



# Annual Report 2011

JOINT-STOCK COMPANY  
"MOSCOW UNITED ELECTRIC  
GRID COMPANY"

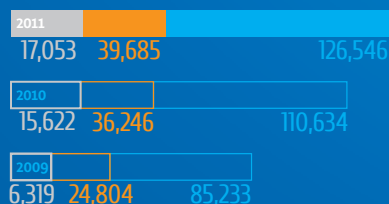
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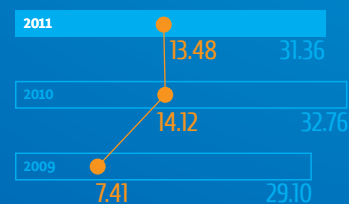
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TOTAL REVENUE, EBITDA AND NET PROFIT



■ Total revenue, mln rubles  
■ EBITDA, mln rubles  
■ Net profit, mln rubles

EBITDA AND NET PROFIT MARGINS



■ EBITDA margin, %  
● Net profit margin, %

# Key indicators

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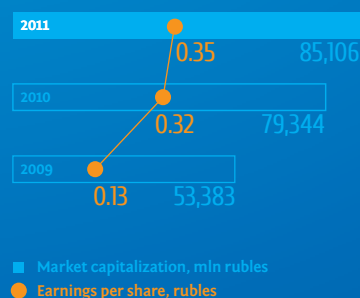
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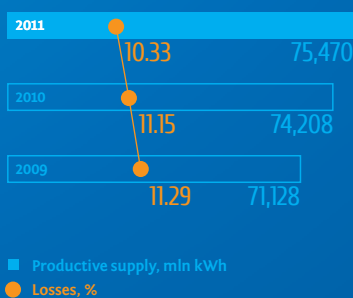
No.	Indicator	2009	2010	2011	2011/2010, %
1.	Total revenue, mln rubles	85,233	110,634	126,546	14.4
2.	EBITDA, mln rubles	24,804	36,246	39,685	9.5
3.	EBITDA margin, %	29.10	32.76	31.36	-1.4 pp
4.	Net profit, mln rubles	6,319	15,622	17,053	9.2
5.	Net profit margin, %	7.41	14.12	13.48	-0.64 pp
6.	Accrued dividends, mln rubles	450	1,200	1,218*	1.5
7.	Earnings per share, rubles	0.12972	0.32072	0.35011	9.2
8.	Capital investment, mln rubles	21,696	19,531	29,527	51.2
9.	Net asset value, mln rubles	120,152	140,452	155,178	10.5
10.	Depreciation of fixed assets (according to accounting records), %	24.03	28.09	30.81	2.72 pp
11.	Market capitalization**, mln rubles	53,383	79,344	85,106	7.3
12.	Number of shareholders, persons	17,329	16,627	16,225	-2.4
13.	Productive supply, mln kWh	71,128	74,208	75,470	1.7
14.	Losses, %	11.29	11.15	10.33	-0.82 pp
15.	Connected capacity under grid connection contracts, kW	448,760	991,070	916,508	-7.5
16.	Number of employees, persons	14,651	15,552	15,232	-2.1

\* To be assessed from the date a decision is adopted by the annual general meeting of shareholders  
 \*\*Indicator presented as of final trading day for the year

### CAPITALIZATION AND EARNINGS PER SHARE



### PRODUCTIVE SUPPLY AND LOSSES



### NUMBER OF SHAREHOLDERS, persons



# Address of the Chairman of the Board of Directors

DEAR SHAREHOLDERS,



**IN 2011, JSC "MOESK"  
PAID DIVIDENDS FOR  
2010 IN THE AMOUNT  
OF 1.2 BLN RUBLES IN  
FULL AND ON TIME**



The past year of 2011 proved to be a serious test for JSC "MOESK." the results we achieved, however, indicate that not only were we able to successfully accomplish the goals we set, but also that the Company is progressively developing.

The start of the year turned out to be very challenging for the Company. Repairing the damage caused by freezing rain, the personnel of JSC "MOESK" and the operating companies of JSC "IDGC Holding" worked in a strenuous, round-the-clock mode in order to restore reliable power supplies in the Moscow area as quickly as possible and uphold the business reputation of JSC "MOESK." This difficult period hardened the Company's employees.

The results of 2011 demonstrate that JSC "MOESK" continued to confidently move forward and ended the year with good operational and financial indicators. The company strengthened its positions on the market for electricity supply services. Moscow Mayor Sergei Sobyenin awarded JSC "MOESK" a Certificate of Merit for its contribution to the capital's power supply system.

During the reporting year, the Company continued to forge ahead in implementing its priority objectives. The efforts of Company personnel ensured uninterrupted power supplies to consumers, an increase in transmission capacity and the reconstruction of power grids in the Moscow area. Comprehensive work was conducted to improve the Company's financial and economic performance as well as boost its investment appeal and the transparency of operations. The Company devoted considerable attention to issues concerning innovative development, energy efficiency as well as the reliability and quality of services. Much work was also conducted to increase the availability of power grid infrastructure.

In 2011, officials from JSC "IDGC Holding," GPB (JSC), JSC "Leader" as well as the Energy Ministry of the Russian Federation and the Moscow Government represented



the interests of shareholders on the Board of Directors. The decisions adopted by the Board of Directors were effectively implemented by the general director and Company management.

Throughout 2011, the Board of Directors of JSC "MOESK" regularly considered strategic, production and commercial issues related to the Company's activities. The board paid particular attention to the approval and monitoring of the implementation of key documents for the Company such as the business plan, including the investment program, for 2011, the program for energy conservation and increased energy efficiency in 2011-2015 and the innovative development program for 2011-2016 and the period until 2020.

The Company has identified its priority activities in the near future as the felling of trees that have fallen or are a risk to fall on overhead lines with capacity of 6-220 kV, drawing up the innovative development program, ensuring the reliability and quality of its services comply with regulatory legal acts, an energy inspection of the Company's production and commercial facilities as well as its power grid facilities and introducing a system to manage the construction of the most important investment projects.

In its relations with shareholders, the Company, as it has in the past, strives to adhere to the fundamental principles of corporate governance – accountability, fairness, transparency and responsibility. In 2011, JSC "MOESK" paid out 1.2 billion rubles for dividends in full and on time for 2010.

I am confident that going forward the professionalism of employees and the support of JSC "MOESK" shareholders will make it possible to continue successfully providing reliable power supplies to the consumers of the Moscow area, modernizing power grid facilities, boosting investment appeal and information transparency on the basis of revenue growth, and improving corporate governance.

Respectfully,  
Chairman of the Board of Directors  
N.N. SHVETS



**MOSCOW MAYOR  
SERGEI SOBYANIN  
AWARDED JSC "MOESK"  
A CERTIFICATE OF MERIT  
FOR ITS CONTRIBUTION  
TO THE CAPITAL'S POWER  
SUPPLY SYSTEM**



# Address of the General Director

DEAR SHAREHOLDERS,

In 2011, JSC “MOESK” strengthened its leading positions among the companies of the Russian power grid sector by successfully implementing a wide range of measures to improve the quality and reliability of power supplies to consumers in the Moscow area.

The past year was devoted to the implementation of a large-scale campaign to prevent potential major technological disruptions at facilities and on power transmission lines. The Company has fully taken into account the lessons learned from dealing with the aftermath of abnormal weather conditions that affected the region in December 2010 and January 2011. The problems that were revealed were subjected to a thorough analysis and the results formed the basis for the program to prevent emergencies on power transmission lines.



**THE COMPANY HAS FULLY TAKEN INTO ACCOUNT THE LESSONS LEARNED FROM DEALING WITH THE AFTERMATH OF ABNORMAL WEATHER CONDITIONS THAT AFFECTED THE REGION IN DECEMBER 2010 AND JANUARY 2011**



As part of this program, the Company’s branches have set up 190 mobile disaster recovery teams equipped with all-terrain vehicles. The specialized vehicle fleet has been considerably increased. Up to 80 mobile power stations may be involved in dealing with potential emergencies at JSC “MOESK” branches, including 50 power stations with lower power of 10 kW, 140 hydraulic hoists and 258 field service team vehicles. The size of crews operating feeder and distribution centers were increased, as were the standards for the emergency backup of equipment and materials.

One of the most important aspects of the program was the clearing of firebreaks. In 2011, more than 5,000 hectares of routes for overhead lines with capacity of 0.4-220 kV were cleared of trees and shrubs. Firebreaks for overhead lines with capacity of 35-220 kV covering an area of 2,420 hectares and overhead lines with capacity of 0.6-10 kV covering an area of 452 hectares were brought into regulatory compliance. Non-insulated wires were also replaced with self-supported insulated conductors on 1,401 kilometers of overhead lines with capacity of 0.4-10 kV passing through woodlands and populated areas.

The Company allocated 5.2 billion rubles for the repair and modernization program last year. This is a significantly higher amount than in 2010.

As a result of all the aforementioned measures in 2011, the number of technological disruptions in the zone of responsibility of JSC “MOESK” declined 12% in 2011 compared to 2010. Therefore, we now have the right to speak not only about improved preparedness for weather challenges but also a respectable margin of safety in the power distribution grid of the nation’s capital and the surrounding area.

In 2011, due to the proper arrangement by Company management of the priorities for the main areas of activity, improvements were recorded in all key financial and operating indicators: revenue totaled 126.5 billion rubles, up 14.4% from the previous year, net profit was 17.1 billion rubles (growth of 9.2%), productive electricity output increased to 75.5 billion kWh, and losses from overall output in the grid fell to 10.33%. The positive dynamics in key financial and operating indicators demonstrate the stable position of JSC “MOESK.”

The Company successfully implemented an ambitious investment program during the reporting year. Capital investments totaled 110% of the projected amount, or 29.5 billion rubles.

Among the main projects completed in 2011, we must note the startup of the MGU 110/20 kV substation, which is equipped with the latest innovative equipment that fully meets the requirements for reliability, efficiency and safety.

JSC “MOESK” continued the policy of improving its focus on customers in 2011. The Company connected almost 15,000 consumers to power grids in Moscow and the Moscow Region last year, while customer relations departments processed some 400,000 applications from consumers of the Company’s services. In 2011, the Company implemented a program to improve customer focus, part of which involved establishing an information portal for grid connections. With this new resource, now consumers with external access may not only obtain reliable and current information about the load of and ability to connect to the feeder centers of JSC “MOESK” but also detailed, almost step-by-step instructions on the grid connection procedure, a package of the necessary documents and their registration. One feature of the new resource is the opportunity to submit an application by email and monitor its progress online through all the different stages. In order to improve the quality of services, the JSC “MOESK” Customer Service Center has switched to a twelve-hour operating mode. As part of the customer focus campaign, the Company has also established an anti-corruption commission and adopted a Code of Corporate Ethics.



**THE NUMBER OF TECHNOLOGICAL DISRUPTIONS IN THE ZONE OF RESPONSIBILITY OF JSC “MOESK” DECLINED 12% IN 2011 COMPARED TO 2010**





**THE COMPANY SUCCESSFULLY IMPLEMENTED AN AMBITIOUS INVESTMENT PROGRAM DURING THE REPORTING YEAR. CAPITAL INVESTMENTS TOTALED 110% OF THE PROJECTED AMOUNT, OR 29.5 BILLION RUBLES**



In 2011, the Company adopted the innovative development program for 2011-2016 and the period until 2020. Total financing for the program should amount to 86.8 billion rubles before 2020. The goal of the Company's innovative development has been defined as improving the economic and energy efficiency of power supplies to consumers by ensuring the innovative development of JSC "MOESK" through the establishment of modern power grid infrastructure that complies with global standards.

The Company is already implementing real innovative projects today. One of them, MOESK-EV, aims to set up a network of charging stations for electric transport. JSC "MOESK" fully prepared the first phase of a charging station network for electric vehicles in Moscow in late 2011 and opened the first stations in early 2012.

Last year, the JSC "MOESK" quality management system underwent a successful recertification audit for compliance with the requirements of the international standard ISO 9001:2008. The JSC "MOESK" system for environmental management, occupational safety and professional health and safety also confirmed its compliance with the requirements of the international standards ISO 14001-2004 and OHSAS 18001-2007. The scope of certification was expanded for the first time: along with the Company, its branch Moscow Cable Networks was also certified.

Summing up the Company's results in 2011, we can confidently say that the balanced investment program as well as the programs for energy conservation, risk management and lean manufacturing, integrated communication and international cooperation measures, and the accumulated staff potential – all of these components taken together will enable JSC "MOESK" to successfully fulfill its objectives in the future and remain one of the leading companies in the energy industry.

Respectfully,  
General Director  
A.P. KONOVALOV

# Key events and facts of 2011

## JANUARY

- The power workers of JSC “MOESK” jointly with their colleagues from JSC “IDGC Holding” worked round-the-clock to restore power supplies to the Moscow Region following a disruption due to abnormal weather.
- The JSC “MOESK” Board of Directors approved the business plan, including the investment program, for 2011.
- JSC “MOESK” switched to tariff regulation using the return on invested capital method (RAB).
- The Company’s branch Moscow Cable Networks completed the reconstruction of transformer substations supplying power to socially significant facilities in Moscow: the laboratory and diagnostic building of the Izmailovskaya Children’s Hospital as well as the radiology department and in-patient clinic building of the Pirogov National Medical and Surgical Center under the Federal Agency for Healthcare and Social Development.

## FEBRUARY

- Based on a decision by General Director A.P. Konovalov, the Company’s campaign “Kind Electricity for Children” was turned into a year-round campaign.
- JSC “MOESK” provided lighting for 50 kilometers of the “Don” M-4 and “Crimea” M-2 federal highways.



**CAPTION:**  
Workers restoring power following the freezing rain





**CAPTION:**  
Power industry workers from the Stupino District of power grids taking part in tree planting

**CAPTION:**  
JSC "MOESK" Director for IT, Innovations and Operating Efficiency Andrei Snitsky speaking at the "Russian Fuel and Energy Industry in the 21st Century" forum



**CAPTION:**  
The signing of a Cooperation Agreement with Moscow Energy Institute

### MARCH

- JSC "MOESK" and the Moscow city branch of the Business Russia national public organization signed an agreement on cooperation for interaction on topical issues concerning electricity and power grid connections.
- JSC "MOESK" took part in the tenth anniversary of the "CABEX-2011" international exhibition.
- The tree-planting campaign "Power Grid Distribution Complex for Environmental Protection" sponsored by JSC "IDGC Holding" kicked off in the JSC "MOESK" zone of responsibility and resulted in almost 55,000 trees being planted in Moscow as well as two alleys, two of which were named "Power Worker Alley" (in the cities of Stupino and Mozhaysk).
- JSC "MOESK" shares were included in the RTSI index.

### APRIL

- JSC "MOESK" took part in the Moscow international energy forum and exhibition "Fuel and Energy Sector of Russia in the 21st Century." The JSC "MOESK" booth was recognized as the best collective exposition at the exhibition.
- JSC "MOESK" took part in the second international exhibition and conference on occupational health and safety in energy "SAPE 2011."
- JSC "MOESK" was the first company in the power grid industry to launch a project to create infrastructure for electric vehicles.

### MAY

- The Board of Directors approved the program for energy conservation and energy efficiency at JSC "MOESK" in 2011-2015.
- The Company published its consolidated IFRS report for 2010.
- JSC "MOESK" and the Moscow Power Engineering Institute (Technical University) signed an agreement on cooperation in the interests of developing an educational and scientific system for the power grid sector of the Moscow area.

## JUNE

- JSC “MOESK” took part in the “WasteTech 2011” exhibition.
- Moscow Mayor Sergei Sobyenin expressed support for the JSC “MOESK” campaign “Kind Electricity for Children.”
- JSC “IDGC Holding” and GPB (JSC) (Gazprombank) signed an agreement on the trust management of JSC “MOESK” shares under which JSC “IDGC Holding” transfers a 50.9% stake in JSC “MOESK” to the trust management of GPB (JSC) until the end of 2014.
- JSC “MOESK” held its annual general meeting of shareholders on June 20, 2011.
- Moody’s ratings agency affirmed the credit rating of JSC “MOESK” at “Ba2” on the international scale and “Aa2.ru” on the national scale and maintained a “Stable” outlook.

## JULY

- Report published on the sustainable development of JSC “MOESK” for 2010.
- The Board of Directors approved the JSC “MOESK” innovative development program for 2011-2016 and the period until 2020.

## AUGUST

- JSC “MOESK” paid dividends in full on Company shares for 2010 in the amount of 1.2 billion rubles.

## SEPTEMBER

- Major repairs were completed on the equipment of the Bakeyevo 110/10-kV substation feeding facilities in south and southwest Zelenograd.
- JSC “MOESK” redeemed its first bond issue in the amount of 6 billion rubles.
- JSC “MOESK” was visited by a delegation from Central China Power Grid Company led by its President Xie Ming Liang.
- JSC “MOESK” was awarded third place in the eighth open competition of annual reports of joint-stock companies held as part of the tenth international investment forum “Sochi 2011” for the category “Best Level of Information Disclosure in an Annual Report” and “Best Annual Report of the Industry. Infrastructure.”
- JSC “MOESK” launched a grid connection portal to improve the accessibility of grid connection services and to ensure clients receive complete and prompt information.



**CAPTION:**

A power safety lesson at Special (Correctional) Educational Boarding School No. 60 in Moscow



**CAPTION (ABOVE):**

Presentation of the award in the category “Best Report on Corporate Social Responsibility and Sustainable Development”

**CAPTION (BELOW):**

Meeting with a delegation from Central China Power Grid Company



**CAPTION:**  
Presentation to JSC "MOESK" of Certificate of Preparedness for the 2011-2012 Heating Season



**CAPTION:**  
Workers laying a cable line

## OCTOBER

- The Board of Directors approved the adjusted business plan, including the investment program, for 2011, the adjusted program for energy conservation and increased energy efficiency in 2011-2015 as well as the program for the development and improved reliability of the operational and technological management system of the JSC "MOESK" power grid complex.
- JSC "MOESK" concluded a contract with Revolta on a project to build infrastructure for electric vehicles.
- The reconstruction of the Gribovo-Volokolamsk 110-kV overhead lines was completed.
- JSC "MOESK" took second place in the environmental, energy and technological efficiency rating of the 100 largest companies in Russia.
- JSC "MOESK" took part in the "Expo-Moskovia 2011" exhibition.
- JSC "MOESK" became the first Russian power grid company to receive a certificate for its preparedness to work in the 2011-2012 heating season.

## NOVEMBER

- The reconstruction of the Ugresha-Novospasskaya 110-kV cable line in south-east Moscow was completed.
- The JSC "MOESK" quality management system underwent a successful recertification audit for compliance with the requirements of the international standard ISO 9001:2008.
- The Rublevo-Setun 110-kV cable line was put into operation.
- The sustainable development report of JSC "MOESK" took third place at the fourteenth competition of annual reports organized by JSC "RTS" for the category "Best Report on Corporate Social Responsibility and Sustainable Development."
- JSC "MOESK" confirmed the compliance of its system for environmental management, occupational safety and professional health and safety with the requirements of the international standards ISO 14001-2004 and OHSAS 18001-2007.
- JSC "MOESK" was given a certificate of merit and award from JSC "IDGC Holding" for the category of "Most Liquid and Dynamic Share in 2010."
- An extraordinary general meeting of JSC "MOESK" shareholders approved the Company's new Board of Directors and Auditing Commission.
- Moscow Mayor Sergei Sobyenin awarded JSC "MOESK" a Certificate of Merit for its contribution to the capital's power supply system.
- JSC "MOESK" took part in the fourteenth international specialized exhibition "Electric Grids of Russia 2011."
- JSC "MOESK" won the annual "Conserve Energy" National Prize for promoting the MOESK-EV project to set up a network of charging stations for electric vehicles.

## DECEMBER

- JSC “MOESK” was given a Certificate of Merit and award for best practices in social responsibility.
- JSC “MOESK” was awarded the “Innovation Time 2011” prize for the category “Best Project to Introduce Innovation” for the MOESK-EV project.
- The MGU 110/20 kV substation located in Moscow’s Western District was put into operation.
- The reconstruction of cable lines with capacity of 110-kV at the Tsentralnaya substation and the Mayakovskaya 1 and 2 substation was completed.

## JANUARY

- JSC “MOESK” concluded a trilateral agreement on cooperation within the framework of a social partnership with the Moscow Federation of Trade Unions and the Moscow city union organization “Elektroprofsoyuz.”
- The JSC “MOESK” trademark was registered for the individualization of services provided under class 39 of the international classifier of goods and services: electricity distribution 390031 (E – Electricity distribution).
- Standard & Poor’s assigned JSC “MOESK” a long-term credit rating of “BB-” on the international scale and “ruAA-” on the national scale with a “Stable” outlook.
- The Board of Directors approved the business plan, including the investment program, for 2012.

