJSC	rouble	0	20 400	20 400	0
SC Novy Gorod LLC	rouble	7 200	0	0	7 200



PricewaterhouseCoopers Audit
 Closed Joint Stock Company
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 115054 Moscow
 Telephone number: +7 (495) 967 6000
 Fax number: +7 (495) 967 6001

AUDIT REPORT

On financial (accounting) statements

To the Stockholders of electricity generating company Novosibirskenergo Open Joint-Stock Company:

Auditor

PricewaterhouseCoopers Audit Closed Joint Stock Company (PwC Audit CJSC).
 State Registration Certificate of the Joint-Stock Company No. 008.890 issued by
 Moscow Registration Chamber as of February 28, 1992.

Certificate of the record entry in the Uniform State Register of Legal Entities about
 a legal entity incorporated before July 1, 2002, reference number 1027700148431
 as of August 22, 2002, issued by the Interdistrict Inspection of the RF Ministry
 of Taxation No 39 for the city of Moscow.

Audit License No. E000376 issued by the Ministry of Finance of the Russian
 Federation as of May 20, 2002. The License is valid up to May 20, 2007 (License
 expiry date is May 20, 2007).

Auditee

Electricity generating company Novosibirskenergo Open Joint-Stock Company
 (Novosibirskenergo OJSC).

7, Sverdlova St., Novosibirsk, Russian Federation.

State Registration Certificate No. GP 247 issued by Novosibirsk City Registration
 Chamber as of February 23, 1993.

Certificate of record in the Unified State Register of Legal Entities series 54
 No. 002263521 issued by the Zheleznodorozhny District Tax Office of the Ministry
 for Taxes and Duties of the Russian Federation as of December 26, 2003

**The company is an authorized user of the trade name and trademark
*PricewaterhouseCoopers***

PricewaterhouseCoopers Audit
 Closed Joint Stock Company
 (PwC Audit CJSC)
 st. 5, Kosmodamianskaya nab. 52,
 115054 Moscow
 Telephone number: +7 (495) 967 6000
 Fax number: +7 (495) 967 6001

AUDIT REPORT

On financial (accounting) statements of electricity generating company Novosibirskenergo Open Joint-Stock Company (Novosibirskenergo OJSC)

To the Stockholders of electricity generating company Novosibirskenergo Open Joint-Stock Company:

1. We have audited the enclosed financial (accounting) statements of the electricity generating company Novosibirskenergo Open Joint-Stock Company (hereinafter referred to as "the Company") for the year ended December 31, 2005. Financial (accounting) statements of the Company include the Balance Sheet, Loss and Profit Statement, Statement of Changes in Stockholders' Equity, Cash Flow Statement, Balance Sheet Supplement, and Notes to Financial Statements (hereinafter jointly referred to as "financial (accounting) statements"). Financial (accounting) statements were prepared by the Company management in compliance with the legislation of the Russian Federation regulating elaboration of financial (accounting) statements. Financial statements prepared in compliance with the said legislation significantly differ from financial reports prepared in accordance with the Generally Accepted Accounting Standards.

2. The financial (accounting) statements are the responsibility of the Company's management (executive body). Our responsibility is to express an opinion on the basis of the audit performed on the accuracy of these financial statements in all material respects and on compliance of the applied accounting procedures with the legislation of the Russian Federation.

3. We have conducted our audit in accordance with the Federal Law "On Auditing", Federal regulations (standards) of auditing, International Standards on Auditing, and our internal standards. The audit had been planned and conducted so as to obtain reasonable assurance about whether the financial (accounting) statements are free of any material misstatement. The audit included examining on test basis evidence supporting the amounts and disclosures in the financial statements about financial and business activity. The audit also included assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion on accuracy of the financial statements and compliance of accounting procedures and principles with the legislation of the Russian Federation.

4. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2005, and the results of its financial and business activity [operations and cash flows] January 1 through December 31, 2005, in compliance with the legislation of the Russian Federation regulating elaboration preparation of financial (accounting) statements.

March 21, 2006
Director of the Joint-Stock Company A.V. Chmel
Auditor A.V. Myshenkov

Certificate of competence in the field of general audit (unlimited) No. K 019320

INVESTMENT ACTIVITY OF THE COMPANY

Investment activity is one of the priority directions in the development of Novosibirskenergo OJSC.

The goals and tasks of Company's investment programs include rehabilitation, technical re-equipment and upgrade of currently used equipment to enhance the reliability of TPP and electric mains, and development of heat and electric mains.

The investment program of 2004 practically solved the problem of building up generating capacity and of reducing the power shortfall of Novosibirskenergo OJSC.

In 2005, the investment program of Novosibirskenergo OJSC included the construction, technical upgrading, and reconstruction of electric power stations, electric and heat mains according to 14 target-oriented programs and the re-equipment of Novosibirsk HPS. For the previous year, the priority direction of investment activity was development of network infrastructure and system.

The capital investment program for 2005 includes the projected sources of financing, is balanced and approved by the Regional Power Commission.