## FEBRUARY

- JSC “MOESK” management took part in “The Russia Forum 2012.”
- JSC “MOESK” took part in public hearings regarding the work of fuel and energy as well as housing and utilities facilities of Moscow in the 2011-2012 winter period and objectives in preparations for the 2012-2013 winter period.
- Following the “KonTEKst” competition held by the Russian Energy Ministry, the Russian Public Relations Association (RASO) and the Russian Union of Journalists, the JSC “MOESK” press service was recognized as the best at media relations among the companies working in the country’s power industry.
- JSC “MOESK” signed a memorandum on the implementation of the program to develop environmentally friendly autonomous electric transport and charging infrastructure on the territory of Moscow.
- The JSC “MOESK” project for information support to the construction of infrastructure for electric vehicles was awarded the Serebryany Luchnik national prize.
- JSC “MOESK” officially opened the first phase of a charging station network for electric vehicles.



## Key events and facts occurring after the reporting date 2012

**CAPTION (ABOVE):**  
The opening of the MGU 110/20 kV Substation attended by Moscow Mayor Sergei Sobyenin and Russian Energy Minister Sergei Shmatko

# 1. About the Company

- 14 1.1. Position in the power industry
- 17 1.2. Structure and features of power grid assets
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more than **17**  
million people  
Number of customers

**21.2**  
MVA  
Installed transformer capacity  
of distribution networks

**65.9**  
mln rubles  
Research and development  
financing





# 1.1. Position in the power industry

## Historical background

Joint-Stock Company “Moscow United Electric Grid Company” was established on April 1, 2005 as a result of the reorganization of JSC “Mosenergo” through a corporate spin-off. The Company’s name upon incorporation was Joint-Stock Company “Moscow Region Electric Grid Company.”

Due to the fact that the Company’s activities cover the territory of both the Moscow Region and the city of Moscow, a decision was adopted at the annual general meeting of shareholders of June 26, 2006 to change the name of JSC “Moscow Region Electric Grid Company” to JSC “Moscow United Electric Grid Company.”

In 2007, JSC “MOESK” undertook measures to change its organizational structure in order to consolidate branches. On December 29, 2007, the Company established and registered three subsidiary companies with 100% ownership by JSC “MOESK”:

- JSC “Moskabelsetmontazh”;
- JSC “Moskabelenergoremont”;
- JSC “Electrical Equipment Repair Plant.”

On February 29, 2008, the Board of Directors at JSC “RAO UES of Russia” adopted a decision on the establishment of an interregional distribution grid company for Moscow and the Moscow Region on the core of JSC “MOESK” in the form of reorganization through the merger of JSC “MGESK” with JSC “MOESK.”

On June 30, 2008, JSC “MOESK” was reorganized through the takeover of JSC “MGESK.” This resulted in the establishment of a unified operating company on the core of the power grid facilities of Moscow and the Moscow Region.

Since July 1, 2008 – the date on which JSC “RAO UES of Russia” was liquidated – the controlling stock interest in JSC “MOESK” has belonged to JSC “IDGC Holding.”

**CAPTION:**

Constant monitoring of electrical equipment contributes to reliable power supply

JSC “MOESK” is one of the largest regional distribution grid companies in the Russian Federation. The Company’s core activities involve rendering services for the transmission of electricity as well as the connection of consumers to power grids on the territory of Moscow and the Moscow Region.

JSC “MOESK” serves an area covering 46,892 square kilometers. The electricity supplied by the Company is used by more than 17 million people – more than 96% of consumers in Moscow and 95% in the Moscow Region. The Company operates in the Moscow area, one of the most dynamically developing regions of Russia. Average annual growth in electric power consumption has totaled 2.7% over the last five years. In the period prior to 2020, average annual growth in electric power consumption is forecast at 2.7%-3.6%.

JSC “MOESK” confidently holds the leading position on the market for electric power transmission and grid connection services on the territory of the Moscow area. Despite its dominant position in the region, the Company competes with such companies JSC “Mosenergo,” JSC “FGC UES,” JSC “Energocomplex” and JSC “Unified Energy Company.”

## Description of activities

## The Company's main competitive advantages



**CAPTION:**  
JSC "MOESK" has a developed structure of grid operational and process management

### STRENGTHS

- extensive grid infrastructure of 0.4-220 kV in the most dynamically developing region of the Russian Federation;
- cable makes up 60% of the distribution network;
- the ability to ensure any category of reliability in power supplies;
- an extensive structure for the operational and technological management of grids;
- an extensive network of customer service centers for grid connection;
- direct connection to the facilities of end users;
- a dominant position on the market for power transmission services;
- the performance of natural monopoly type of activities.

### OPPORTUNITIES

- a reduction in losses due to the introduction of an internal commercial metering system;
- increased grid reliability and efficiency due to the introduction of smart grids technology;
- an increased market share due to the rapid development of grid infrastructure and the absorption of second-tier territorial grid organizations;
- additional income from non-regulated activities, in particular on the energy services market;
- the ability to take advantage of RAB tariff regulation to enhance investment appeal and earn additional profit for shareholders.

## 1.2. Structure and features of power grid assets

Main technical specifications	City of Moscow	Moscow Region	Total for Company
<b>Total length of overhead transmission lines of high voltage electrical networks, km, including by voltage rating (by circuits):</b>	<b>1,154</b>	<b>14,440</b>	<b>15,594</b>
– 220 kV	422	1,091	1,513
– 110 kV	699	9,145	9,844
– 35 kV	33	4,204	4,237
<b>Total length of overhead transmission lines of power distribution networks, km, including by voltage rating (by circuits):</b>	<b>441</b>	<b>50,051</b>	<b>50,492</b>
– 10 kV	28	18,921	18,949
– 6 kV	51	8,350	8,401
– 0.4 kV	362	22,780	23,142
<b>Total number of high-voltage substations, units</b>	<b>111</b>	<b>496</b>	<b>607</b>
– 220 kV	28	15	43
– 110 kV	81	273	354
– 35 kV	2	208	210
<b>Installed transformer capacity of substations, MVA</b>	<b>21,224</b>	<b>23,228</b>	<b>44,452</b>
<b>Total length of cable lines, km, including by voltage rating:</b>	<b>60,470</b>	<b>11,450</b>	<b>71,920</b>
– 500 kV	0.9	–	0.9
– 220 kV	181	0.3	181
– 110 kV	663	20	683
– 35 kV	25	517	542
– 20 kV	160	–	160
– 10 kV	34,170	5,361	39,531
– 6 kV	6,164	3,723	9,887
– 0.4 kV	19,106	1,829	20,936
<b>Total number of transformer substations of distribution networks, units</b>	<b>13,715</b>	<b>14,367</b>	<b>28,082</b>
<b>Installed transformer capacity of distribution networks, MVA</b>	<b>16,341</b>	<b>4,868</b>	<b>21,209</b>



# 1.3. Priority objectives and prospects for development

While providing power supplies to the capital area of the Russian Federation, JSC “MOESK” aims to ensure the maximum reliability and availability of distribution grid infrastructure by using energy efficient technologies and innovations as well as adhering to global standards of quality for services and the best practices of corporate management.

The Company’s main strategic goals in the medium-term are:

- ensuring the reliability and quality of services;
- improving operational and investment efficiency;
- improving the availability of power grid infrastructure and the quality of services;
- improving energy efficiency;
- ensuring innovative development;
- enhancing the Company’s investment appeal and value.

## Ensuring the reliability and quality of services

The Company undertook a range of measures in 2011 to increase the reliability of power supplies, including:

- improving the equipment repair and maintenance policy;
- implementing a large-scale repair and investment program;
- optimizing the operational and technological management structure;
- bringing the firebreaks of overhead power transmission lines into compliance with the regulations of the Electrical Installation Code “EIC. Seventh Edition.”
- introducing lean production methods.

These measures made it possible to reduce the number of technological disruptions by 12% compared to 2010. The average time required to restore power supplies within the Company’s zone of responsibility fell 23% to 3.38 hours in 2011 compared to 2010, including 0.81 hours in Moscow.

As regards promising areas that aim to improve the reliability of power supplies, the Company is planning to implement the following measures in 2012 and subsequent years:

- the development and implementation of a program to renovate equipment whose service life has expired;
- increasing the number of remotely operated substations;
- increasing the number of power transmission cable lines and overhead lines with the use of SIC;
- increasing the proportion of unattended equipment;
- introducing an automated network management complex;
- increasing the share of diagnostics in the repair fund.

In order to improve the quality of customer service, the Company in 2011 developed a plan of measures to bring the customer service system into compliance with the requirements of the JSC “MOESK” standard “Centralized Customer Service System.” The main measures contained in this plan are:

- the establishment of a centralized customer service system and the organization of business processes for onsite and offsite interaction with clients, including ensuring;
  - territorial accessibility and comfortable conditions for onsite service through the optimal arrangement of infrastructure components for onsite service and a reduction in the time required for onsite customer service at JSC “MOESK” client offices to 40 minutes, including wait time, as well as professional service;
  - the availability and responsiveness of offsite and interactive services from JSC “MOESK” by organizing round-the-clock offsite service and reducing the wait time for a call center operator to 40 seconds, the wait time for the call center operator to search for information to 45 seconds, and the response time to 3.5 minutes, as well as convenient, high-speed, ergonomic and user-friendly interactive service;
  - the transparency of business processes involving customer service through their optimization, regulation and automation.
- achieving the quality parameters established by the procedural guidelines for calculating the reliability level and quality of products supplied and services rendered for organization that manages the unified national (all-Russian) power grid as well as regional grid organizations.

In order to increase the transparency of information on the availability of power grid infrastructure and improve customer service, the Company developed and launched an Internet portal for connection to the power grids of Moscow.



**THE AVERAGE TIME  
REQUIRED TO RESTORE  
POWER SUPPLIES WITHIN  
THE COMPANY'S ZONE  
OF RESPONSIBILITY FELL  
23% TO 3.38 HOURS IN  
2011 COMPARED TO 2010,  
INCLUDING 0.81 HOURS  
IN MOSCOW**



## Improving operational and investment efficiency

**CAPTION:**  
Construction of new energy facilities  
in Lyubertsy in the Moscow Region



## Improving the availability of power grid infrastructure and the quality of services

The Internet portal for grid connections provides consumers with detailed information about the procedure and potential connection locations on a map and allow them to calculate their power requirements, electronically submit an application for grid connection, and follow the processing of the application in real time.

The Company's transition to RAB regulation has created economic incentive for power industry companies to reduce operating costs. In 2011, the Company developed and implemented a program to improve economic efficiency and reduce controllable operating costs. After implementing the measures of this program, the Company achieved a 3.5% reduction in costs in 2011 compared to 2010. The Company intends to continuing devoting priority attention to a reduction in controllable costs and improving operational efficiency by reducing total controllable costs by 10% of the 2010 level over the next three years.

The intensification of infrastructure development in the Moscow area dictates the need for the rapid development of the power grid and the implementation of a large-scale investment program. In this regard, the Company devotes considerable attention to improving the efficiency of investment activities. The main tasks within this objective are the development of long-term investment programs based on the future development patterns of Moscow area power grids, the inclusion of the most efficient projects in the investment plans, the introduction of modern project management technologies for capital construction and a reduction in per-unit construction cost indicators.

In order to ensure the rapid development of power grid infrastructure and improve its availability, the Company drew up a program in 2011 to lift restrictions on JSC "MOESK" feeder centers that are closed for grid connection in Moscow for the period of 2012-2016 and until 2020.

The goal of the program is to lift restrictions on closed feeder centers and establish a reserve supply of transformer capacity at JSC "MOESK" in order to ensure the connection of consumers to the power grids of Moscow.

The program targets for the period of 2012-2016 are:

- the commissioning of new transformer capacity (including the replacement of overloaded transformers) on the territory of Moscow in the period of 2011-2016 – 8,570 MVA;
- total growth in transformer capacity at new substations and those due to open – 3,468 MVA;
- establishing reserve capacity for grid connections taking into account the natural load buildup by 2016 – 2,636 MVA.

The measures of the program's first stage (2012-2016) include:

- the reconstruction of 34 substations and the construction of two substations with capacity of 110-220 kV;
- the reconstruction of 17 power transmission lines and the construction of three power transmission lines with capacity of 110-220 kV.



«  
**POWER LOSSES PRIOR TO  
 OUTPUT INTO THE GRID  
 IN 2011 FELL 0.82%  
 COMPARED TO 2010 AND  
 TOTALED 10.33%**



**CAPTION:**  
 The cable networks division monitoring  
 the smooth operation of their facilities

The second measure that will help reduce the acuteness of grid connections in Moscow involves using the unclaimed surplus of power in circulation in order to redistribute it among consumers. The volume of connected capacity that goes unused by Moscow consumers is estimated at 1,500 MW. JSC "MOESK" plans to set up a specialized Internet portal in 2012 as a platform to organize the circulation of the unused power surplus.

In order to organize work to improve energy efficiency in accordance with the requirements of Federal Law No. 261-FZ "On Energy Conservation, Improving Energy Efficiency and Amendments to Certain Legislative Acts of the Russian Federation," the Company in 2011 is implementing the program for energy conservation and increased energy efficiency in 2011-2015.

The goals of the JSC "MOESK" program are to reduce the process losses of electricity during power transmission within the boundaries of the Company's power grid as well as to improve the efficiency of energy consumption for business activities.

**Improving energy  
 efficiency**

## Ensuring innovative development



**THE COMPANY VIEWS THE OBJECTIVE OF RAPID INNOVATIVE DEVELOPMENT AS A KEY FACTOR THAT SHOULD RAISE THE TECHNICAL LEVEL OF THE POWER GRID SECTOR TO MODERN INDUSTRIAL STANDARDS**



The effect achieved by implementing the measures of the program for energy conservation and increased energy efficiency through reducing losses will make it possible to decrease the demand for electricity from external networks and, accordingly, the amount of electricity produced at generating stations, which will lead to a reduction in greenhouse gas emissions into the atmosphere.

Thanks to the measures implemented under the program for energy conservation and increased energy efficiency, power losses prior to output into the grid in 2011 fell 0.82 pp compared to 2010 and totaled 10.33%.

The Company views the objective of rapid innovative development as a key factor that should raise the technical level of the power grid sector to the modern industrial standards seen in global practice and also enhance the reliability of power supplies to the capital region.

The Company is a member of the technological platform “Smart Power System of Russia,” which was initiated by the Russian Energy Agency federal state institution and is coordinated by the Russian Energy Ministry.

The technological platform consists of a public-private partnership in matters of innovation and aims to create promising commercial technologies and new products (services) as well as attract additional resources for research and development and introduce innovations at Russian power grid facilities in order to increase the efficiency, reliability and safety of its operations.

The Company has developed an innovative development program in order to focus its resources on the most promising areas of innovative activities with a high expected return and high degree of commercial preparedness.

The key innovative projects currently being implemented by JSC “MOESK” are:

- using DC links to reduce the level of short circuit currents and voltage regulation;
- using the reactive power consumption tool FACTS (Flexible Alternative Current Transmission System) for voltage regulation;
- introducing smart grids technology, including the establishment of infrastructure for electric vehicles.

Research and development funding totaled 65.9 million rubles in 2011.



One of the key drivers in improving the Company's investment appeal is the successful transition to RAB regulation, which made it possible to receive a reasonable rate of return on invested capital in the tariff. The new tariff regulation model makes investment in the Company's shares and debentures attractive for investors.

In 2011, the Company implemented a wide range of measures designed to improve its investment appeal. In particular, it developed and introduced a corporate risk management system and also implemented a cost reduction program.

Among future steps aimed at improving its investment appeal and value, the Company plans to devote priority attention to the following aspects:

- reducing risks;
- increasing the return on invested capital;
- lowering the cost of borrowed capital;
- reducing operating costs.

## Enhancing the Company's investment appeal and value



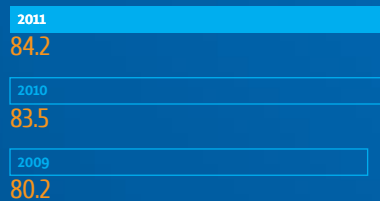
**CAPTION:**  
Electric car and electric charging station

# 2. Operating activity

- 26 2.1. Transmission and distribution of electricity
- 30 2.2. Energy conservation and increased energy efficiency
- 39 2.3. Grid connection
- 44 2.4. Customer policy
- 48 2.5. Repair and operational activity
- 50 2.6. Tariffs for services
- 56 2.7. Industrial and fire safety
- 59 2.8. Civil defense and emergency situations
- 65 2.9. Occupational safety

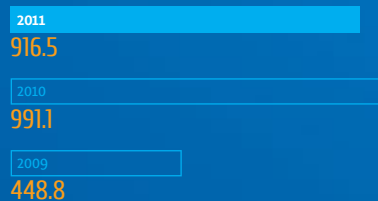
## 84.2

bln kWh  
Output to grid



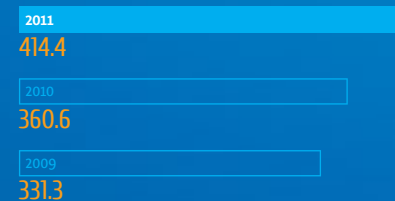
## 916.5

kW  
Actual connected capacity



## 414.4

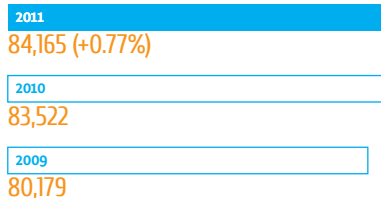
mln rubles  
Expenses for occupational safety measures



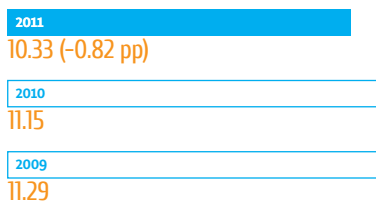


# 2.1. Transmission and distribution of electricity

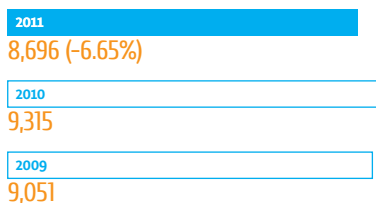
## OUTPUT TO GRID, mln kWh



## LOSSES, %



## LOSSES, mln kWh



## ELECTRICITY BALANCE INDICATORS FOR MOSCOW

Indicator	2009	2010	2011	2011/2010, %
Output to grid, mln kWh	41,603	42,805	42,775	-0.07
Output from grid to consumers and related territorial grid organizations, mln kWh	36,953	38,010	38,417	1.07
Losses, %	11.18	11.20	10.19	-1.01 pp
Losses, mln kWh	4,650	4,795	4,359	-9.09

## ELECTRICITY BALANCE INDICATORS FOR THE MOSCOW REGION

Indicator	2009	2010	2011	2011/2010, %
Output to grid, mln kWh	38,592	40,717	41,390	1.65
Output from grid to consumers and related territorial grid organizations, mln kWh	34,191	36,197	37,053	2.36
Losses, %	11.40	11.10	10.48	-0.62 pp
Losses, mln kWh	4,401	4,520	4,337	-4.05

## ELECTRICITY BALANCE INDICATORS FOR THE COMPANY

Indicator	2009	2010	2011	2011/2010, %
Output to grid, mln kWh	80,179	83,522	84,165	0.77
Output from grid to consumers and related territorial grid organizations, mln kWh	71,128	74,207	75,470	1.70
Losses, %	11.29	11.15	10.33	-0.82 pp
Losses, mln kWh	9,051	9,315	8,696	-6.65

#### VOLUME OF ELECTRICITY TRANSMISSION SERVICES RENDERED (JOINT OPERATIONS PRODUCTIVE SUPPLY)

Indicator	Volume of electricity transmission services rendered, mln kWh			2011/2010	
	2009	2010	2011	mln kWh	%
Moscow	36,837	37,696	37,876	180	0.48
Moscow Region	33,083	34,626	35,663	1,037	2.99
Total for Company	69,920	72,322	73,540	1,218	1.68

The total volume of electricity transmission services provided by the Company in 2011 was 73,540 million kWh, an increase from 2010 (72,322 million kWh) of 1,218 million kWh, or 1.68%.

#### STRUCTURE OF GRID OUTPUT IN 2011 BY END USER GROUP

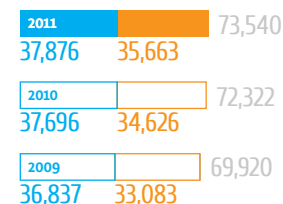
No.	Consumer group	Share of grid output, %
1.	Industrial consumers	25.6
2.	Territorial grid organizations	24.6
3.	Non-industrial consumers	18.0
4.	Population and related consumer groups	17.9
5.	Government and municipal organizations as well as other government-financed consumers	7.1
6.	Transport	6.0
7.	Agriculture	0.8

The flow of electricity to territorial grid organizations increased compared to 2010. The reduction in electricity consumption by such groups as industrial consumers, non-industrial consumers and the population resulted from the transfer of part of the electricity transmission and distribution equipment to JSC "UEC" in 2011.

#### STRUCTURE OF GRID OUTPUT IN 2011 BY VOLTAGE LEVEL

No.	Voltage level	Share of grid output, %
1.	High voltage (HV)	35.5
2.	Medium voltage 1 (MV-1)	2.4
3.	Medium voltage 2 (MV-2)	32.8
4.	Low voltage (LV)	29.3

#### VOLUME OF ELECTRICITY TRANSMISSION SERVICES RENDERED (JOINT OPERATIONS PRODUCTIVE SUPPLY), mln kWh



■ Moscow  
■ Moscow Region



**THE TOTAL VOLUME OF ELECTRICITY TRANSMISSION SERVICES IN 2011 WAS 73,540 MILLION KWH, AN INCREASE FROM 2010 OF 1,218 MILLION KWH, OR 1.68%**



In 2011, the share of HV electricity output from JSC “MOESK” grids increased 0.35% compared to 2010 due to the economic development of the region. The share of MV-1 output from the grid remained virtually unchanged. The share of MV-2 electricity output grew 1.59% compared to 2010 as a result of the region’s economic development as well as the redistribution of electricity from LV to MV-2 due to the termination of the lease for the grid distribution facility of JSC “UEC” in Moscow and the transition to payments according to the boundaries of balance sheet and operational responsibility (i.e. to MV-2). Consequently, the share of LV output from the grid decreased by 1.91%.

#### DYNAMICS OF ELECTRICITY LOSSES IN COMPANY GRIDS

Name	2009		2010		2011		2011/2010	
	mln kWh	%	mln kWh	%	mln kWh	%	mln kWh	pp
Moscow	4,650	11.18	4,795	11.20	4,359	10.19	-436	-1.01
Moscow Region	4,401	11.40	4,520	11.10	4,337	10.48	-183	-0.62
Total for Company	9,051	11.29	9,315	11.15	8,696	10.33	-619	-0.82

Actual electricity losses in the Company’s grids totaled 8,696 million kWh, or 10.33% of output to the grid. Compared to 2010, the decline in electricity losses totaled 619 million kWh, or 0.82 pp in relation to electricity output to the grid. It is important to note that the positive dynamics resulting from the decrease in electricity losses were achieved alongside 0.77% growth in overall electricity output to the grid compared to 2010.

#### ELECTRICITY LOSSES IN COMPANY GRIDS UNDER COMPARABLE CONDITIONS (INCLUDING THE LEASED EQUIPMENT OF UEC)

Name	2009		2010		2011		2011/2010	
	mln kWh	%	mln kWh	%	mln kWh	%	mln kWh	pp
Moscow	4,650	11.18	4,795	11.20	4,547	10.63	-248	-0.57
Moscow Region	4,401	11.40	4,520	11.10	4,337	10.48	-183	-0.62
Total for Company	9,051	11.29	9,315	11.15	8,884	10.56	-431	-0.59

The electricity losses for 2011 are presented under comparable conditions with the losses for 2010.



**ELECTRICITY LOSSES RECORDED UNDER TARIFF REGULATION**

Name	Standard losses 2011		Actual 2011		Actual/standard losses 2011	
	mln kWh	%	mln kWh	%	mln kWh	pp
Moscow	4,729	11.28	4,359	10.19	-466	-1.09
Moscow Region	4,548	11.24	4,337	10.48	-315	-0.76
Total for Company	9,277	11.26	8,696	10.33	-783	-0.93

Order No. 26 of the Russian Energy Ministry dated February 4, 2011 approved the standard electricity process losses for 2011 during its transmission through the power grids of JSC "MOESK." The standard is 11.33% within the borders of Moscow (including the grids leased from JSC "UEC") with output to the grid of 41,996 million kWh, and 11.24% within the borders of the Moscow Region with output to the grid of 39,997 million kWh. The Company's indicators do not exceed the specified values.

**IMPLEMENTATION OF BUSINESS PLAN WITH RESPECT TO NOT EXCEEDING THE LEVEL OF ELECTRICITY LOSSES**

Name	Plan 2011		Actual 2011		Actual 2011 / plan 2011	
	mln kWh	%	mln kWh	%	mln kWh	pp
Moscow	4,651	10.79	4,359	10.19	-257	-0.60
Moscow Region	4,594	11.01	4,337	10.48	-219	-0.53
Total for Company	9,245	10.90	8,696	10.33	-480	-0.57

According to the business plan for 2011 approved by the Board of Directors, the level of electricity losses totaled 9,245 million kWh in 2011, or 10.9% of total output to the grid. The Company fulfilled the business plan by reducing actual electricity losses by 480 million kWh in 2011, or by 0.57 pp of the indicators approved in the business plan.

## 2.2. Energy conservation and increased energy efficiency

The summary program for energy conservation and increased energy efficiency for 2011-2015 was approved by the Board of Directors on May 6, 2011 (Minutes No. 135 dated May 10, 2011). The adjusted program was approved by the Board of Directors on October 3, 2011 (Minutes No. 149 dated October 6, 2011).

This program provides the following targets for energy conservation and increased energy efficiency:

- reducing electricity losses from 11.15% of overall output to the grid in 2010 to 9.2% in 2015;
- reducing electricity consumption for business needs by 1.87 million kWh in 2011-2015;
- conserving 2,052 million kWh in 2011-2015, which is equivalent to 707,000 tons of standard fuel, or 8,416 million rubles in value terms.

### IMPLEMENTATION OF PROGRAM TARGETS FOR 2011

No.	Indicator	Measurement unit	2011	
			Plan	Actual
1.	Electricity output to grid	mIn kWh	84,830	84,165
2.	Electricity output to consumers	mIn kWh	75,585	75,470
3.	Electricity losses	mIn kWh	9,245	8,696
		% of output to grid	10.90	10.33
4.	Electricity savings by volume	mIn kWh	308	352
5.	Electricity savings by value	mIn rubles	711	759
6.	Operating expenses / capital investments	mIn rubles	2,475	3,107

**OPERATING EXPENSES AND CAPITAL INVESTMENTS BY PROGRAM ACTIVITY IN 2011,**  
mln rubles

No.	Activity	Plan	Actual
1.	Organizational activities for the commercial metering of electricity	161	161
2.	Installing energy-saving bulbs to reduce energy consumption for in-company needs	14	4
3.	Installing energy-saving bulbs to reduce energy consumption for business needs	1	1
4.	Technical activities for the commercial metering of electricity	460	346
5.	Replacing overloaded and worn out 35-220 kV transformers	850	1,651
6.	Replacing overloaded and worn out 6-10 kV transformers	51	29
7.	Increasing the capacity of 35-220 kV PTL	832	781
8.	Expanding the 20 kV power distribution grid	104	134
	<b>Total</b>	<b>2,475</b>	<b>3,107</b>

The exceeding of the targets for electricity savings is attributable to the following activities:

- additional raids to identify unmetered electricity consumption, the need for which was revealed by an analysis of the balance of the power grid nodes;
- preemptive work to build and rebuild power transmission lines, substations and transformer stations.

## INFORMATION ON ENERGY CONSUMPTION FOR PRODUCTION AND BUSINESS NEEDS IN 2011

No.	Indicator	Measurement unit	Moscow		Moscow Region		Total for Company	
			Plan	Actual	Plan	Actual	Plan	Actual
1.	Energy resources delivered based on supply contracts (purchase-sale), including	'000 rubles*	275,888	201,893	435,758	374,804	711,646	576,697
1.1.	- electricity	'000 rubles	58,641	36,293	160,449	154,411	219,090	190,704
		'000 kWh	15,462	15,552	42,615	41,012	58,077	56,563
1.2.	- heat	'000 rubles	48,233	45,402	31,662	29,408	79,894	74,810
		Gcal	35,378	32,384	21,764	20,171	57,141	52,555
1.3.	- cold water	'000 rubles	15,406	14,230	5,207	2,614	20,613	16,843
		'000 m <sup>3</sup>	323	292	197	128	520	420
1.4.	- hot water	'000 rubles	319	249	1,522	1,115	1,840	1,364
		Gcal	211	147	826	525	1,037	672
		'000 m <sup>3</sup>	0	0	9	9	9	9
1.5.	- natural gas	'000 rubles	0	0	948	666	948	666
		'000 m <sup>3</sup>	0	0	271	162	271	162
1.6.	- fuel (motor fuel, diesel)	'000 rubles	153,290	105,720	235,970	186,590	389,260	292,310
		'000 tons of standard fuel	8	5	11	9	18	15

\* including VAT.

The reduction in the actual consumption of resources (electricity, heat, gas, hot and cold water) for business purposes compared with the targets is attributable to the following factors:

- the installation of meters to track the consumption of resources was fully completed in late 2010. Actual consumption of resources for 2011 is based on the meter readings whereas the targets for 2011 were calculated based on standard resource consumption;
- warm weather in November-December 2011;
- a reduction in the actual consumption of motor fuel in 2011 compared with the targets due to a decline in idle running by transport vehicles resulting from the optimization of the list of gas stations (nearer to the transport vehicle base) and changes to the transport vehicle base (due to an increase

in the number of vehicles, some of them were transferred to the EPGZ, i.e. closer to the sites of potential operations);

- the transition from a coupon system for vehicle refueling to a card system and, consequently, increased control and transparency over the refueling process;
- the purchase of new equipment with less fuel consumption;
- monitoring the work of transport vehicles with the use of the “Sphere” system (309 transport vehicles).

All delivery points for electricity, heat, natural and hot and cold water at production and business buildings and facilities are equipped with meters.

#### AVAILABILITY OF MODERN ELECTRICITY METERS ON THE RETAIL MARKET

No.	Indicator	Measure- ment unit	2011	
			Plan	Actual
1.	Availability of modern electricity meters on the retail market in accordance with the program for the long-term development of an electricity metering system, including	%	54.61	54.67
1.1	- commercial metering within the range of inventory responsibility	%	18.70	19.14
1.2	- technical metering in consumer electrical installations	%	80.49	80.31
1.3	- technical metering in the electrical installations of regional grid companies	%	43.70	43.70

The Company has prioritized the implementation of the energy conservation and increased energy efficiency program at JSC “MOESK” grids aimed at optimizing (reducing) the level of losses.

## Reduction in losses



**THE EFFECT FROM THE IMPLEMENTATION OF ACTIVITIES AIMED AT REDUCING ELECTRICITY LOSSES IN THE COMPANY'S GRIDS TOTALED 280 MILLION KWH, INCLUDING 34 MILLION KWH FROM THE IMPLEMENTATION OF TECHNICAL ACTIVITIES AND 246 MILLION KWH FROM THE IMPLEMENTATION OF ORGANIZATIONAL ACTIVITIES**



#### EFFECT FROM IMPLEMENTING PROGRAM ACTIVITIES TO REDUCE AND PREVENT ELECTRICITY LOSSES AS OF THE END OF 2011

Activity	Reduction in losses in 2011, mln kWh
<b>Activities to reduce total technical losses of electricity,</b>	<b>34.0</b>
including:	
- installing energy-saving bulbs to reduce energy consumption for in-company needs	0.6
- technical activities for the commercial metering of electricity	24.4
- replacing overloaded and worn out 35-220 kV transformers	0.7
- replacing overloaded and worn out 6-10 kV transformers	0.1
- expanding the distribution grid	4.5
- other activities	3.7
<b>Activities to reduce total non-technical losses of electricity,</b>	<b>246.0</b>
including:	
- organizational activities for the commercial metering of electricity (meter readings, identifying unmetered consumption, calculating electricity balances, etc.)	246.0

The effect from the implementation of activities aimed at reducing electricity losses in the Company's grids totaled 280 million kWh, including 34 million kWh from the implementation of technical activities and 246 million kWh from the implementation of organizational activities.

The program was fully implemented in 2011.

#### INFORMATION ON UNMETERED ELECTRICITY CONSUMPTION IDENTIFIED IN 2011

Name	Records compiled		Included in productive supply of electricity	
	items	mln kWh	items	mln kWh
Legal entities	2,288	259	2,001	247
Individuals	2,167	10	1,383	7
<b>Total</b>	<b>4,455</b>	<b>269</b>	<b>3,384</b>	<b>254</b>

Information on the volume of electricity included in productive supply is presented only for records compiled with the involvement of the Company's personnel (excluding the volume of unmetered electricity identified independently by JSC "Mosenergosbyt" personnel).



## INFORMATION ON NON-CONTRACTUAL ELECTRICITY CONSUMPTION IDENTIFIED IN 2011

Name	Records compiled			Paid according to records (including VAT)			Claims filed		Won in court	
	items	mln kWh	mln rubles	items	mln kWh	mln rubles	items	mln rubles	items	mln rubles
Legal entities	4,509	79	354	4,341	64	282	147	67	115	53
Individuals	1,873	10	24	1,787	8	19	88	6	56	3
<b>Total</b>	<b>6,382</b>	<b>89</b>	<b>378</b>	<b>6,128</b>	<b>72</b>	<b>301</b>	<b>235</b>	<b>73</b>	<b>171</b>	<b>56</b>

Based on applications by energy retail companies of the Moscow area, 5,561 restrictions were placed on electricity consumption for non-paying customers in 2011.

## COMPARISON OF PLANNED AND ACTUAL REVENUE FOR ELECTRICITY TRANSMISSION SERVICES

Name	Approved in business plan for 2011				Actual 2011			
	Productive supply, mln kWh	Revenue excluding VAT, mln rubles (excluding load losses)	Value of load losses excluding VAT, mln rubles	Average tariff, excluding VAT, rubles/kWh	Productive supply, mln kWh	Revenue excluding VAT, mln rubles (excluding load losses)	Value of load losses excluding VAT, mln rubles	Average tariff, excluding VAT, rubles/kWh
Moscow	37 726	57 763	1 391	1,568	37 876	58 195	1 318	1,571
Moscow Region	34 805	48 271	1 336	1,425	35 663	48 799	1 222	1,403
<b>Total for Company</b>	<b>72 531</b>	<b>106 035</b>	<b>2 727</b>	<b>1,500</b>	<b>73 540</b>	<b>106 994</b>	<b>2 541</b>	<b>1,489</b>

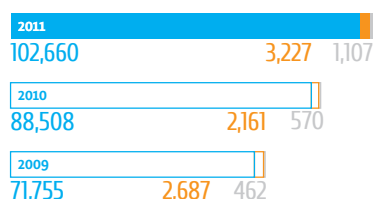
Actual revenue from electricity transmission (excluding load losses) exceeded the plan by 959 million rubles, or 0.9%.

The growth in revenue compared to the indicators contained in the business plan is attributable to the following factors:

- the overall growth in productive supply;
- changes to the structure of actual productive supply by voltage level with respect to the targets.

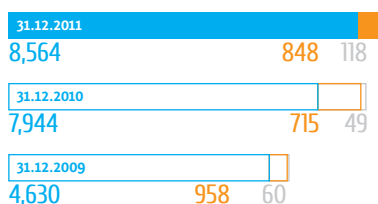
As a result of the changes to the structure of actual productive supply (a reduction compared with the productive supply target for high voltage grid consumer groups), growth in revenue was 0.9%, while growth in productive supply was 1.4%. As a result, the average tariff for services fell 0.7% compared to 2010.

### REVENUE STRUCTURE BY CONSUMER GROUP, mln rubles



■ Guaranteed suppliers  
 ■ Energy retail organizations  
 ■ Direct consumers

### STRUCTURE OF ACCOUNTS RECEIVABLE BY CONSUMER GROUP, mln rubles



■ Guaranteed suppliers  
 ■ Energy retail organizations  
 ■ Direct consumers

### COMPARISON OF ACTUAL REVENUE FOR ELECTRICITY TRANSMISSION SERVICES AND THE REVENUE INCLUDED IN THE TARIFF AND BALANCE SHEET DECISION

Name	Included in TBSD			Actual 2011		
	Productive supply, mln kWh	Revenue excluding VAT, mln rubles	Average tariff, excluding VAT, rubles/kWh	Productive supply, mln kWh	Revenue* excluding VAT, mln rubles	Average tariff, excluding VAT, rubles/kWh
Moscow	37,092	58,995	1.591	37,876	59,513	1.571
Moscow Region	34,538	49,119	1.422	35,663	50,021	1.403
<b>Total for Company</b>	<b>71,630</b>	<b>108,114</b>	<b>1.509</b>	<b>73,540</b>	<b>109,534</b>	<b>1.489</b>

\* During approval by the regulatory body, the Company's revenue does not include load losses, therefore the comparison with actual revenue is made under comparable conditions – excluding load losses that reduce the volume of services rendered.

The deviation in actual revenue for Moscow and the Moscow Region from the indicators recorded in the tariff and balance sheet decision is attributable to the following factors:

- the overall growth in the productive supply of electricity;
- changes to the structure of actual productive supply by voltage level with respect to the indicators approved in the tariff.

Due to the reduction in the proportion of consumers receiving electricity via a low voltage grid, growth in the Company's revenue totaled 1.3% in 2011, while growth in productive supply was 2.7%, which led to a decrease in the average tariff for services by 1.3%.

In the overall structure of revenue for electricity transmission services rendered in 2011, guaranteed suppliers accounted for 96%, energy retail companies for 3% and direct consumers for 1%.

As of December 31, 2011, accounts receivable for electricity transmission services totaled 9,530 million rubles with current debt accounting for 8,551 million rubles, or 90%, and overdue debt making up 979 million rubles, or 10%. Receivables turnover totaled 28 days. The ratio of overdue debt to annual revenue for electricity transmission services totaled 0.91%.

As of December 31, 2011, activities were being conducted to reduce the total overdue and disputed debt, including the consideration of the Company's claims for the recovery of 688 million rubles in overdue debt in various court instances and 291 million rubles mainly comprised of recently accrued debt which the Company is handling in the extrajudicial (claim) procedure.

As of December 31, 2011, the debt of guaranteed suppliers accounted for 90% of accounts receivable, the debt of energy retail companies for 9% and the debt of direct consumers for 1%.

The large share of debt among guaranteed suppliers in the structure of consumers is attributable to the fact that guaranteed suppliers account for 96% of the Company's total revenue.

As of December 31, 2011, current debt accounted for 90% of account receivable (less than one month, final payment for December), while overdue and disputed debt accounted for the remaining 10%.

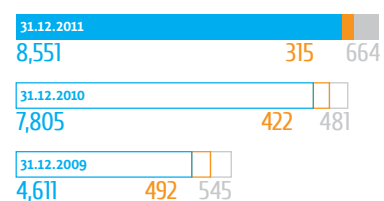
The value of electricity acquired to compensate for losses in the Company's grids in 2011 totaled 13,038 million rubles excluding VAT, which is 11.39% below the target.

The main reasons for the decline in expenses on the acquisition of electricity to compensate for losses are:

- a 5.94% reduction (549 million kWh) in the actual volume of electricity acquired to compensate for losses compared to the planned volume. In value terms, the savings from the reduction in losses totaled 925 million rubles;
- a 5.53% reduction (9 kopecks) in the unregulated electricity price compared to the planned level. In value terms, the savings from the reduction in prices totaled 817 million rubles.

## Accounts receivable for electricity transmission services

STRUCTURE OF ACCOUNTS RECEIVABLE, mln rubles



■ Current accounts receivable  
 ■ Overdue accounts receivable  
 ■ Disputed accounts receivable

## Analysis of the deviation in actual expenses on the acquisition of electricity to compensate for losses compared to the business plan

## VALUE OF ELECTRICITY TRANSMISSION SERVICES BY JSC "FGC UES"

Name	Included in TBSD, mln rubles, excluding VAT	Business plan, mln rubles, excluding VAT	Actual for 2011, mln rubles, excluding VAT	Deviation in actual for 2011			
				from TBSD		from BP	
				mln rubles	%	mln rubles	%
Moscow	3,915	2,981	3,040	-875	-22.36	58	1.96
Moscow Region	8,351	8,018	7,986	-365	-4.37	-32	-0.40
<b>Total for Company</b>	<b>12,266</b>	<b>10,999</b>	<b>11,026</b>	<b>-1,241</b>	<b>-10.11</b>	<b>26</b>	<b>0.24</b>

The value of electricity transmission services by JSC "FGC UES" totaled 11,026 million rubles in 2011 excluding VAT compared to the plan of 10,999 million rubles excluding VAT. Actual expenses were 0.24% higher than the target and 10.11% lower than those recorded in the tariff.

Actual expenses were 1,241 million rubles lower than those adopted in the tariff due to a reduction in the overall cost of services by JSC "FGC UES" by the cost of the actual load losses paid for on the wholesale energy (capacity) market in the amount of 1,757 million rubles, which were not accounted for in the TBSD.

In addition, the cost of services paid for at the electricity loss payment rate was higher by 517 million rubles.

The cost of services by distribution grid companies for electricity transmission totaled 30,067 million rubles in 2011 excluding VAT compared to the plan of 30,744 million rubles excluding VAT. Actual expenses were 2.3% lower than the target and 4.9% lower than those recorded in the tariff.