The sources of financing the capital investment totalling 1873.4 million roubles (without VAT) are as follows:

New fixed assets

In 2005, the new fixed assets put into operation amounted to 1,816.2 million roubles (with HHPS) against the projected 1,725.8 million roubles, which is about 83% of the total capital investment. The construction in progress reduced during 2005 by 498.7 million roubles.

Company's equity funds: depreciation of 343.4 million roubles (18% of the total financing); Borrowed and attracted funds: 1 530 million roubles (82%), out of which:

- depreciation of Novosibirskenergo CJSC: 1 120.6 million roubles;
- funds of RAO UES of Russia: 100.6 million roubles;
- other attracted funds: 308.8 million roubles.

Among large-scale investment programs the following should be mentioned:

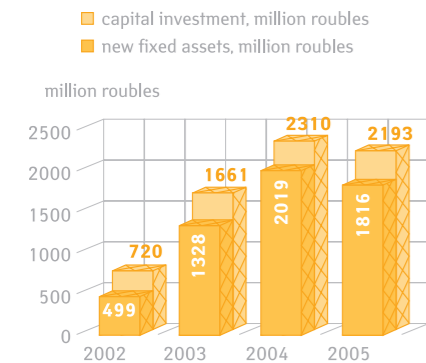
- construction of electric power facilities: 501 million roubles;
- construction of heat mains: 360 million roubles;
- the program of closing local boiler-house plants: 180 million roubles;
- purchase of electric and thermal power facilities: 176 million roubles.

The non-core financial investments include:

- the program of equipping Company with computers, office appliances, furniture and other acquisitions totalling 46.4 million roubles;
- programs of Stroitel (builder) CJSC – 4.6 million roubles.

Facility	million roubles
TGNo 14 TPP-3	625
Replacement of the generator TBM-60 of st. No 6 TPP-2	80
Block No 6 of TPP-5	618
Programs of electric mains reconstruction	28
Programs of rehabilitation and technical upgrade of TPP	68
Acquisition of power facilities	111
Purchase of office appliances and furniture	58
Installation of gas service at BTPP	57
Program of closing local boiler-house plants	16
Fire safety program facilities	15
Other facilities	13
TOTAL for the facilities of Novosibirskenergo OJSC	1 689
The HHPS facilities subject to rehabilitation and technical upgrade: rehabilitation of the hydroelectric generating set No 4 and of SCADA	128
Total	1 816

Dynamic changes in capital investment and new fixed assets in 2002-2005



As of January 1, 2006, the construction in progress amounted to 2,326.5 million roubles, out of which currently operating and practically completed facilities accounted for 1,130 million roubles. These facilities will be filed under "Fixed assets" immediately after their registration has been finalized.

Company's development prospects

On April 28, 2005 Novosibirskenergo OJSC signed Agreement about joining the trade system and thus acquired the status of eligible tenderer and bidder on this competitive market in Siberian territory. At present, Novosibirskenergo OJSC is actively participating in wholesale supplies and purchases of electricity at competitive prices. The Company is preparing for the introduction of new operating principles in the wholesale market variance sector.

In the 3rd quarter of 2005, the program was launched aimed at switching consumers from local heat supply sources to centralized heat supply, which is to enhance effective heat sales by 220 thousand Gcal a year.

In order to accelerate the program's implementation, a special department "Local boiler-house plants" was set up in Company's affiliate Generation. Company purchased the boiler-house plant of NTC (Novosibirsk tin combine). In 2006, it is planned to purchase or lease 35 more local boiler-house plants, and to conclude contracts for heat and hot water supply with departmental local boiler-house plants in the city of Novosibirsk.

Over the recent years Novosibirskenergo OJSC has been paying special attention to provide sustainable reliability of electricity and heat supply to consumers.

In order to improve the reliability of power supply to Novosibirsk, 2 110 KW substations Chelyuskinskaya and Vympel were put into operation in 2005, which significantly improved the electricity supply of the Central, Zheleznodorozhny, Dzerzhinsky, and Oktyabrsky districts of Novosibirsk due to load redistribution and reducing the workload of congested electric power substations.

The 5th run (1200 mm) of the heat mains from TPP-5 to Vostochny residential community was constructed and from Vostochny residential community to Gusinobrodsky. The construction of pumping station PNS-11 has been completed. All this will improve the hydraulic control of the heat supply system of Vostochny residential community and downtown areas, and also partially utilize the

closed thermal capacity of TPP-5.

In 2006, the Company plans to invest mainly in the development of electric and heat mains. Within the program of electric mains development it is projected to rehabilitate in 2006 Teplovaya electric power substation put into operation in 1967. The rehabilitation of Teplovaya electric power substation and construction of a new electric power substation will drastically improve the reliability of electricity supply to the current consumers and it will be possible to provide sustainable supply to new consumers in the new development on the banks of the river Kamenka. Parallel to the construction of the new electric power substation design works will be carried out for rehabilitation and technical upgrading of Bibliotechnaya substation.

In 2006, it is planned to reconstruct the heating main along the Promyshlennaya street and to commission the 1st turn of the PNS-11 (after proper adjustment and alignment), which will make it possible to switch part of the consumers supplied with heat by TPP-4 to TPP-5. This will optimize hydraulic controls of the heat mains and improve the general quality of heat supply to consumers and will make it possible to service new consumers.