## 2.3. Grid connection

### INFORMATION ON REVENUE FROM GRID CONNECTION SERVICES

Category	2009			2010			2011		
	Moscow	Moscow Region	Total for Company	Moscow	Moscow Region	Total for Company	Moscow	Moscow Region	Total for Company
Actual connection, number	2,322	11,153	13,475	4,976	12,811	17,787	2,723	11,977	14,700
Actual connected capacity, kW	162,266	286,494	448,760	461,688	529,382	991,070	353,374	563,134	916,508
Revenue from grid connection services, mln rubles, excluding VAT	6,854	2,615	9,469	12,285	6,659	18,945	13,133	5,726	18,860

Actual capacity connections totaled 916 MW in 2011, including 353 MW for Moscow and 563 MW for the Moscow Region.



The total number of connected consumers totaled 14,700, including 2,723 on the territory of Moscow and 11,977 in the Moscow Region.

The Company's revenue from grid connection activities in 2011 remained at the same level as 2010.

**THE COMPANY'S REVENUE FROM GRID CONNECTION SERVICES TOTALED 18,860 MILLION RUBLES EXCLUDING VAT**



## INFORMATION ON APPLICATIONS SUBMITTED AND CONTRACTS CONCLUDED FOR GRID CONNECTION

Indicator/Connection category	2009			2010			2011		
	Moscow	Moscow Region	Total for Company	Moscow	Moscow Region	Total for Company	Moscow	Moscow Region	Total for Company
<b>Applications submitted, number,</b>	<b>6,422</b>	<b>23,935</b>	<b>30,357</b>	<b>9,431</b>	<b>35,410</b>	<b>44,841</b>	<b>8,950</b>	<b>24,593</b>	<b>33,543</b>
including:									
up to 15 kW, total	4,624	21,098	25,722	6,566	32,741	39,307	5,738	22,092	27,830
including individuals	951	19,663	20,614	1,182	31,021	32,203	738	20,229	20,967
15-100 kW, total	950	1,446	2,396	1,713	1,093	2,806	1,882	978	2,860
including subsidized categories	30	521	551	159	529	688	8	166	174
100-750 kW	609	1,098	1,707	804	1,187	1,991	964	1,059	2,023
over 750 kW	239	293	532	348	389	737	366	464	830
<b>Total capacity based on applications submitted, MW,</b>	<b>1,964</b>	<b>2,562</b>	<b>4,526</b>	<b>4,532</b>	<b>3,191</b>	<b>7,723</b>	<b>2,852</b>	<b>2,808</b>	<b>5,660</b>
including:									
up to 15 kW, total	36	173	209	58	376	434	43	281	323
including individuals	10	158	167	15	357	372	9	259	268
15-100 kW, total	47	81	128	77	65	143	90	62	152
including subsidized categories	7	29	36	7	33	40	1	13	13
100-750 kW	170	313	483	214	379	593	274	366	640
over 750 kW	1,712	1,995	3,707	4,183	2,370	6,553	2,445	2,100	4,545
<b>Contracts concluded, number,</b>	<b>3,092</b>	<b>19,128</b>	<b>22,220</b>	<b>5,672</b>	<b>28,939</b>	<b>34,611</b>	<b>3,502</b>	<b>19,388</b>	<b>22,890</b>
including:									
up to 15 kW, total	2,598	17,535	20,133	5,016	27,349	32,365	2,268	18,239	20,507
including individuals	2,383	15,403	17,786	1,095	24,363	25,458	369	16,784	17,153
15-100 kW, total	258	912	1,170	324	848	1,172	794	576	1,370
including subsidized categories	23	499	522	30	572	602	8	102	110
100-750 kW	181	595	776	263	628	891	349	444	793
over 750 kW	55	86	141	69	114	183	91	129	220
<b>Total capacity based on concluded contracts, MW,</b>	<b>221</b>	<b>963</b>	<b>1,184</b>	<b>333</b>	<b>1,911</b>	<b>2,244</b>	<b>965</b>	<b>813</b>	<b>1,778</b>
including:									
up to 15 kW, total	21	132	153	43	302	345	20	228	248
including individuals	20	113	133	12	269	282	5	212	216
15-100 kW, total	12	50	62	15	51	66	38	37	75
including subsidized categories	1	28	29	1	35	36	1	6	7
100-750 kW	53	158	212	67	172	239	96	142	238
over 750 kW	134	623	757	208	1,386	1,594	811	406	1,217



In 2011, a total of 33,543 applications were submitted for connection to power grids for total capacity of 5,660 MW, including 8,950 applications for capacity of 2,852 MW from consumers in Moscow and 24,593 applications for capacity of 2,808 MW from consumers in the Moscow Region.

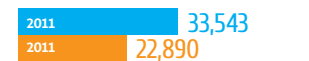
There was a 25% decrease in the number of applications submitted in 2011 compared to 2010 (down 5% in Moscow and 31% in the Moscow Region). The reduction is attributable to the Company's stricter requirements for the quality of documents and information submitted in the grid connection applications by applicants of subsidized categories in accordance with the requirements of the Regulations for Grid Connection approved by Decree No. 861 of the RF Government dated December 27, 2004.

Applicants from subsidized categories submitted the maximum number of applications (up to 15 kW) in 2010 due to the entry into force of Decree No. 334 of the RF Government dated April 21, 2009, which significantly simplified the grid connection procedure for this category of applicants.

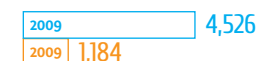
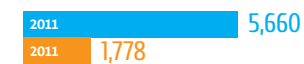
In 2011, the number of applications submitted by applicants from subsidized categories returned to the level of 2009. There was a 27% reduction in the overall capacity of the grid connection applications due to the Company's stricter requirements for the quality of documents submitted and to the pre-crisis expectations of investment companies. This resulted in:

- a reduction in the number of contracts concluded in Moscow from 5,672 in 2010 to 3,502 in 2011. At the same time, there was a significant increase in the amount of capacity connected under the grid connection contracts (from 333 MW in 2010 to 965 MW in 2011) due to the substantial reduction in tariffs for grid connection services in Moscow;
- a 678-MW reduction in the amount of capacity connected under the grid connection contracts (from 1,911 MW in 2010 to 813 MW in 2011). The number of contracts concluded fell from 28,939 in 2010 to 19,388 in 2011.

#### INFORMATION ON APPLICATIONS SUBMITTED AND CONTRACTS CONCLUDED FOR GRID CONNECTION



■ Applications submitted, number  
■ Contracts concluded, number



■ Total capacity based on applications submitted, MW  
■ Total capacity based on concluded contracts, MW

## Information about the receipt of funds for grid connection contracts



**THE RECEIPT OF FUNDS FOR GRID CONNECTION CONTRACTS TOALED 11,721 MILLION RUBLES EXCLUDING VAT IN 2011, UP 17% FROM 2010**



There were 22,890 contracts concluded in 2011 for total capacity of 1,778 MW and with a value of 10,779 million rubles excluding VAT, including:

- 3,502 contracts in Moscow for 965 MW with a value of 7,826 million rubles excluding VAT;
- 19,338 contracts in the Moscow Region for total capacity of 813 MW and with a value of 2,954 million rubles excluding VAT.

Compared to the previous period, the value of the contracts concluded decreased by 41% due to changes in the tariff policy and a considerable reduction in the tariff both in Moscow and the Moscow Region.

The receipt of funds for grid connection contracts totaled 11,721 million rubles excluding VAT in 2011, up 17% from 2010. This growth is attributable to the receipt of funds for contracts concluded in previous periods as well as work to demand overdue debt from consumers under grid connection contracts. As a result of the measures taken, the Company managed to reduce overdue debt by 24% as of the end of 2011 compared to the start of 2011.

The receipt of funds for grid connection contracts totaled 8,134 million rubles excluding VAT in Moscow and 3,587 million rubles excluding VAT in the Moscow Region.

In 2011, the business plan for all key performance indicators with respect to the Company's grid connections was fulfilled, including by 114% for revenue and 124% for receipt of funds.

Applications for up to 15 kW of capacity dominate in the structure of ac-

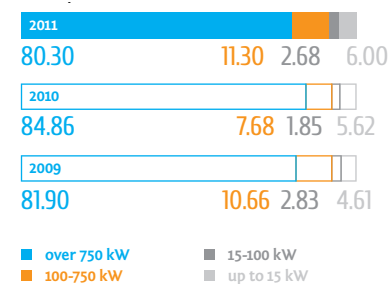
**INFORMATION ON THE STRUCTURE OF DEMAND FOR GRID CONNECTIONS ACCORDING TO CAPACITY BY APPLICANT CATEGORY, %**

Indicator	2009			2010			2011		
	Moscow	Moscow Region	Total for Company	Moscow	Moscow Region	Total for Company	Moscow	Moscow Region	Total for Company
up to 15 kW, total	1.83	6.74	4.61	1.27	11.79	5.62	2	10	6
including individuals	26.54	91.29	80.16	26.32	94.81	85.71	21.05	92.37	82.92
15-100 kW, total	2.39	3.16	2.83	1.70	2.05	1.85	3.16	2.19	2.68
including subsidized categories	14.04	36.15	28.04	8.82	50.10	27.76	0.59	20.30	8.59
100-750 kW	8.64	12.21	10.66	4.72	11.87	7.68	9.61	13.03	11.30
over 750 kW	87.14	77.88	81.90	92.30	74.29	84.86	85.73	74.79	80.30
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

cepted applications in terms of quantity. A total of 22,092 applications for capacity of up to 15 kW were received from consumers in the Moscow Region, which makes up 90% of the total number of accepted applications for the area, while 5,738 applications for capacity of up to 15 kW were received from consumers in Moscow, accounting for 64% of the total number of accepted applications for the area.

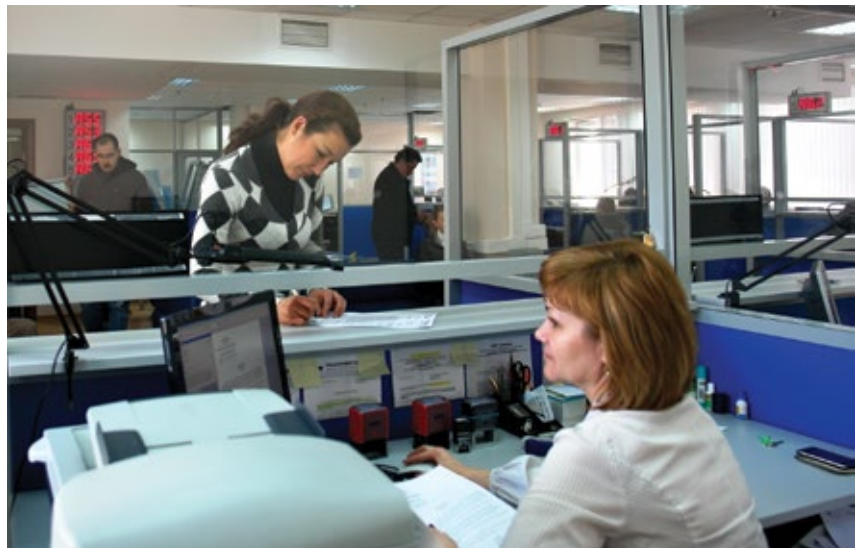
Applications for over 750 kW of capacity dominate in the structure of accepted applications in terms of capacity. These consumers account for 80% of the Company's capacity, including 86% in Moscow and 75% in the Moscow Region. Consumers involved in housing construction and government-financed organizations account for the lion's share of applications for capacity of 750 kW.

## Structure of demand for grid connections

**INFORMATION ON THE STRUCTURE OF DEMAND FOR GRID CONNECTIONS ACCORDING TO CAPACITY BY APPLICANT CATEGORY, %**


## 2.4. Customer policy

### Onsite customer service



**CAPTION:**  
Customer service center

Throughout 2011, the Company interacted with consumers of its services through specially created divisions that performed the functions of customer service centers (which include a division performing the functions of a service center for first category customers and divisions performing the functions of service centers for second and third category customers).

From January 1, 2011 to August 1, 2011, the division performing the functions of a service center for first category customers (Customer Service Center Department) was part of the Company's branch Moscow Cable Networks. In mid-2011, the functions for interaction with customers were transferred to the JSC "MOESK" executive office through the creation of the customer interaction department. The reorganizational measures conducted made it possible to ensure a uniform approach and principles in the Company's interaction with consumers of its services regardless of the territorial jurisdiction of any facility with respect to the consumer of services (Moscow or the Moscow Region).

At the level of regional power grid companies, interaction with consumers of services was conducted in 2011 through customer service centers for second and third categories, which were functionally and methodologically subordinate to the JSC “MOESK” deputy general director for development and services.

Offsite service via telephone was conducted by each division responsible for organizing the work of customer service centers and via a separate telephone line within or outside of the call centers functioning within the divisions. In 2011, just like in 2010, the Company’s unified telephone number 8-800-700-40-70 (“light line”) primarily dealt with issues involving emergency power failure.

It should be noted that the modernization of the offsite telephone-based service system with respect to technical upgrades primarily to the first category customer service center was classified as a priority task aimed at improving the quality of service for JSC “MOESK” customers in 2011.

In 2011, given the reduction in funding resulting from the limited growth in tariffs, the Company managed to purchase and put into operation the minimum amount of equipment required to keep calls on the line, route and record them, as well as produce statistics for received and missed calls.

In addition to call centers, the Company supplemented the first and second category customer service centers and “light line” in 2011 with temporary information centers that may be deployed in the event of mass power supply disruptions caused by natural or manmade disaster in the JSC “MOESK” grids. The job of the temporary information centers is to inform all parties concerned, including via telephone recording, about the progress of emergency and recovery operations, possible power cuts and the approximate time required to restore power supplies.

Along with the call centers, work continued in 2011 to expand interactive services. One major event in offsite customer service was the launch of the JSC “MOESK” information portal for grid connections ([utp.moesk.ru](http://utp.moesk.ru)), which has greatly expanded opportunities for concerned consumers to obtain information online. The portal began operating in its current mode on September 5, 2011. As of December 31, 2011, approximately 700 users had registered on the portal. The number of visits to the portal exceeded 2,000 in its first month of operation, while the total number of visits in 2011 surpassed 7,500

## Offsite and interactive customer service

## Statistics on requests for consumer service

### OFFSITE REQUESTS VIA INTERNET RECEPTION/OFFICE LINE/ONLINE CONSULTATION/EMAIL



## Results of interaction with customers in 2011

The highest amount of requests throughout the Company's communications channels come from offsite service infrastructure (146,952 offsite requests and 106,224 onsite requests). It is worth noting that, despite the fact that the first category customer service center handles the bulk of these requests, these centers have seen a downward trend in the number of onsite requests and offsite requests made via the call center due to the development of the interactive communication channel as one of the main priorities of the program implemented in 2011 to improve the quality of customer service (the development and introduction of the grid connections portal, the modernization of the website and the updating of information on grid connections. In 2011, the Company paid special attention to the reception webpage of the JSC "MOESK" general director. This resource was widely used by consumers of services as reflected by the significant growth in the number of requests to the reception webpage (up 277% in 2011 compared to 2010).

### DESCRIPTION OF WORK WITH REQUESTS FROM CUSTOMERS

Indicator	2010	2011	Growth rate, %
<b>Total requests via communication channels, number</b>	<b>378,380</b>	<b>253,455</b>	<b>66.98</b>
<b>including:</b>			
– onsite requests	151,500	106,224	70.13
– offsite requests via call center	209,503	132,939	63.45
– written requests to office	14,069	10,847	77.10
– offsite requests via Internet reception/office line/online consultation/email	1,144	3,166	276.75
– other	2,164	259	11.97

In 2011, the Company implemented an action plan aimed at developing a centralized customer service system. The implementation of the plan led to improvements in the quality of the onsite and offsite services of JSC "MOESK," including interactive services, and made it possible to:

- establish a channel for interactive feedback based on the JSC "MOESK" grid connection portal created in 2011 to provide a wide range of services to customers, including the ability to submit an electronic application and remotely receive information about the progress of the review of requests sent to the grid organization;

- conduct the first studies of customer satisfaction with the grid connection in accordance with ISO 9001, ISO 9004 and the ISO-10001-1 phase with the use of SWOT analysis tools, the Customer Satisfaction Index (CSI) and the calculation of the importance of grid connection services establishing a level of satisfaction with grid connection services of 61.7% (with the standard rate ranging from 50% to 80%);
- change the approach to the availability of onsite service, extend the working hours of the first category customer service center, introduce additional CSC services, and significantly reduce the average wait time in lines at the customer office (from 1 hour and 28 minutes in July 2011 to 30 minutes in December 2011).

In November 2011, as part of interaction with representatives of a working group from JSC “IDGC Holding” in charge of considering requests from citizens and public organizations, the Company developed a range of measures aimed at reducing the number of complaints by JSC “MOESK” customers regarding the grid connection.

In 2011, in accordance with the requirements for improving the quality of services contained in the procedural guidelines for calculating the reliability level and quality of products supplied and services rendered (Order No. 296 of the Russian Energy Ministry dated June 29, 2010), a new standard was developed for organizing the centralized customer service system. The standard was approved by the Board of Directors on January 13, 2012 (Minutes No. 156 dated January 16, 2012). The standard establishes requirements at JSC “MOESK” for organizing the process of the centralized customer service system, the business processes for onsite and offsite interaction with customers, customer service etiquette, studies for an evaluation of the quality of customer service and an analysis of the results.



**CAPTION:**  
Customer service center



## 2.5. Repair and operational activity

### IMPLEMENTATION OF REPAIR PROGRAM IN 2011

No.	Indicator	Plan	Actual	Program implementation, %
1.	Repair of substations, units	56	56	100
2.	Repair of PTL, km	4,427	4,764	108
3.	Clearing of PTL firebreaks, hectares	3,297	5,075	154

All repair work scheduled for 2011 was fulfilled.



**ALL REPAIR WORK  
SCHEDULED FOR 2011  
WAS FULFILLED**



The level of preparedness for the “surprises” of the 2011-2012 winter depended on the timely and high-quality repairs of power grid equipment. Over the past year, the Company implemented all the items contained in the large-scale repair program. In particular, repairs were made at 35-220 kV substations to 291 power transformers, 2,451 breakers, 1,322 disconnectors and 4,407 support post insulators. Repairs were also made to 2,456 distribution and transformer substations with capacity of 6-10 kV.

In 2011, repairs were made to 1,500 kilometers of overhead power transmission lines with capacity of 35-220 kV and 2,900 kilometers of overhead lines with capacity of 0.4-6/10 kV.

In addition, more than 350 kilometers of power transmission cable lines were repaired on the territory of Moscow and the Moscow Region over the last year and 210 power lines with capacity of 35-220 kV were reconstructed with the replacement of poles, wires and insulators.

In order to mitigate the aftermath of the freezing rain, which caused trees to accumulate large amounts of ice and fall on power transmission lines en masse, additional repair work was conducted last year on power transmission lines and the clearing of shrubs from firebreaks. In excess of the plan, 1,423 poles were replaced and repaired, more than 706 kilometers of cables were reconstructed, and more than 417,000 trees were cleared and removed from OL with capacity of 0.4-220 kV.



In addition, non-insulated wires were replaced with self-supported insulator conductors (SIC) in 2011 over an area of 1,401 kilometers of overhead lines with capacity of 0.4-10 kV passing through forests and populated areas. SIC have great advantages compared with non-insulated wires, namely lower operating expenses, a decline in voltage drop due to low reactance, increased reliability in areas of heavy icing, a high level of maintenance safety and a reduction in emergency recovery operations.

**CAPTION:**

Increased repair work led to a significant reduction in grid disruptions

Over the reporting period, the Company exceeded the plan for the repair of power transformers by 45%, breakers by 31% and transformer substations by 6%.

The increased repair work resulted in a substantial reduction in technological disruptions, the more stable output of electricity and, as a consequence, a reduction in the Company's shortfall in income.

Actual expenses on the repair program in 2011 totaled 5,216 million rubles, including 3,085 million rubles using contractors and 2,130 million rubles using the Company's own resources.

## 2.6. Tariffs for services

### Tariffs for electricity transmission service

#### CITY OF MOSCOW STARTING FROM JANUARY 1, 2011

By Order No. 299 of the Moscow Regional Energy Commission dated December 30, 2010, the following joint operations tariffs have been approved starting from January 1, 2011:

No.	Indicator	Measurement unit	Voltage range			
			HV	MV-1	MV-2	LV
<b>Other consumers</b>						
1.	Flat-rate tariff	rubles/ MWh	966.94	1,758.99	1,759.07	2,480.03
2.	Double-rate tariff					
	– rate for power grid maintenance	rubles/ MWmonth	456,085	705,129	746,388	897,071
	– rate for the payment of technological consumption (loss) in power grids	rubles/ MWh	50.99	69.25	133.51	326.82
<b>Consumers connected to the buses of power transmission switchgear</b>						
1.	Flat-rate tariff	rubles/ MWh	915.95	–	1,625.55	–
<b>The population and similar consumers</b>						
1.	Flat-rate tariff	rubles/ MWh		1,230.95		

Official publication source: “Tverskaya 13” newspaper of the Moscow Government, Special Issue No. 6 dated December 31, 2010.