The implementation of the above-mentioned and other projects included in the investment programs of Novosibirskenergo OJSC Group will secure sustainable high-quality heat and electricity supply of consumers and enable the company to attract new consumers whose number will grow due to the intensive development of the city of Novosibirsk and Novosibirsk oblast.

COMPANY REFORMS



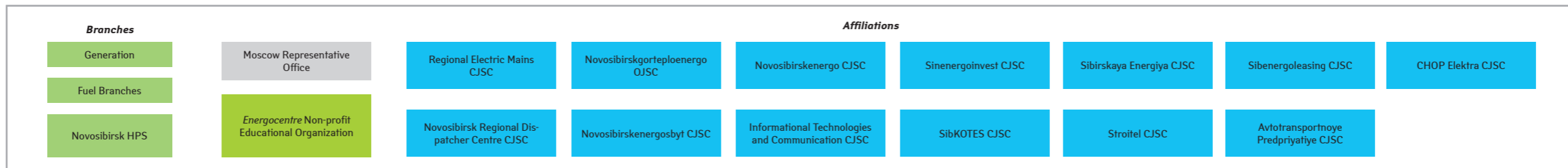
In accordance with the Project of reforming Novosibirskenergo OJSC (Minutes of Novosibirskenergo OJSC Board of Directors No 6 as of July 25, 2003 on the Project approval), in 2002-2003 supporting activities were reorganized, and non-core activities identified and separated. In addition, according to the above-mentioned Project of reforming, core activities, which were prohibited to combine under the types of activities falling under the RF Federal Law On Electric Power Industry were separated.

Early in 2005, according to the implementation plan of the Project of reforming

Company, a non-commercial educational institution (NEI) Energocentre was established on the basis of the affiliate of the Training complex of Novosibirskenergo OJSC (Minutes No 9 as of November 26, 2004).

Therefore, in early 2005, Novosibirskenergo OJSC succeeded in separating supporting and splitting off non-core activities, and separating core activities, which were prohibited to combine under the RF Federal Law On Electric Power Industry.

MANAGEMENT STRUCTURE OF THE COMPANY





The civic position of Novosibirskenergo OJSC is to provide sustainable growth and development of the company in pace with the development of Russian economy and to secure the interests of Siberian region, and to support the social welfare of its population.

The social responsibility of Novosibirsk power company is a multidimensional phenomenon. First of all, it is supply of high-quality services and goods and creation of new jobs. Novosibirskenergo OJSC is one of the largest and good faith taxpayers to local and federal budgets. The power company does its

best to comply with the international quality requirements, to meet the international accounting standards, to provide complete transparency of its policy and strategy.

Our primary task is to provide sustainable and reliable electricity and heat supply to consumers. In 2005, Novosibirskenergo OJSC implemented several large projects significantly improving the quality of the services rendered. The on-going modernization of equipment, development of network system and infrastructure, optimisation of resource utilization enables the com-

pany to fulfil its mission "to bring light and warmth to people". The Company's credo is development, it successfully adapts to new market condition, actively attracts both Russian and western investment.

Special attention Novosibirskenergo OJSC pays to the corporate policy. A wide range of social programs, preferential utility rates, corporate events for the staff, their families and children have become an important component of dynamic and sustainable development of Novosibirskenergo OJSC. Investment in human resources is one of the best paying because nothing is more stimulating for the professional and innovative development of the staff as care and attention of their Company. It is especially significant for the period of restructuring when Novosibirskenergo OJSC is mastering the optimum and efficient forms of organizational structure cutting off unprofitable business activities and concentrating on the efficient ones. At the time of transition it is essential to retain the general corporate culture and to maintain the unified information field because Novosibirsk power company is first of all a close-knit team of professionals sharing goals and values.

Social responsibility implies also an on-going dialogue with community, with the medium where the power company operates and develops. That is why Novosibirskenergo OJSC pays serious attention to its sponsorship and charitable activity, actively participates in the implementation of socially significant projects. For several years, two

priorities of Company have been sports and young people. The power company supports gifted children. The educational program of Novosibirskenergo OJSC is aimed at making education more prestigious, promoting the value of professionalism among younger people to help the oncoming generation find proper place in the labour market. Among sporting events held by Company especially popular is the annual Sports competitions traditionally held on the Power Industry Day. Novosibirskenergo is the general sponsor of the women's basketball team Dinamo-Energiya, it provides regular support to the hockey team Siberia.

Novosibirskenergo OJSC is especially concerned with environmental issues, the problems of energy security in the context of long-term development of Novosibirsk and Novosibirsk oblast.

In this connection, Company actively introduces energy-saving equipment and technology, implements energy-saving programs.

The responsibility to society is the natural direction of the power industry everyday work, one of the instruments that enable the business to obtain and sustain its good reputation. Power industry is social in its essence as Novosibirskenergo OJSC is responsible for the life support of entire Novosibirsk and Novosibirsk oblast supplying it with heat and electricity.



CONTACTS

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State registration certificate number: ГП 247

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