**CITY OF MOSCOW STARTING FROM MAY 1, 2011 (PURSUANT TO DECREE OF THE RF GOVERNMENT NO. 1172 DATED DECEMBER 27, 2010)**

By Order No. 34 of the Moscow Regional Energy Commission dated April 29, 2011, the following joint operations tariffs have been approved starting from May 1, 2011:

No.	Indicator	Measurement unit	Voltage range			
			HV	MV-1	MV-2	LV
<b>Other consumers</b>						
1.	Flat-rate tariff	rubles/MWh	840.15	1,533.62	1,535.13	2,225.42
2.	Double-rate tariff					
	- rate for power grid maintenance	rubles/MWmonth	392,565.93	610,470.15	643,409.68	791,580.75
	- rate for the payment of technological consumption (loss) in power grids	rubles/MWh	51.77	70.72	133.85	325.42
<b>Consumers connected to the buses of power transmission switchgear</b>						
1.	Flat-rate tariff	rubles/MWh	788.38	-	1,401.28	-
<b>The population and similar consumers</b>						
1.	Flat-rate tariff	rubles/MWh		1,231.99		

Official publication source: "Tverskaya 13" newspaper of the Moscow Government, Special Issue No. 1 dated April 30, 2011.

**MOSCOW REGION STARTING FROM JANUARY 1, 2011**

By Order No. 58-R of the Moscow Region Fuel and Energy Complex dated December 31, 2010, the following joint operations tariffs have been approved starting from January 1, 2011:

No.	Indicator	Measurement unit	Voltage range			
			HV	MV-1	MV-2	LV
<b>Other consumers</b>						
1.	Flat-rate tariff	rubles/MWh	1,000.10	1,473.92	1,788.94	1,968.95
2.	Double-rate tariff					
	- rate for power grid maintenance	rubles/MWmonth	545,091.77	764,454.26	774,563.49	714,265.02
	- rate for the payment of technological consumption (loss) in power grids	rubles/MWh	50.59	124.63	276.68	608.59
<b>The population and similar consumers</b>						
1.	Flat-rate tariff	rubles/MWh		1,351.09		
2.	Double-rate tariff					
	- rate for power grid maintenance	rubles/MWmonth		360,375.46		
	- rate for the payment of technological consumption (loss) in power grids	rubles/MWh		530.94		

Official publication source: "Daily News. Moscow Region" newspaper, Issue No. 1 (2447) dated January 12, 2011.

**MOSCOW REGION STARTING FROM MAY 1, 2011 (PURSUANT TO DECREE OF THE RF GOVERNMENT NO. 1172 DATED DECEMBER 27, 2010)**

By Order No. 20-R of the Moscow Region Fuel and Energy Complex dated May 12, 2011, the following joint operations tariffs have been approved starting from May 1, 2011:

No.	Indicator	Measurement unit	Voltage range			
			HV	MV-1	MV-2	LV
<b>Other consumers (tariffs are indicated without VAT)</b>						
1.	Flat-rate tariff	rubles/MWh	968.18	1,444.75	1,761.79	1,935.81
2.	Double-rate tariff					
	– rate for power grid maintenance	rubles/MWmonth	509,963.29	753,381.74	762,674.99	700,952.13
	– rate for the payment of technological consumption (loss) in power grids	rubles/MWh	49.54	115.00	272.75	600.80
<b>The population and similar consumers</b>						
1.	Flat-rate tariff	rubles/MWh		1,351.20		
2.	Double-rate tariff					
	– rate for power grid maintenance	rubles/MWmonth		363,452.92		
	– rate for the payment of technological consumption (loss) in power grids	rubles/MWh		524.05		

Official publication source: “Daily News. Moscow Region” newspaper, Issue No. 93 (2539) dated May 28, 2011.

**DYNAMICS OF THE AVERAGE JOINT OPERATIONS TARIFF FOR ELECTRICITY TRANSMISSION SERVICES, rubles/MWh**

Name	2009	2010	2010/2009, %	2011 from Jan 01, 2011	Jan 01, 2011/ 2010, %	2011 from May 01, 2011	May 01, 2011/ 2010, %
Moscow	951.01	1,320.15	38.8%	1,681.60	27%	1,584.04	20%
Moscow Region	1,034.24	1,255.77	21.4%	1,451.43	16%	1,422.18	13%
JSC “MOESK”	987.52	1,289.33	30.6%	1,570.62	22%	1,505.99	17%

Pursuant to Order No. 500-e/5 of the Russian Federal Tariffs Service dated December 30, 2010, the transition to the tariff regulation of electricity transmission services through the grids of JSC "MOESK" has been approved with the use of the return on invested capital method starting from January 1, 2011.

#### CITY OF MOSCOW STARTING FROM JANUARY 1, 2011

Order No. 299 of the Moscow Regional Energy Commission dated December 30, 2010 approved the long-term regulation parameters and the gross revenue required by JSC "MOESK" for the long-term regulation period of 2011-2015 with the use of the return on invested capital method starting from January 1, 2011.

#### CITY OF MOSCOW STARTING FROM MAY 1, 2011 (PURSUANT TO DECREE OF THE RF GOVERNMENT NO. 1172 DATED DECEMBER 27, 2010)

Order No. 34 of the Moscow Regional Energy Commission dated April 29, 2011 approved the long-term regulation parameters and the adjusted gross revenue required by JSC "MOESK" for the long-term regulation period of 2011-2015 with the use of the return on invested capital method starting from May 1, 2011.

#### LONG-TERM REGULATION PARAMETERS FOR THE CITY OF MOSCOW

Indicator	Measurement unit	2011
Base level of operating expenses	'000 rubles	12,118,399
Efficiency index of operating expenses	%	1
Invested capital	'000 rubles	119,774,500
Net working capital	'000 rubles	1,655,807.84
Rate of return on capital	%	6
Rate of return on investment	%	12

#### MOSCOW REGION STARTING FROM JANUARY 1, 2011

Order No. 58-R of the Moscow Region Fuel and Energy Complex dated December 31, 2010 approved the long-term regulation parameters and the gross revenue required by JSC "MOESK" for the long-term regulation period of 2011-2015 with the use of the return on invested capital method starting from January 1, 2011.

#### MOSCOW REGION STARTING FROM MAY 1, 2011 (PURSUANT TO DECREE OF THE RF GOVERNMENT NO. 1172 DATED DECEMBER 27, 2010)

Order No. 20-R of the Moscow Region Fuel and Energy Complex dated May 12, 2011 approved the long-term regulation parameters and the adjusted gross revenue required by JSC "MOESK" for the long-term regulation period of 2011-2015 with the use of the return on invested capital method starting from May 1, 2011.

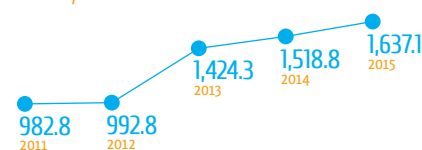
## Transition to tariff regulation system using the return on invested capital method



**ORDER NO. 500-E/5 OF THE RUSSIAN FEDERAL TARIFFS SERVICE DATED DECEMBER 30, 2010 APPROVED THE TRANSITION TO THE TARIFF REGULATION OF ELECTRICITY TRANSMISSION SERVICES THROUGH THE GRIDS OF JSC "MOESK" WITH THE USE OF THE RETURN ON INVESTED CAPITAL METHOD STARTING FROM JANUARY 1, 2011**

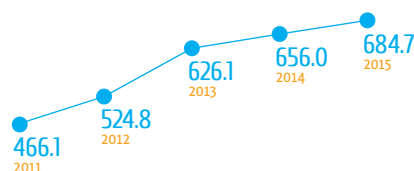


#### DYNAMICS OF AVERAGE LONG-TERM TARIFFS FOR THE CITY OF MOSCOW, rubles/MWh



● Average flat-rate tariff for power transmission services, rubles/MWh

#### DYNAMICS OF AVERAGE LONG-TERM TARIFFS FOR THE MOSCOW REGION, rubles/MWh



● Average flat-rate tariff for power transmission services, rubles/MWh

### Payment for connection services to power grids

#### LONG-TERM REGULATION PARAMETERS FOR THE MOSCOW REGION

Indicator	Measurement unit	2011
Base level of operating expenses	'000 rubles	8,197,262
Efficiency index of operating expenses	%	1
Invested capital	'000 rubles	60,274,200
Net working capital	'000 rubles	1,188,876.9
Rate of return on capital	%	6
Rate of return on investment	%	12

#### CITY OF MOSCOW

Prior to May 25, 2011, the rate of payment for connecting Moscow consumers to the power grids of JSC "MOESK" approved by Order No. 270 of the Moscow Regional Energy Commission dated December 28, 2010 in the amount of 14,151.48 rubles/kVA (excluding VAT) remained in use.

Order No. 35 of the Moscow Regional Energy Commission dated May 25, 2011 amended Order No. 270 of the Moscow Regional Energy Commission dated December 28, 2010 and established a unified tariff rate to calculate payment for connecting consumers to the distribution grids of JSC "MOESK" per 1 kW of the technological connection in the amount of 16,648.80 rubles/kW (excluding VAT).

#### DYNAMICS OF THE RATE OF PAYMENT FOR CONNECTION TO POWER GRIDS IN THE CITY OF MOSCOW

Average rate of payment for 2009, rubles/kVA	Average rate of payment for 2010, rubles/kVA	2010/2009, %	Average rate of payment for 2011, rubles/kVA	2011/2010, %
78,499.05	86,836.16	10.6%	16,648.84	-80.8%
<b>Component for distribution grid</b>				
33,240.50	17,012.80	-48.8%	16,648.84	-2.1%

Official publication source: "Tverskaya 13" newspaper of the Moscow Government, Issue No. 67 dated June 2, 2011.

#### MOSCOW REGION

Order No. 1-R of the Moscow Region Fuel and Energy Complex dated January 18, 2011 established and introduced the rate of payment for the connection of the power receivers of consumers with connection capacity of no more than 10,000 kVA on the territory of the Moscow Region to the power grids of JSC "MOESK" in the amount of:

Capacity range, kW	Voltage level at the connection point, kV	Rate of payment for grid connection capacity rubles/kW (excluding VAT)
From 15 kW to 10,000 kVA	0.4 kV	11,093
	6, 10, 20 kV	10,312
<b>Capacity up to 15 kW inclusive</b>		<b>550 rubles (with VAT)</b>

Order No. 08-R of the Moscow Region Fuel and Energy Complex dated February 21, 2011 established the rate of payment for the connection of the power receivers of consumers with connection capacity of less than 10 MW on the territory of the Moscow Region to the power grids of JSC "MOESK" without taking into account expenses for the construction of power grid facilities from existing power grid facilities to the connected power receivers of consumers and/or power grid facilities in the amount of 1,059 rubles/kW (excluding VAT).

#### DYNAMICS OF THE RATE OF PAYMENT FOR CONNECTION TO POWER GRIDS IN THE MOSCOW REGION

Capacity range, kW	Voltage level at the connection point, kV	Rate of payment for capacity grid connection rubles/kW (excluding VAT), 2009	Rate of payment for capacity grid connection rubles/kW (excluding VAT), 2010	2010/2009, %	Rate of payment for capacity grid connection rubles/kW (excluding VAT), 2011	2011/2010, %
From 15 kW to 10,000 kVA	0.4 kV	15,417	15,417	0.0	11,093	-28.0
	6, 10, 20 kV	13,197	13,197	0.0	10,312	-21.9
Capacity up to 15 kW inclusive		550 rubles	550 rubles	0.0	550 rubles	0.0
		(including VAT)	(including VAT)		(including VAT)	

Official publication source: "Daily News. Moscow Region" newspaper, Issue No. 11 dated January 26, 2011 and Issue No. 40 dated March 12, 2011.

The reduction in the rate of payment for connection to power grids in Moscow and the Moscow Region in 2011 was the result of changes in regulatory legal acts governing grid connection activities. Starting from January 1, 2011, payment for grid connection only includes expenses for the construction of power grid facilities from existing power grid facilities to the connected power receivers and/or power facilities. The payment for grid connection previously included expenses on the reconstruction of the supply and distribution network.



## 2.7. Industrial and fire safety



**THANKS TO THE HIGH-QUALITY SUPERVISION ACTIVITIES AND EMERGENCY PREVENTION MEASURES, THE HAZARDOUS PRODUCTION FACILITIES OF JSC "MOESK" OPERATED WITHOUT INTERRUPTION IN 2011**



JSC "MOESK" performs activities in the area of industrial safety on the basis of the provisions of Federal Law No. 116-FZ "On the Industrial Safety of Hazardous Production Facilities" dated July 21, 1997.

The Company has 96 sites at which hazardous production facilities are located, including 25 sites with vessels operating under pressure of more than 0.07 MPa (air tanks) and hoisting machines – cranes, truck mounted cranes, hoists, derricks, elevators and a gas consumption system located at one site.

Lifting facilities are used at all the Company's branches, air tanks are used by Central, Southern and Northern Electric Power Grids, and the gas consumption system is used by Western Electric Power Grids. These JSC "MOESK" production facilities fall under the second hazard class based on their classification.

Hazardous production facilities are included in the state register (Certificate No. A02-53068) and are subject to re-registration on December 3, 2015.

In 2011, all the Company's hazardous production facilities were insured with OSAO "Ingosstrakh."

Over the reporting year, JSC "MOESK" performed its activities in the area of industrial safety on the basis of the following licenses:

- No. VP-02-002964 (K) with license validity until June 3, 2016 for the operation of explosive production facilities (the use (operation) of equipment under pressure of more than 0.07 MPa or with heated water temperature of more than 115 °C).
- No. EV-02-001323 (S) with license validity until July 12, 2012 for the operation of explosive production facilities (hazardous production facilities which receive, use, process, produce, store, transport or destroy substances that may form explosive mixtures with oxygen or with each other (combustible gases, flammable and combustible liquids, dust forming substances) as well as solid-phase and liquid-phase substances capable of spontaneous decomposition with explosion).

## KEY INDICATORS ON PRODUCTION SUPERVISION FOR COMPLIANCE WITH INDUSTRIAL SAFETY REQUIREMENTS IN 2011

No.	Indicator	Joint operations inspection facilities	Lifting facilities	Gas supply facilities
1.	Number of hazardous production facilities in operation, including:	25	70	1
1.1.	Facilities insured in accordance with Article 15 of the Federal Law "On the Industrial Safety of Hazardous Production Facilities"	25	70	1
2.	Number of equipment units subject to mandatory certification for compliance with industrial safety requirements, including:	7	245	1
2.1.	Number of equipment units certified for compliance with industrial safety requirements	7	245	1
3.	Number of certifications and check tests conducted on equipment	29	476	2
4.	Number of Company workers who received training and certification in matters of industrial safety during the reporting year	66	915	0
5.	Number of violations of industrial safety requirements revealed by the Federal Service for Environmental, Technological and Nuclear Supervision, including:	0	31	0
5.1.	Number of violations resolved	0	31	0
6.	Number of workers engaged in the operation of hazardous production facilities	209	2,802	2
7.	Number of workers performing production supervision functions	10	38	3
8.	Number of accidents occurring during the reporting period	0	0	0
9.	Number of incidents occurring during the reporting period	0	0	0
10.	Number of monitoring and preventive inspections conducted by the production supervision commission	49	119	4
11.	Number of violations of industrial safety requirements revealed by the production supervision commission	103	374	3
12.	Number of proposals submitted by the production supervision commission to the management of the enterprise (organization) to ensure industrial safety	103	362	3
13.	Number of work stoppages in hazardous conditions (based on the results of production supervision)	0	0	0
14.	Number of workers held liable for violations of industrial safety requirements (upon the recommendation of the production supervision commission)	0	0	0

In 2011, the Company developed and implemented 160 measures to improve industrial safety with an overall cost of 23.2 million rubles. Thanks to the high-quality supervision activities and emergency prevention measures, the hazardous production facilities of JSC "MOESK" operated without interruption in 2011.

## Fire statistics

One fire occurred at JSC “MOESK” facilities in 2011 due to a short circuit in an electrical installation. The fire did not result in any deaths or injuries. As a result of the incident, 450 kWh of electricity were lost.

It should be noted that the number of fires at the Company’s facilities declined significantly in 2011. Eleven fires were recorded in 2010 with 51,150 kWh of electricity lost.

JSC “MOESK” is performing extensive work to ensure fire safety. In 2011, the Company implemented 30 measures in matters of fire safety for a total cost of 35.1 million rubles.

The most important fire prevention measures were:

- the treatment of all outdoor switchgear territories at substations with chemicals to destroy vegetation;
- the treatment of cables, air ducts and metal structures with the OGRAKS fire retardant;
- the installation of fireproof doors in the openings of the firestops of the buildings and structures of the substations;
- operational tests on outdoor fire escapes;
- maintenance of fire alarms, automatic fire extinguishing equipment, internal fire water supply lines, fire extinguishers (including their charging) and smoke removal systems.

## 2.8. Civil defense and emergency situations



### Potential natural and manmade emergency situations

**CAPTION:**

An employee of the JSC "MOESK" branch – Moscow Cable Networks speaks to the media about emergency restoration work

At various times in Moscow there have been and continue to be deformations of the land surface in the form of sinkholes and the uneven subsidence of the land surface. Sinkholes present an immediate danger to human life as well as the normal operation of buildings and structures and can cause social and property damage.

In addition, there are frequent soil slips on the territory of Moscow. Natural emergencies periodically occur in several districts of the Moscow Region as a result of forest and peat fires, hail, storms and snow drifts.

Due to the ongoing forest and peat fires in the Moscow Region and the variable winds, smoke pollution reaches the City of Moscow. In this regard, there is an increased likelihood of the air in the city's districts exceeding the maximum permissible concentration (MPC) of hazardous substances and, as a result, the threat of the public being poisoned.

## Accidents involving the release (threat of release) of radioactive substances

The largest chemically hazardous facilities (in terms of emergency chemically hazardous substances (ECHS)) located on the territory of Moscow are the four water treatment stations of the Mosvodopodgotovka control room, which use chlorine.

The maximum amount of sodium hypochlorite stocks at the Western water intake station's warehouse may reach 1,008 tons. The hazardous zone for the vapor effect of the sodium hypochlorite is 50 meters from the boundaries where it is spilled.

The largest enterprise using radioactive substances on the territory of Moscow is the Kurchatov Institute Russian Scientific Center.

It should be noted that certain areas of Moscow could be radioactively contaminated as a result of possible accidents at nuclear power plants located in the Smolensk, Tver, Kursk and Voronezh Regions as well as nuclear reactors in the cities of Dubna and Pushchino. In this case, the situation would depend on the scale of the accident and the weather conditions.

## Accidents at hydraulic engineering structures

There is a risk of hydrodynamic accidents at all hydraulic engineering structures, except for the Rublyovskaya Dam, which would entail the destruction and demolition of buildings and structures, human casualties as well as the flooding of a vast area.

The scale of the possible consequences resulting from an accident at these hydraulic engineering structures could be classified as a regional emergency.

Approximately 6 km<sup>2</sup> of residential area in Moscow could be inundated. The flood zone could cover a total area of 73 km<sup>2</sup> with depth of up to 4 km along the Moskva River.

## Training of workers in civil defense and protection against emergencies

All categories of the Company's workers are trained in accordance with the Decrees of the RF Government No. 841 dated November 2, 2000 "On the Approval of the Provisions To Organize Training for the Population in Civil Defense" and No. 547 dated September 4, 2003 "On the Training of the Population in Protection Against Natural and Manmade Emergencies" based on training programs in civil defense and protection against natural and man-made emergencies.

According to Order No. 255 dated April 19, 2011 "On the Results of Work in Matters of Civil Defense and Emergencies (CDE) in 2010 and Objectives for 2011," the last Thursday of each month is designated as a common day for practical

exercises for Company personnel. The management of the branches and electric power grid zones is involved in the practical exercises. Every other Thursday of the month is designated for the special training of personnel formations.

**CAPTION:**  
On-site training of personnel

All the bases of the branches, EPGZ, substation groups and substations are equipped with visual aid stands on CDE and counter-terrorism, and a set of instructions on counter-terrorism and actions to take during emergencies has been prepared and provided to the directors of the structural divisions.



In 2011, the Company conducted seven command and staff exercises (CSE) and tabletop exercises to organize interaction with the Fuel and Energy Department of Moscow, the Fuel and Energy Committee of the Moscow Region, the regional administrations of the Russian Emergency Situations Ministry for Moscow and the Moscow Region and the dispatch service of the Branch of JSC “SO UES” of the Moscow Regional Dispatch Office during the elimination of technological disruptions causing breakdowns in power supplies to consumers when temperatures are low.

## Exercises and training

## Status of training facilities

Over the reporting period, the Company conducted 89 on-site training sessions on the actions management and dispatcher personnel are to take when receiving, transmitting and announcing warning signals as well as two special tactical exercises.

The Company is equipped with a training site at the Mozhaysk EPGZ at Markarovo Substation No. 714 for the preparation and training of field service teams, mechanical repair stations (volunteer emergency response teams) and training under real conditions.

Last year more than 75 Civil Defense and Counter-Terrorism booths were purchased to develop and improve the training facilities. The local systems for informing and alerting the branches and EPGZ were maintained in working order. Study and visual aids on seven training themes have been developed and distributed among Company workers.

## Expanding the fault location (FL) monitoring system

The Company has 969 FL devices in operation on its PTL with capacity of 35-220 kV. All OL with capacity of 110-220 kV that are more than 20 kilometers in length are equipped with devices to locate various types of faults.

Following the freezing rain of last year, the decision was made to increase the number of FL devices. A plan of action has been prepared for all OL with capacity of 110-220 kV and length of more than 5 kilometers at JSC "MOESK" to be equipped with devices for the remote detection of faults by 2015.

Once the plan of action is fulfilled, a total of 1,396 FL devices will be installed on OL with capacity of 35-220 kV at JSC "MOESK."

## Developing and improving the reliability of the operational and technological management system of the JSC "MOESK" power grid complex with respect to ADCS

In 2011, a program of measures was implemented to develop and improve the reliability of the operational and technological management system of the 35-220 kV power grid complex. This program involved the installation of an automated dispatch control system (ADCS), which improved the observability of the on-duty personnel at the 35-220 SS of JSC "MOESK" and the Branch of JSC "SO UES" of the Moscow Regional Dispatch Office. The implementation of the program made it possible to:

- increase the number of SS equipped with microprocessor-based remote control complexes;
- reduce the number of SS equipped with outdated types of remote control from 412 to 183;
- provide new equipment for the remote control complexes of 31 SS;
- increase the number of SS equipped with remote control complexes from 518 to 549.



In accordance with Order No. 298 dated May 3, 2011 “On Increasing the Number of Personnel at the JSC “MOESK” Branches,” emergency and recovery teams comprised of 24 people were formed and equipped to perform work on PTL with capacity of 35-220 kV, and recovery teams comprised of 100 people were formed to perform work on grids with capacity of 6-20 kV.

There are a total of 124 people on the emergency and recovery teams.

In order to improve the service reliability of the Company’s energy facilities and reduce the time required to eliminate technological disruptions and perform emergency and recovery work, additional personnel were recruited at the Company’s branches in 2011.

JSC “MOESK” increased its staff of personnel ensuring the safety and reliability of the Company’s facilities by 214 people.

In order to ensure the timely elimination of technological disruptions and minimize the time required to restore power supplies to consumers, 190 mobile field service teams were available in round-the-clock mode in 2011.

In addition, agreements were concluded on cooperation with the Moscow-based enterprise Main Electric Power Grids – branch of JSC “FGC UES,” the Main Department of the Russian Emergency Situations Ministry for Moscow and the Moscow Region, JSC Mosenergosbyt, Moscow Railways – affiliate of JSC “Russian Railways,” JSC “MOESK,” JSC “UEC” and JSC “SO UES.” A model agreement on cooperation was prepared with the TGO, cooperation plans were approved between the EPGZ branches of JSC “MOESK” with local governments, and work availability was organized for representatives of the JSC “MOESK” operational headquarters at the Main Department of the Russian Emergency Situations Ministry for the Moscow Region and an attendant from the Crisis Management Center (CMC) of the Moscow Region at the JSC “MOESK” operational headquarters.

## Preparedness for emergency and recovery operations



**EMERGENCY AND RECOVERY TEAMS EMPLOY A TOTAL OF 124 PEOPLE**





## Special equipment

In addition to renovating the existing fleet in 2011, the Company's branches increased the amount of special equipment.

As of December 31, 2011, JSC "MOESK" had a total of 3,463 transport and special purpose vehicles, an increase of 643 units from January 1, 2011.

## Mobile power supply systems

In 2011, the Company acquired a 25-MVA mobile substation with voltage of 110/10/6 kV. The substation is designed to provide operational power supply to consumers in the event of an emergency shutdown in the feed center. The deployment time for the mobile substation is no more than 12 hours from the moment it arrives at the facility. The substation can provide voltage for five feeders with capacity of 6-10 kV.

In 2011, the Company acquired 68 mobile power stations with capacity from 88 kW to 400 kW.

As of January 1, 2012, the JSC "MOESK" fleet included 130 mobile power stations (MPS), including 50 power stations with lower capacity of 10 kW.

## Emergency supplies

In accordance with Order No. 495 dated July 18, 2011, centralized emergency supplies were formed in 2011, including equipment and materials to perform any type of emergency and recovery work at substations and PTL with capacity of 35-220 kV. Decentralized emergency supplies were set up at JSC "MOESK" branches to ensure emergency and recovery work on distribution grid facilities with capacity of 6-20 kV.

## 2.9. Occupational safety

### INJURY RATES FOR THE COMPANY

Indicator	Indicator value in 2011	Breakdown
Overall injury frequency rate	0.66	Number of injuries per 1,000 workers
Fatal injury frequency rate	0.26	Number of injuries per 1,000 workers

Ten job-related accidents occurred at JSC “MOESK” in 2011 resulting in injuries to ten workers of JSC “MOESK” branches.

Third parties and employees of contractors injured at the Company’s facilities in 2011 included:

- 1 employee of a contractor while performing work (serious injury);
- 13 third parties, including 8 fatalities.

In order to prevent injuries among the public and particularly children, the Company conducted activities in 2011 to raise awareness among the target audience about energy safety rules.

Specifically, as part of the JSC “MOESK” campaign “Kind Electricity for Children,” lectures, demonstrational lessons and quizzes on energy safety awareness were held at kindergartens, schools, camps, orphanages, the social rehabilitation center for adolescents and preschool recreation centers. Approximately 9,300 people took part in 232 activities under the “Kind Electricity for Children” campaign.

In 2011, JSC “MOESK” jointly with the Union of Moscow Area Women public organization and the Education Ministry of the Moscow Region organized and held a training seminar for teachers from Moscow area schools on matters of energy safety. This educational event showed thematic cartoons and a video on how to behave near energy facilities and also demonstrated first aid techniques for victims of electric shock. The energy safety educational project received approval from the Moscow Region governor, much positive feedback from the leaders of educational institutions in Moscow and the Moscow Region as well as the teacher and parent community.

Over the course of 2011, JSC “MOESK” specialists informed the public via local media about the danger of electric shock and the rules for behaving in an area where energy facilities are located.

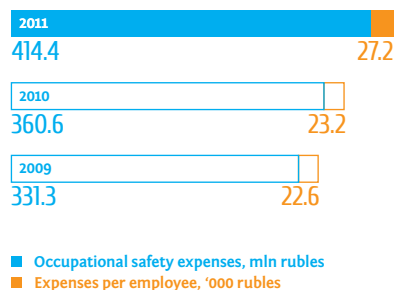
### Implementation of injury reduction program



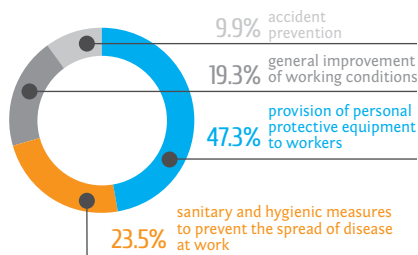
**APPROXIMATELY 9,300 PEOPLE TOOK PART IN 232 ACTIVITIES UNDER THE “KIND ELECTRICITY FOR CHILDREN” CAMPAIGN**



## FUNDING FOR OCCUPATIONAL SAFETY



## DISTRIBUTION OF FUNDING FOR OCCUPATIONAL SAFETY



Expenses on occupational safety measures per employee increased by 4,000 rubles in 2011 compared to 2010.

In 2011, in order to prevent occupational injuries, ensure the safety of third parties at the Company's facilities and minimize the hazardous factors inherent in the operations of JSC "MOESK," the following programs and activities were implemented:

- a program of urgent measures to reduce the level of occupational injuries at JSC "MOESK" branches (Order No. 172 dated March 24, 2011);
- an action plan to reduce the risk of injuries to third parties in the zone of responsibility of JSC "MOESK" in 2010-2012 (Minutes No. 113 of the Board of Directors dated September 2, 2010 and Order No. 322 dated May 11, 2011);
- a program to improve road safety at JSC "MOESK" in 2011-2012 (Order No. 420 dated June 16, 2011).

In 2011, the Company developed and introduced the corporate standard "Requirements for Individual Protective Equipment from the Thermal Impact of the Electrical Arc for Workers of JSC "MOESK" Branches" and introduced updated Provisions on Occupational Safety Day and unannounced inspections of work stations.

A total of 805 members of management and experts from the production and technical divisions of the JSC "MOESK" branches and executive office took part in the Occupational Safety Days and unannounced inspections on a monthly basis. In 2011, twelve scheduled Occupational Safety Days were held in addition to one unscheduled day (June 2) due to an accident at the branch of Central Electric Power Grids, and Occupational Safety Week was held (in April) to mark the World Day for Safety and Health at Work.

An audit of occupational safety conditions was also held within the framework of:

- comprehensive inspections of the branches of Central and Northern Electric Power Grids (involving occupational safety experts from other branches);
- targeted inspections of the branches of Southern and Western Electric Power Grids (involving managers and experts from the technical divisions of the central office).

Over the reporting period, the Company conducted testing on industrial and occupational safety among 1,369 managers and employees from the technical divisions of the branches. Online testing was conducted to evaluate the professional knowledge of personnel. Recommendations were drawn up to improve the personnel training system based on the testing results.

In 2011, JSC “MOESK” distributed 8,000 safety instruction booklets among its operational and repair personnel.

In order to evaluate the situation and improve work in matters of occupational safety, an anonymous questionnaire was conducted on the subject of “The State of Occupational Safety at Work Stations, Suggestions, Comments” in which 3,229 ordinary workers as well as engineering and technical employees from JSC “MOESK” branches took part. Corrective measures were taken based on the questionnaire results.

Over the reporting period, JSC “MOESK” trained 1,012 employees in matters of occupational safety, 2,780 people improved their professional competence in safe production work, and 3,022 employees were trained in first aid techniques for victims of accidents.

At JSC “MOESK” branches, 7,719 workers were provided with special gear and footwear to protect them against common industrial contaminants, and 6,269 workers were provided with special gear and footwear resistant to the effect of the electric arc. The plans for providing special gear to the Company’s personnel were 100% fulfilled in 2011.

The JSC “MOESK” branches have 71 occupational safety offices, eleven road safety offices and 282 occupational safety bulletin boards. A total of 7.52 million rubles was spent on equipping the offices and bulletin boards in 2011. As part of programs to reduce the injury rate during production and road safety, the Company acquired training stands, posters and robot simulators to teach first aid skills to victims as well as simulators and software to conduct a theoretical exam on the rules of the State Traffic Safety Inspectorate.

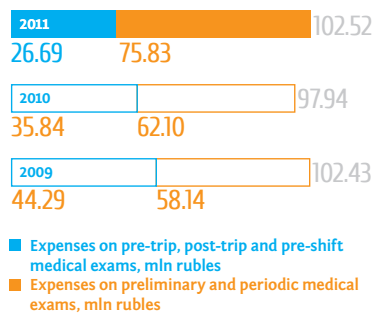


**THE PLANS FOR PROVIDING SPECIAL GEAR TO THE COMPANY'S PERSONNEL WERE 100% FULFILLED IN 2011**



## Health protection for personnel

### MEDICAL EXAMINATION COST DYNAMICS, mln rubles



The Company's main activities in matters of health protection and occupational safety for personnel in 2011 included:

- mandatory preliminary and periodic medical examinations of personnel engaged in hazardous occupations and work with harmful and/or dangerous production factors;
- pre-trip, post-trip and pre-shift medical examinations of personnel;
- medical support to Company personnel as part of voluntary medical insurance programs;
- functional rehabilitation measures for workers.

The Company conducts medical examinations when hiring employees and periodically over the course of their employment for workers engaged in work with harmful and/or dangerous production factors. In 2011, 8,719 people underwent medical examinations, including 6,944 periodic exams and 1,775 preliminary exams.

Daily monitoring of workers' health status is conducted as part of pre-trip and post-trip exams of drivers as well as pre-shift medical exams of dispatch and repair personnel. Throughout 2011, the Company had 109 medical examination offices in operation at which 1,554,285 medical exams were conducted, including 956,428 pre-trip and post-trip exams as well as 597,857 pre-shift exams.

The reduction in expenses for preliminary and periodic medical examinations in 2011 compared to 2010 is attributable to the centralization of mechanisms for concluding agreements and a decrease in the cost of a single medical exam as a result of competitive procedures.

The increase in expenses for pre-trip, post-trip and pre-shift exams in 2011 compared to 2010 resulted from an expansion in the list of personnel categories subject to medical examinations and, accordingly, an increase in the number of people examined.

As part of the psycho-physiological support system for the reliability of the professional activities and the performance capability of JSC “MOESK” personnel, the following measures were conducted in 2011:

- the implementation of an improved efficiency program that calls for optimizing the business processes of the psycho-physiological support system for the reliability of the professional activities and the performance capability of the Company’s personnel. In particular, a PPS center was established to centralize these functions;
- the vocational selection group “conditionally fit” was restored after being eliminated in 2008. This group is determined based on the results of a psycho-physiological examination in order to separate the “risk group” for further monitoring and the timely implementation of measures with them for the functional rehabilitation and development of psycho-physiologically important professional qualities;
- in 2011, 228 people from the “risk group” underwent rehabilitation courses based not only on the results of psycho-physiological exams but also medical exams. Following the rehabilitation measures, improvements were seen in the psychophysical condition of 60% of employees. A total of 1,344 employees of the Company and its branches underwent rehabilitation measures in 2011;
- for the unification and objective focus of the psychodiagnostic processes, lists of psycho-physiologically important professional qualities have been drawn up for the positions of the on-duty operator (dispatcher) of the central dispatch office, the on-duty engineer (dispatcher) and electrician for the maintenance of the SS with capacity of 35-220 kV, the on-duty operator (electrician) of the EPGZ MEC, Moscow Cable Networks (MCN) and the driver of the EPGZ MEC, the MCN, the EPGZ repair personnel and the MCN with the rights to conduct operational negotiations and transfers;
- in 2011, 2,392 people underwent psychodiagnostic measures, up by 747 people, or 31%, from 2010.

## Psycho-physiological support (PPS) system



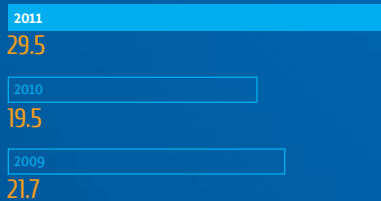
**CAPTION:**  
Determining the working ability of personnel based on a psychophysiological study

# 3. Investment activity

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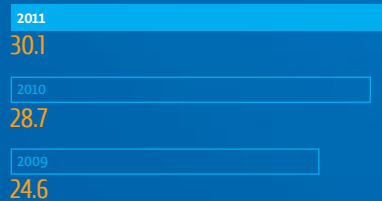
## 29.5

bln rubles  
Capital investment



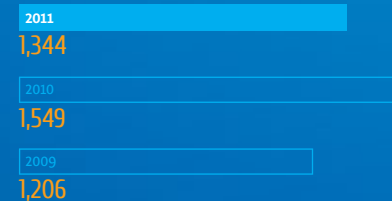
## 30.1

bln rubles  
Commissioning of fixed assets



## 1,344

MVA  
Growth in capacity









# 3.1. Parameters of investment activity

In 2011, JSC “MOESK” met all its targets for the disbursement and financing of capital investments as well as the commissioning of fixed assets and production capacity.

## COST AND PHYSICAL PARAMETERS OF INVESTMENT ACTIVITY

Name	2009						
	Disbursement	Commissioning of fixed assets	Financing	Commissioning of capacity		Growth in capacity	
	mIn rubles excluding VAT		mIn rubles including VAT	MVA	km	MVA	Km
Moscow	13,960	19,643	11,287	1,625	1,331	961	1,013
Moscow Region	7,736	4,908	6,538	642	684	245	409
<b>Total for Company</b>	<b>21,696</b>	<b>24,551</b>	<b>17,825</b>	<b>2,268</b>	<b>2,014</b>	<b>1,206</b>	<b>1,422</b>
Name	2010						
	Disbursement	Commissioning of fixed assets	Financing	Commissioning of capacity		Growth in capacity	
	mIn rubles excluding VAT		mIn rubles including VAT	MVA	km	MVA	Km
Moscow	11,679	14,542	11,100	643	771	552	643
Moscow Region	7,852	14,152	7,812	1,634	1,234	997	848
<b>Total for Company</b>	<b>19,531</b>	<b>28,694</b>	<b>18,912</b>	<b>2,276</b>	<b>2,005</b>	<b>1,549</b>	<b>1,491</b>
Name	2011						
	Disbursement	Commissioning of fixed assets	Financing	Commissioning of capacity		Growth in capacity	
	mIn rubles excluding VAT		mIn rubles including VAT	MVA	km	MVA	Km
Moscow	18,785	18,648	19,658	1,067	936	955	713
Moscow Region	10,742	11,470	12,022	530	1,790	389	740
<b>Total for Company</b>	<b>29,527</b>	<b>30,118</b>	<b>31,680</b>	<b>1,597</b>	<b>2,726</b>	<b>1,344</b>	<b>1,454</b>

In 2011, the Company increased the disbursement of capital investment compared to 2009 and 2010.

As in previous years, Moscow accounted for more than 60% of capital investment by JSC “MOESK.” In 2011, the amount of capital investment disbursed for the investment program implemented in Moscow increased by 7,106 million rubles, or 61%, compared to 2010 and by 4,825 million rubles, or 35% compared to 2009.

The amount of capital investment disbursed in the Moscow Region increased by 2,890 million rubles (growth of 37%) compared to 2010 and by 3,006 million rubles (growth of 39%) compared to 2009.

Over the last three years, JSC “MOESK” has increased the volume of fixed assets put into operation each year. These positive dynamics are related both to the general policy for increased capital investment in the renovation of fixed assets as well as the completion of the construction and reconstruction of major facilities.

In Moscow, the commissioning of fixed assets increased by 4,106 million rubles in 2011 compared to 2010, but decreased by 995 million rubles compared to 2009.

In 2011, JSC “MOESK” exceeded the planned targets for the implementation of its investment program. This is primarily attributable to the improved efficiency of interaction with contractors, who are performing their work ahead of schedule.

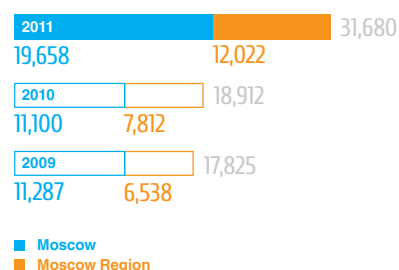
The JSC “MOESK” investment program for 2011 was approved by Order No. 428 of the Russian Energy Ministry dated September 28, 2011 and the Board of Directors on October 3, 2011 (Minutes No. 149 dated October 6, 2011) in the amount of 26,889 million rubles.

The actual disbursement of capital investment within the framework of the program for 2011 totaled 29,527 million rubles, or 110% of the plan.

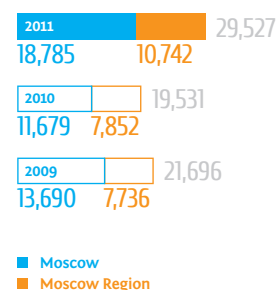
#### ACTUAL IMPLEMENTATION OF THE 2011 INVESTMENT PROGRAM

Name	Disbursement, mln rubles excluding VAT	Commissioning of fixed assets, mln rubles excluding VAT	Financing, mln rubles including VAT
Moscow	18,785	18,648	19,658
Moscow Region	10,742	11,470	12,022
<b>Total for Company</b>	<b>29,527</b>	<b>30,118</b>	<b>31,680</b>

#### DYNAMICS OF CAPITAL INVESTMENT DISBURSEMENT, mln rubles

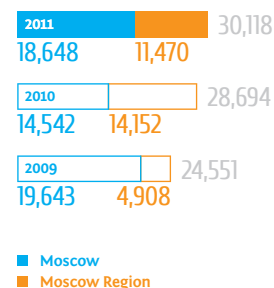


#### DYNAMICS OF COMMISSIONING OF FIXED ASSETS, mln rubles



## Implementation of the Company's investment program

#### ACTUAL IMPLEMENTATION OF THE 2011 INVESTMENT PROGRAM



## Implementation of capital investment disbursement plan



The actual implementation of the planned target for the disbursement of capital investment for Moscow was 120% (18,785 million rubles). The planned targets were exceeded because contractors are working ahead of schedule at several facilities. The following projects are currently ahead of schedule:

- the reconstruction of the Sokolniki-Khvoynaya OL-110 kV – actual implementation was 81 million rubles while the plan was 12 million rubles;
- the reconstruction of the Yasenevo SS – actual implementation was 53 million rubles while the plan was 16 million rubles;
- the reconstruction of the OS-110 kV of the Rostokino SS – actual implementation was 44 million rubles while the plan was 0.5 million rubles;
- the reconstruction of the Khutorskaya SS-110/35/6 kV with the incoming Khutorskaya-Gertsevo OL-110 kV – actual implementation was 88 million rubles while the plan was 41 million rubles.

For the Omega-Radishchevo, Circuit 1 and Circuit 2 project to install OL-220 kV cable inputs at the Sigma SS, actual implementation was 1,011 million rubles while the plan was 200 million rubles. The investment program targets were exceeded by 811 million rubles due to the optimization of the equipment delivery schedule.

Total investment in grid connection facilities was 8,013 million rubles.

## Implementation of plan for the commissioning of fixed assets

The JSC “MOESK” plan for putting fixed assets into operation in 2011 was exceeded by 1,081 million rubles, or 4%. Due to the fact that contractors performed work ahead of schedule in 2011, the construction/reconstruction of the following facilities was completed:

- the reconstruction of the Khutorskaya SS-110/35/6 kV with the incoming Khutorskaya-Gertsevo OL-110 kV. Not included in the plan, expenses on the actual commissioning of the facility totaled 133 million rubles;
- the construction of the Butovo SS-220/110/20/10 kV. Not included in the plan, expenses on the actual commissioning of the facility totaled 301 million rubles;
- the reconstruction of the Sviblovo-Vladykino-Butyrki PTL-220 kV. With planned expenses of 98 million rubles, actual expenses totaled 103 million rubles;
- the reconstruction of the Yasenevo SS – actual commissioning was 111 million rubles while the plan was 78 million rubles.

Measures were implemented at several facilities to reduce construction in progress:

- the reconstruction of the CL-110 kV of CHP-8 at Karacharovo 1 and 2 with a branch to the Podshipnik SS at the site from CHP-8 to the Podshipnik SS – expenses on the project totaled 171 million rubles;
- the reconstruction of Chertanovo SS-220/110/10 kV No. 370 – the cost of putting the facility into operation was 284 million rubles.

When approving the design and estimate documentation, an adjustment was made to the estimated cost for the title:

- the reconstruction of Cheremushki-Yuzhnaya 1 and 2 OL-110 kV – the cost putting the facility into operation will total 84 million rubles instead of the planned 58 million rubles.

Facilities were also transferred as part of agreements on compensation for losses. The actual commissioning of fixed assets totaled 1,236 million rubles instead of the planned target of 136 million rubles.

In 2011, JSC “MOESK” increased financing for the implementation of its investment program by 170 million rubles. Additional capital investment was required to restore power supplies to the Brateyevo station. With this facility not included in the plan for the investment program, actual financing totaled 321 million rubles.

The early performance of work and delivery of equipment by contractors resulted in the need for additional financing at several facilities such as:

- the reconstruction of Chertanovo SS-220/110/10 kV No. 370 – actual financing for the project totaled 1,217 million rubles instead of the planned 898 million rubles;
- the reconstruction of the cable section of the Matveyevskaya-Presnya Circuit 1 and Circuit 2 OCL-220 kV from CP No. 203 to the Presnya SS with an increase in throughput capacity to 1,000 A – actual financing totaled 193 million rubles instead of the plan of 47 million rubles;
- OL-220 kV cable inputs for Omega-Radishchevo, Circuit 1 and Circuit 2 at the Sigma SS – actual financing was 852 million rubles instead of the planned 557 million rubles.

Actual financing exceeded planned figures at several facilities because of the need for advance payment for equipment to implement important projects. For example, the transition to 220 kV voltage for the Sigma SS-110/10 kV required financing of 404 million rubles, while the plan was 300 million rubles.

## Implementation of the plan to finance capital investment



**"INTERNAL SOURCES OF FINANCING MADE UP 97%, OR 28,502 MILLION RUBLES, OF THE TOTAL DISBURSEMENTS IN 2011. BORROWED FUNDS ACCOUNTED FOR 3%, OR 1,026 MILLION RUBLES**



## 3.2. Allocation and structure of capital investments

In 2011, JSC “MOESK” spent more than half (58%) of its total capital investments on the modernization and reconstruction of power grid facilities. The Company invested 10,623 million rubles in the construction of new facilities, or 36% of total capital expenditures. Financing under agreements on the compensation procedure for losses, the acquisition of fixed assets and intangible assets totaled 1,756 million rubles, or 6% of the total investment.

### INVESTMENT PROGRAM ALLOCATION

Investment activity	2009	2010	2011
Total	21,696	19,531	29,527
Power grid facilities	18,712	17,442	23,799
Modernization and reconstruction	8,314	7,976	17,147
New construction and expansion of existing facilities	10,370	8,817	10,623
Other power grid facilities (automation, telecommunications)	28	650	1,157
Electricity metering and monitoring equipment, including:	492	52	305
ADMC CMEP for the wholesale market within the investment program	24	-	-
ADMC CMEP for the retail market	469	52	305
Other electricity metering and monitoring equipment	-	-	-
Construction design and survey work for future years	541	29	989
Other production and business facilities	127	180	862
Equipment not included in the construction site estimate	264	855	1,815
Non-production facilities	-	-	-
Capital investments in intangible assets	-	-	1
Long-term financial investments	-	-	-
Acquisition of fixed assets (including compensation for losses)	1,559	973	1,756
<b>Reference:</b>			
Disbursement of capital investment for consumer grid connections	17,484	12,637	8,013

In 2011, JSC “MOESK” implemented the modernization and reconstruction program in the amount of 17,147 million rubles, or 4% more than the planned target of 16,531 million rubles. The Company spent 10.623 million rubles on the construction of new production facilities, or 10% more than the plan of 9,616 million rubles.

Capital investment in the construction and reconstruction of facilities in Moscow totaled 18,785 million rubles in 2011, or 20% more than the plan.

Structure of JSC “MOESK” capital investments in the renovation of facilities in Moscow:

- modernized and reconstructed facilities – 9,921 million rubles;
- newly built facilities – 7,266 million rubles.

In the Moscow Region, capital investments totaled 10,742 million rubles, or 96% of the plan of 11.201 million rubles, including:

- modernized and reconstructed facilities – 7,226 million rubles;
- newly built facilities – 3,357 million rubles.

Largest facilities commissioned under the JSC “MOESK” investment program in 2011:

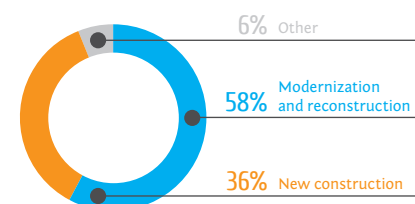
#### Moscow

- Butovo SS-220/110/20/10 kV, substation capacity of 200 MVA, total investment of 351 million rubles;
- Krasnogorskaya-Gertsevo OL-220 kV, put into operation, 5.72 kilometers, total investment of 656 million rubles;

#### Moscow Region

- reconstruction of Planernaya SS-110 kV No. 688, OS-110 kV, switchgear-10 kV, including design and survey work (DSW), capacity of 80 MVA, 7.75 kilometers, total investment of 314 million rubles;
- construction of Fetishchevo SS-110 kV, installation of 2x63 MVA transformers, OS-110 kV under the two main busbar system, IS-10 kV, including DSW, capacity of 126 MVA, total investment of 802 million rubles.

STRUCTURE OF CAPITAL INVESTMENTS  
IN 2011, %





**CAPTION:**  
The laying of new power cables in Moscow

Facilities put into operation in 2011 within the framework of Law of the Moscow Government No. 33 dated July 5, 2006 “On the Integrated Development of the Power Supply System of Moscow for 2006-2010 and Investment Programs for the Development and Modernization of the City’s Power Supply Infrastructure”:

- the reconstruction of the Khutorskaya SS-110/35/6 kV with the incoming Khutorskaya-Gertsevo OL-110 kV, 5.75 kilometers of OL put into operation;
- CL-110 kV inputs of CHP-12 Ochakovo at MGU SS, 0.77 kilometers of CL commissioned;
- MGU SS-110/20 kV, 160 MVA commissioned.

## 3.3. Sources of financing for investment program

### STRUCTURE OF INVESTMENT PROGRAM FINANCING IN 2011

Structure of investment program financing in 2011		mln rubles
<b>Sources of investment, total</b>		<b>29,527</b>
Internal sources of financing	Depreciation for the reporting year	15,196
	Unused depreciation of previous years	-
	Unused profit of previous years	-
	Reporting year profit for use in the reporting year investment program	3,867
	Payment for grid connection	7,122
	Additional share issue	-
	Other internal sources of financing	2,317
External sources of financing	Budget funds (federal, municipal)	-
	Borrowed funds (loan interest)	1,026
	Payment for grid connection – advances	-
	Other external sources of financing, including share participation in construction from other sources	-

Internal sources of financing made up 97%, or 28,502 million rubles, of the total disbursements in 2011. Borrowed funds accounted for 3%, or 1,026 million rubles.

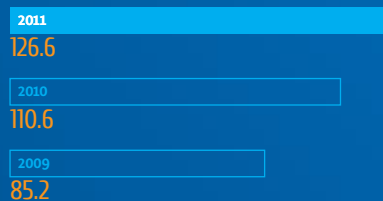


# 4. Financial and economic activity

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- 98 4.6. Distribution of net profit
- 99 4.7. Dividend policy
- 100 4.8. Fulfillment of key performance indicators
- 101 4.9. Information on auditor

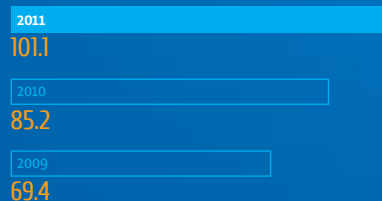
## 126.6

bln rubles  
Revenue



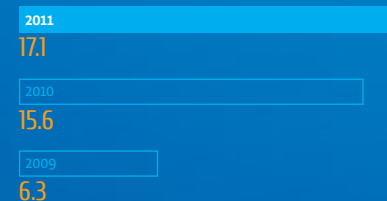
## 101.1

bln rubles  
Costs



## 17.1

bln rubles  
Net profit





# 4.1. Main results of financial and economic activity

## MAIN RESULTS OF FINANCIAL AND ECONOMIC ACTIVITY

Indicator	2009	2010	2011	2011/2010, %
Revenue, mln rubles	85,233	110,634	126,546	14.4
Costs, mln rubles	69,382	85,240	101,102	18.6
Gross profit, mln rubles	15,851	25,394	25,444	0.2
Gross profit margin, %	18.60	22.95	20.11	-2.84 pp
Net profit, mln rubles	6,319	15,622	17,053	9.2
Net profit margin, %	7.41	14.12	13.48	-0.64 pp

The improvement in the financial results is attributable to:

- a reduction in the negative balance of other income and expenses;
- a reduction in the profit tax and other mandatory payments.

JSC "MOESK" performed work in the reporting year to validate the calculation and payment of the corporate profit tax with respect to non-operating expenses for mobilization training activities that are non-refundable from the budget starting from 2008. Based on the measures taken, the profit and loss statement for 2011 reflects data on the profit tax refund.

**REVENUE STRUCTURE BY ACTIVITY, mln rubles excluding VAT**

Indicator	2009	2010	2011	2011/2010, %
<b>Total revenue,</b>	<b>85,233</b>	<b>110,634</b>	<b>126,546</b>	<b>14.4</b>
including:				
- from electricity transmission	74,904	91,239	106,994	17.3
- from grid connection	9,469	18,945	18,860	-0.4
- from other activities	859	450	693	53.9

The Company had total revenue of 126,546 million rubles in 2011, an increase of 14% from 2010.

Revenue from the transmission of electricity totaled 106,994 million rubles, up 17% from the previous year.

Factors affecting the growth in revenue from electricity transmission:

- an increase in the joint productive supply of electricity to the grid due to an increase in electricity consumption;
- an increase in the tariff for electricity transmission;
- the implementation of measures to reduce losses of electricity.

Revenue from grid connection services totaled 18,860 million rubles, a reduction of 0.4% from 2010.

Revenue from other activities amounted to 693 million rubles, up 54% from the previous year. The positive dynamics seen in this indicator are attributable to an increase in the volume of such additional work and services as building and construction work for services provided on the side.

**REVENUE STRUCTURE BY REGION OF ACTIVITY IN 2011, mln rubles excluding VAT**

Name	Total revenue	including:		
		from electricity transmission	from grid connections	from other activities
Moscow	71,948	58,195	13,134	620
Moscow Region	54,598	48,799	5,726	73
<b>Total for Company</b>	<b>126,546</b>	<b>106,994</b>	<b>18,860</b>	<b>693</b>



**THE COMPANY HAD TOTAL REVENUE OF 126,546 MILLION RUBLES IN 2011, AN INCREASE OF 14% FROM 2010. REVENUE FROM THE TRANSMISSION OF ELECTRICITY TOTALED 106,994 MILLION RUBLES, UP 17% FROM THE PREVIOUS YEAR**



## COST STRUCTURE BY ACTIVITY, mln rubles excluding VAT

Indicator	2009	2010	2011	2011/2010, %
<b>Total costs,</b>	<b>69,382</b>	<b>85,240</b>	<b>101,102</b>	<b>18.6</b>
including:				
- for electricity transmission	63,178	80,488	96,906	20.4
- for grid connection	5,587	4,467	3,720	-16.7
- for other activities	617	286	476	66.4

The actual cost of all goods, work and services totaled 101,102 million rubles in 2011, an increase of 19% from the actual costs of 2010, including by activity:

- costs for electricity transmission and distribution services totaled 96,906 million rubles (growth of 20%). The increase in costs is attributable to growth in costs beyond the Company's control, including for the services of territorial grid organizations and depreciation;
- costs for grid connections totaled 3,720 million rubles (reduction of 17%). The decrease is attributable to the actual volumes recorded under contracts with consumers using joint feed centers;
- costs for other activities totaled 476 million rubles (growth of 66%). The increase in costs in 2011 is associated with the performance of additional work for services provided on the side.



**THE ACTUAL COST OF ALL GOODS, WORK AND SERVICES TOALED 101,102 MILLION RUBLES IN 2011, AN INCREASE OF 19% FROM THE ACTUAL COSTS OF 2010**



## COST STRUCTURE BY REGION OF ACTIVITY IN 2011, mln rubles excluding VAT

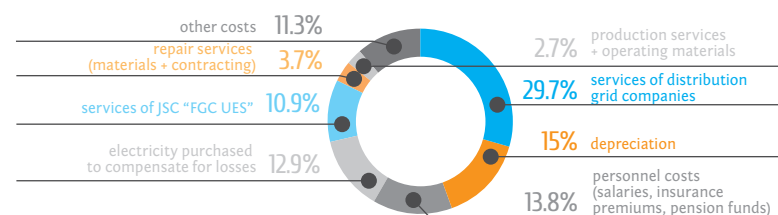
Name	Total costs	including:		
		for electricity transmission	for grid connections	for other activities
Moscow	49,889	46,446	3,013	431
Moscow Region	51,213	50,460	708	45
<b>Total for Company</b>	<b>101,102</b>	<b>96,906</b>	<b>3,720</b>	<b>476</b>

In the structure of costs based on the actual data for 2011, electricity transmission costs accounted for the largest share at 95.8%, the cost of grid connection services accounted for 3.7%, and the cost of other activities accounted for 0.5%. The cost of products, work and services for the Moscow Region in 2011 made up 50.7% of the overall cost structure, while costs for Moscow accounted for 49.3%.

## STRUCTURE OF COSTS BY LINE ITEM

Indicator	2009		2010		2011	
	mln rubles	share, %	mln rubles	share, %	mln rubles	share, %
<b>Total costs,</b>	<b>69,382</b>	<b>100.0</b>	<b>85,240</b>	<b>100.0</b>	<b>101,102</b>	<b>100.0</b>
including:						
- electricity purchased to compensate for losses	10,605	15.3	13,629	16.0	13,038	1.9
- services of JSC "FGCUES"	5,958	8.6	8,579	10.1	11,026	10.9
- services of distribution grid companies	12,455	18.0	21,812	25.6	30,067	29.7
- depreciation	11,047	15.9	12,156	14.3	15,196	15.0
- personnel costs (salaries, insurance premiums, pension funds)	9,230	13.3	10,409	12.2	13,987	13.8
- repair services (materials + contracting)	2,543	3.7	2,997	3.5	3,736	3.7
- production services + operating materials	2,703	3.9	1,815	2.1	2,690	2.7
- other costs	14,842	21.3	13,844	16.2	11,362	11.3

## STRUCTURE OF COSTS BY LINE ITEM



Uncontrollable costs make up the largest share of costs (68.5%) based on the actual indicators for 2011. The list of uncontrollable costs includes energy purchased to compensate for losses, the services of JSC "FGCUES," the services of distribution grid companies and depreciation. Controllable costs accounted for the remaining 31.5% of costs.

In 2011, as part of the priority objectives set by the RF Government, the Company implemented a program to reduce controllable operating costs from the level of 2010, which was adjusted taking into account the actual consumer price index (6.1% in 2011) and the coefficient of elasticity for growth change in the standard units of basic equipment (0.75 in 2011).

The actual effect from cost reduction in 2011 was 3.54%, or 0.5 pp higher than the planned target.



**THE ACTUAL EFFECT FROM COST REDUCTION IN 2011 WAS 3.54%, OR 0.5 PERCENTAGE POINTS HIGHER THAN THE PLANNED TARGET**



**Cost reduction activities in 2011**

## Analytical balance sheet



**IN 2011, THE COMPANY'S ASSETS WERE WORTH A TOTAL OF 265,575 MILLION RUBLES**



### ASSETS, mln rubles

Indicator	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011	Share of assets as of Dec 31, 2010, %
<b>Non-current assets</b>				
Intangible assets	0	0	1	0.0
Fixed assets	133,177	154,050	168,967	63.6
Construction in progress	36,678	27,894	27,306	10.3
Advances issued for capital construction and the acquisition of fixed assets	3,838	1,527	1,177	0.4
Long-term financial investments	3,686	4,186	4,301	1.6
Deferred tax assets	583	791	1,265	0.5
Other non-current assets	144	236	507	0.2
<b>Total for Section I</b>	<b>178,106</b>	<b>188,684</b>	<b>203,523</b>	<b>76.6</b>
<b>Current assets</b>				
Reserves	5,211	4,487	4,614	1.7
Value-added tax	308	61	129	0.1
Accounts receivable (more than 12 months)	29,159	33,035	29,781	11.2
Accounts receivable (less than 12 months)	20,088	13,566	16,826	6.3
Short-term financial investments	2,969	0	0	0.0
Cash flow	4,845	1,108	3,144	1.2
Other current assets	9,948	8,770	7,558	2.9
<b>Total for Section II</b>	<b>72,528</b>	<b>61,026</b>	<b>62,052</b>	<b>23.4</b>
<b>Balance (sum of lines 190+290)</b>	<b>250,634</b>	<b>249,710</b>	<b>265,575</b>	<b>100.0</b>

### LIABILITIES, mln rubles

Indicator	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011	Share of liabilities as of Dec 31, 2011, %
<b>Capital and reserves</b>				
Charter capital	24,354	24,354	24,354	9.2
Additional paid-in capital	63,721	69,315	69,271	26.0
Reserve capital	810	1,126	1,218	0.5
Retained earnings of previous years	31,268	45,657	43,282	16.3
Retained earnings of reporting year	–	–	17,053	6.4
<b>Total for Section III</b>	<b>120,153</b>	<b>140,452</b>	<b>155,178</b>	<b>58.4</b>

## LIABILITIES, mln rubles (continuation)

Indicator	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011	Share of liabilities as of Dec 31, 2011, %
Long-term liabilities	-	-	-	-
Borrowings and loans	13,962	26,725	39,106	14.7
Deferred tax liabilities	1,676	2,593	3,376	1.3
Other long-term liabilities	21,786	10,672	9,278	3.5
<b>Total for Section IV</b>	<b>37,424</b>	<b>39,990</b>	<b>51,760</b>	<b>19.5</b>
Short-term liabilities	-	-	-	-
Borrowings and loans	26,798	4,603	1,321	0.5
Accounts payable	63,426	61,024	53,654	20.2
Deferred income	0	0	0	0.0
Estimated liabilities	1,975	2,042	2,079	0.8
Other liabilities	858	1,599	1,583	0.6
<b>Total for Section V</b>	<b>93,057</b>	<b>69,268</b>	<b>58,637</b>	<b>22.1</b>
<b>Balance (sum of lines 490+590+690)</b>	<b>250,634</b>	<b>249,710</b>	<b>265,575</b>	<b>100.0</b>



**THE INCREASE IN LONG-TERM LIABILITIES AND THE DECREASE IN SHORT-TERM LIABILITIES HAVE A POSITIVE EFFECT ON THE COMPANY'S FINANCIAL STABILITY**



The balance sheet assets contain information on the allocation of capital available to the Company. In 2011, the Company's assets totaled 265,575 million rubles. The proportion of non-current assets increased in the structure of assets over the reporting period, while the share of current assets declined, accordingly. Fixed assets make up the largest share of the Company's non-current assets at 63.6% of total assets. Among current assets, accounts receivable account for the largest proportion of total assets at 17.5%, including 11.2% for long-term accounts receivable and 6.3% for short-term accounts receivable.

The balance sheet liabilities reflect the sources of the Company's property. The share of the Company's equity capital increased over the reporting period, while the proportion of borrowed capital declined, accordingly. This fact is a positive indicator of the Company's financial stability. During the reporting period, the Company's long-term liabilities increased due to growth in long-term loan debt. A reduction in short-term liabilities was also seen due to a decline in accounts payable and debt on short-term loans. The increase in long-term liabilities and the decrease in short-term liabilities have a positive effect on the Company's financial stability.



## 4.2. Credit policy



**IN ACCORDANCE WITH ITS NEED FOR CASH IN 2011, THE COMPANY ATTRACTED A TOTAL OF 17,830 MILLION RUBLES IN BORROWED FUNDS (IN ADDITION TO REFINANCING UNDER REVOLVING LINES OF CREDIT FOR 24,767 MILLION RUBLES)**



In 2011, the JSC “MOESK” credit policy focused on the compliance of the Company’s debt limits with the conditions defined in the Provision on the Credit Policy. The Company’s creditworthiness complied with the “A” group during the reporting period. The Company managed to optimize the use of borrowed funds by utilizing revolving lines of credit.

In accordance with its need for cash in 2011, the Company attracted a total of 17,830 million rubles in borrowed funds (in addition to refinancing under revolving lines of credit – 24,767 million rubles).

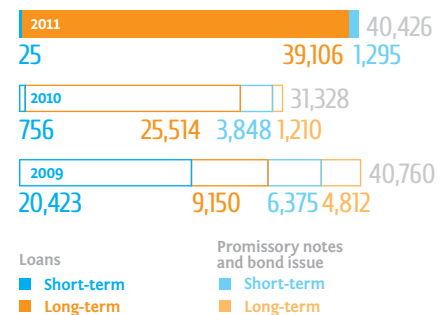
The total amount repaid:

- loans for a total of 4,983 million rubles;
- the Company’s own redeemed promissory notes for a total of 1,119 million rubles;
- a bond issue for a total of 2,357 million rubles.

As of 31 December 2011, debt on loans and borrowings taking into account accrued interest totaled 40,426 million rubles, including:

- 1,321 million rubles on short-term credit obligations.
- 39,106 million rubles on long-term credit obligations.

STRUCTURE OF LIABILITIES, mln rubles



## STRUCTURE OF LOAN PORTFOLIO AS OF DECEMBER 31, 2011

No.	Creditor	Weighted average rate, %	Duration of loan agreement, year	Amount of borrowed funds, mln rubles
1.	Sberbank	7.70	2016*	23,394
2.	Alfa-Bank	9.75	2017*	14,123
3.	Gazprombank	8.50	2016*	1,500
4.	Bank of Moscow	9.00	2012*	1,296
5.	Vnesheconombank	10.09	2019	113

\*several agreements concluded with the Creditor on borrowed funds with the duration indicated for the most long-term agreement.

Due to the deteriorating situation on international and domestic financial markets in the fourth quarter of 2011, the interest rates increased on all open lines of credit from JSC "Alfa-Bank" by 1.88%-1.99%, which led to an increase in the weighted average rate.

## KEY FINANCIAL INDICATORS

No.	Indicator	2009	2010	2011
1.	Net debt, mln rubles*	57,138	42,930	43,944
2.	Net debt/EBITDA	2.30	1.18	1.11
3.	EBITDA/outstanding interest	6.77	13.44	15.38
4.	Share of equity in liabilities, %	48	56	58

\*Net debt = Debt on long-term and short-term loans and borrowings + outstanding debt for leasing – cash balance on transaction accounts.

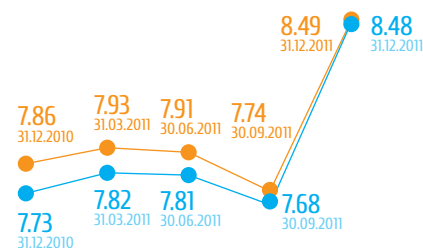
In 2011, the Company's net debt totaled 43,944 million rubles, which is higher than the level recorded in 2010. The increase is attributable to growth in debt on loans and borrowings.

The net debt/EBITDA ratio was 1.11. The reduction in this indicator compared to 2010 resulted from the higher level of growth in EBITDA (10%) compared to the growth in net debt (2%).

The EBITDA/outstanding interest ratio was 15.38 in 2011. Positive dynamics were seen in this indicator compared to 2010.

The share of equity in liabilities ratio was 58% in 2011. The growth in this indicator demonstrates the Company's financial stability.

## DYNAMICS OF WEIGHTED AVERAGE RATE FOR THE SERVICING OF BORROWED FUNDS, %



## CREDIT RATINGS

No.	Agency	International scale rating	National scale rating	Outlook	Date
1.	Moody's Investors Service	Ba2	Aa2.ru	Stable	June 28, 2011 (update)
2.	Standard & Poor's	Bb-	ruAA-	Stable	Jan 12, 2012 (assignment)

The relative stability of cash flows from the regulated electricity distribution business as well as the favorable and primarily long-term nature of the Company's borrowings have a positive impact on the evaluation of the activities of JSC "MOESK" by international ratings agencies. Another indication of the stable position of JSC "MOESK" is the fact that the Company holds a dominant position on the market and is the main distribution grid organization in Moscow and the Moscow Region.

## Bond issue

On September 6, 2011, the Company paid bondholders coupon yield for the tenth coupon period in the amount of 95 million rubles and repaid the face value of bond series 01 (state registration number 4-01-65116-D dated June 22, 2006) for a total of 6 billion rubles.

The coupon yield payments were calculated based on an annual rate of 8.05%, which comes to 40.14 rubles per each bond.

The Company placed bonds with maturity of five years on September 12, 2006. The organizers of the bond issue were JSC "VTB" and JSC "Alfa-Bank." the total volume of the issue at face value was 6 billion rubles. The bonds were traded on the MICEX exchange on the highest level quotation list and on the RTS exchange in the "Classical Market, Bonds" list.

## 4.3. Analysis of financial status and performance

The financial ratios of JSC "MOESK" for 2011 demonstrate the Company's stable financial position.

Indicator	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
Net asset value, mln rubles	120,152	140,452	155,178
Ratio of borrowed funds to capital and reserves, %	108.60	77.79	71.14
Debt servicing payment coverage, %	18.50	40.66	56.03
Receivables turnover, times	1.73	2.37	2.72
Level of overdue accounts payable, %	37.10	23.26	20.98
Return on assets, %	2.52	6.26	6.42
Return on equity, %	5.26	11.12	10.99
Current liquidity ratio	0.47	0.40	0.55
Quick ratio	0.41	0.34	0.47
Equity-assets ratio (standard no less than 0.5-0.6)	0.48	0.56	0.58
Debt-equity ratio	0.92	1.29	1.41

As of December 31, 2011, the value of the Company's net assets was 155,178 million rubles. The increase in value of 14,726 million rubles from the previous year is a positive indication of the Company's activities.

The quick ratio represents the ratio of the most liquid part of the current assets versus short-term liabilities. The ratio stood at 0.47 as of December 31, 2011.

The current liquidity ratio shows the adequacy of the Company's funds that may be used to repay short-term liabilities. This ratio stood at 0.55 as of December 31, 2011.

The increase in these indicators compared to the previous year is attributable to a reduction in short-term liabilities combined with growth in the liquid part of the Company's current assets. The decline in short-term liabilities resulted from the Company performing its obligations under grid connection agreements.

The equity-assets ratio indicates the share of the Company's equity capital

### Liquidity assessment

## Financial stability assessment

in its overall assets. This ratio increased over the reporting period and stood at 0.58 as of December 31, 2011.

The ratio of borrowed funds to capital and reserves decreased compared with the previous year and totaled 71.14%.

The debt-equity ratio increased and stood at 1.41 on December 31, 2011.

The dynamics in these indicators are the result of an increase in the size of equity capital, which demonstrates the Company's financial stability.

## Operating profitability assessment

The return on equity indicator, which demonstrates the efficiency of the use of capital, totaled 10.99% in 2011. The change in this figure compared to 2010 resulted from an increase in equity capital.

The return on assets indicator, which describes the efficiency of the use of the Company's assets for the purpose of generating profit, totaled 6.42% in 2011. The increase in this indicator compared to the previous year is attributable to growth in the Company's assets, specifically growth in fixed assets, and demonstrates the increased efficiency of the Company's activities.

The debt servicing payment coverage indicator increased and stood at 56.03% at the end of 2011. This figure indicates the Company's ability to meet its liabilities from net profit as follows: for every 100 rubles of liabilities (including interest on liabilities) approximately 56 rubles are covered by net profit from the reporting period and depreciation accrued over the reporting period.

The level of overdue accounts payable decreased during the reporting period compared to 2010 (23.3%) and stood at 20.98% on December 31, 2011.

Receivables turnover increased compared to the previous year due to growth in revenue over the reporting period and was 2.72 times on the last day of 2011.

## 4.4. Market indicators of operations

Indicator	2009	2010	2011
Market capitalization (according to MICEX)	53,383	79,344	85,106
P/E (market capitalization/net profit)	8.45	5.08	4.99
P/S (market capitalization/revenue)	0.63	0.72	0.67
EV, mln rubles	68,593	105,885	121,128
EBITDA*, mln rubles	31,071	37,420	41,773
EV/EBITDA	2.2	2.8	2.9

\*Calculated according to IFRS for 2011

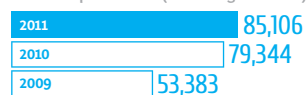
The P/E indicator, which describes the market value of the Company's profit units, totaled 4.99 in 2011.

The P/S indicator, which reflects the Company's investment appeal, was 0.67 in 2011.

EBITDA totaled 41,773 million rubles in 2011 (according to the IFRS financial statement). Growth was seen in this figure compared to 2010, which is a positive indication of the Company's activities.

### MARKET INDICATORS OF OPERATIONS

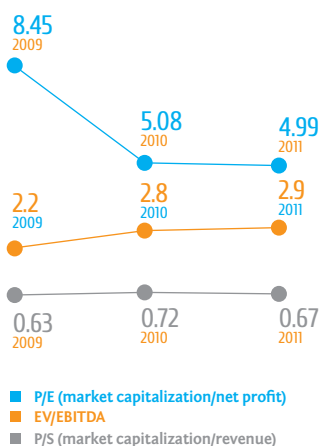
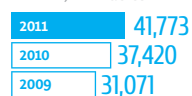
Market capitalization (according to MICEX)



EV, mln rubles



EBITDA\*, mln rubles



## 4.5. Accounts receivable and payable



**ACCOUNTS RECEIVABLE INCREASED FROM 46,600 MILLION RUBLES TO 46,607 MILLION RUBLES OVER THE REPORTING PERIOD**



DYNAMICS OF ACCOUNTS RECEIVABLE, mln rubles

Indicator	2009	2010	2011	2011/2010, %
<b>Accounts receivable</b>	<b>49,248</b>	<b>46,600</b>	<b>46,607</b>	<b>0.0</b>
Accounts receivable (more than 12 months), including:	29,159	33,035	29,781	-9.9
Customers and clients	0	107	13	-87.9
Advances paid	29,159	32,928	29,768	-9.6
Accounts receivable (less than 12 months), including:	20,088	13,566	16,826	24
Customers and clients	6,573	9,245	9,921	7.3
Advances paid	482	220	1,113	405.9
Other debtors	13,034	4,100	5,792	41.3

Accounts receivable increased from 46,600 million rubles to 46,607 million rubles over the reporting period (an increase of 7 million rubles).

Long-term accounts receivable declined from 33,035 million rubles in 2010 to 29,781 million rubles (a reduction of 3,253 million rubles).

Within the structure of long-term accounts receivable:

- debt declined 12,8% for grid connections (advances to joint participants) due to the creation of a doubtful debt reserve for a total of 2,990 million rubles.
- advance leasing payments decreased 1.7% due to the fulfillment of contractual terms and also because a part of the advance leasing payments is reflected in short-term accounts receivable under the “other debtors” line.

Short-term accounts receivable increased from 13,566 million rubles to 16,826 million rubles in 2011 (an increase of 3,260 million rubles).

Accounts receivable increased by 676 million rubles for customers and clients, including by 415 million rubles for electricity transmission due to growth in revenue in 2011 compared to 2010.

The growth in accounts receivable for advance payments by 893 million rubles is associated with advances under agreements as part of the program to register ownership rights for real estate and the registration of land use rights for the period of 2011-2014. The agreements will be registered after permits are obtained from the Federal Service for Environmental, Technological and Nuclear Supervision.

The increase in accounts receivable under the “other debtors” line by 1,692 million rubles is connected with short-term growth in accounts receivable for leasing in accordance with contractual terms.

## Reasons for changes in accounts receivable of more than 12 months

## Reasons for changes in accounts receivable of less than 12 months





**ACCOUNTS PAYABLE DECLINED FROM 71,697 MILLION RUBLES TO 62,932 MILLION RUBLES OVER THE REPORTING PERIOD**



**Reasons for changes in accounts payable of less than 12 months**

#### DYNAMICS OF ACCOUNTS PAYABLE, mln rubles

Indicator	2009	2010	2011	2011/2010, %
<b>Accounts payable</b>	<b>85,213</b>	<b>71,697</b>	<b>62,932</b>	<b>-12.2</b>
Long-term accounts payable	21,786	10,672	9,278	-13.1
Short-term accounts payable,	63,426	61,024	53,654	-12.1
Suppliers and contractors	10,997	12,270	12,898	5.1
Wages payable to employees	2	9	5	-44.4
Liabilities to government and extra-budgetary funds	0	4	2	-50.0
Current tax liabilities	262	602	65	-89.2
Advances paid	38,924	47,979	40,677	-15.2
Other creditors	13,242	161	6	-96.3

Accounts payable declined from 71,697 million rubles to 62,932 million rubles over the reporting period (a decrease of 8,764 million rubles).

Long-term accounts payable fell from 10,672 million rubles to 9,278 million rubles over the period (a decline of 1,394 million rubles).

The long-term accounts payable reflect advance payments for grid connection services. The decline in debt as of the end of the reporting period resulted from the reclassification of grid connection liabilities from long-term to short-term debt in accordance with contractual terms.

Short-term accounts payable decreased from 61,024 million rubles to 53,654 million rubles over the reporting period (a reduction of 7,370 million rubles).

Within the structure of short-term accounts payable:

- debt under the “suppliers and contractors” line increased by 5% and totaled 12,898 million rubles. The growth in debt is attributable to the large volume of work undertaken in December to implement the investment program and it is scheduled to be repaid in the first quarter of 2012.

- debt under the “advances paid” line fell by 7,302 million rubles, including on advances received for grid connection (-7,302 million rubles). Total advances received for grid connections amounted to 40,534 million rubles as of December 31, 2011 compared to 47,837 million rubles at the end of 2010. The accounts payable for grid connections on the balance sheet are the result of the protracted duration of grid connection contracts. This is connected with the standard periods for the construction of grid connection facilities (construction lasts from one to three years). The decline in accounts payable for grid connections is associated with the performance of the Company’s obligations under grid connection contracts in accordance with the contractual terms.

Other short-term accounts payable decreased from 775 million rubles to 79 million rubles over the reporting period (a decline of 696 million rubles).

Indicator	2009	2010	2011	2011/2010, %
Balance of accounts receivable and payable	-35,965	-25,096	-16,325	-35

## 4.6. Distribution of net profit



**THE COMPANY HAD NET PROFIT OF 17,053 MILLION RUBLES IN 2011, AN INCREASE OF 9% FROM 2010**



### STRUCTURE OF NET PROFIT BY ACTIVITY, mln rubles

Indicator	2009	2010	2011	2011/2010, %
<b>Total net profit,</b>	<b>6,319</b>	<b>15,622</b>	<b>17,053</b>	<b>9.2</b>
including:				
- for electricity transmission	3,018	3,908	4,768	22.0
- for grid connections	3,106	11,583	12,111	4.6
- for other activities	194	131	174	32.8

The Company had net profit of 17,053 million rubles in 2011, an increase of 9% from 2010. The improvement in this financial result is attributable to a decrease in the negative balance of other income and expenses as well as a reduction in the profit tax and other mandatory payments.

### STRUCTURE OF NET PROFIT BY REGION IN 2011, mln rubles

Indicator	Total net profit	including		
		for electricity transmission	for grid connections	for other activities
Moscow	18,108	9,860	8,097	151
Moscow Region	-1,055	-5,092	4,014	23
<b>Total for Company</b>	<b>17,053</b>	<b>4,768</b>	<b>12,111</b>	<b>174</b>

### DISTRIBUTION OF PROFIT IN ACCORDANCE WITH THE DECISIONS OF ANNUAL GENERAL MEETINGS OF SHAREHOLDERS, mln rubles

Indicator	AGM 2010 (for 2009)	AGM 2011 (for 2010)	AGM 2012 (for 2011) Plan
Retained earnings	6,319	15,622	17,053
Reserve fund	316	91	0
Profit for development	5,553	14,330	15,835
Dividends	450	1,200	1,218
Repayment of losses from previous years	0	0	0

## 4.7. Dividend policy

In 2010, the Board of Directors approved the Provision on the Dividend Policy (Minutes No. 114 dated September 3, 2010).

The Company's dividend policy is based on the following principles:

- dividends are calculated based on the use of profit excluding the effect of the revaluation of financial investments;
- the need to support the required level of the Company's financial and technical status (implement the investment program) and ensure the Company's development prospects;
- the compliance of the Company's practice accruing and paying dividends with the laws of the Russian Federation and the best standards of corporate conduct;
- the optimal balance of the interests of the Company and its shareholders;
- the need to improve the Company's investment appeal and capitalization;
- ensuring the transparency (clarity) of the mechanism used to determine the amount of the dividends and their payment;
- dividends on common shares shall only be paid in the event full payment is made for dividends on preferred shares in accordance with the Company's Charter (if the Company placed preferred shares).

In addition, the Provision on the Dividend Policy stipulates that the recommended amount of dividend payments shall be determined by the Board of Directors based on the Company's financial performance. At the same time, the Board of Directors aims to ensure positive dynamics in the size of dividend payments to shareholders from year to year.

Indicator	For results of 2009	For results of 2010	For results of 2011 (plan)
Total accrued dividends, mln rubles	450	1,200	1,218*
Total paid dividends, mln rubles	450	1,200	1,218**
Share of dividend payments in electricity transmission profit, %	14.91	30.71	25.54
Amount of payment per share, rubles	0.0092389	0.0246371	0.0250000

\* Expected to accrue from the date of the decision by the annual general meeting of shareholders.

\*\* Expected to be paid within 60 days from the date of the decision by the annual general meeting of shareholders.

## 4.8. Fulfillment of key performance indicators

The key performance indicators established for the Company in 2011 were fulfilled.

### KEY PERFORMANCE INDICATORS FOR 2011

Indicator	Approved	Actual
Return on equity, ROE, %*	7.67	11.96
Electricity losses against output to the grid, %	10.9	10.33
Efficiency of investment program implementation for current year (by deadlines and cost)	≥ 95%	≥ 95%
<b>Reliability criteria, concurrently:</b>		
- not exceeding the cutoff number of accidents	0	0
- system-wide indicator for power supply failures to consumers (for feeders of 6 kV and higher)	<1	<1
- system-wide indicator for average duration of power supply disruptions to consumers (for feeders of 6 kV and higher)	<1	<1

\* Calculated in accordance with the guidelines for calculating and evaluating the key performance indicators of subsidiaries and affiliates as approved by JSC "IDGC Holding."

## 4.9. Information on auditor

The annual general meeting of JSC “MOESK” shareholders approved LLC “FinExpertiza” as the Company’s auditor on June 20, 2011.

### INFORMATION ON AUDITOR

Name	LLC “FinExpertiza”
Address	129110, Moscow, ProspektMita, d. 69, str. 1
INN	7708096662
KPP	770201001
OKVED	74.12.2, 74.13.1, 80.42
OKPO	46410559
Telephone	+7(495) 775-2200
Fax	+7(495) 775-2201
Website	<a href="http://www.finexpertiza.ru">www.finexpertiza.ru</a>

LLC “FinExpertiza” is a member of the self-regulatory organization Non-Profit Partnership “Audit Chamber of Russia” (SRO NPP ACR).

The amount of remuneration paid to the auditor for auditing services in 2011 was 2.08 million rubles, including VAT of 0.32 million rubles.

LLC “FinExpertiza” did not render any non-audit services to JSC “MOESK” in 2011.

# 5. Corporate governance

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32

Meetings of the Board of Directors were held in 2011

67

Meetings of the Management Board were held in 2011

+4%

The change in market capitalization over the period from January 11, 2011 to December 30, 2011





# 5.1. Principles of corporate governance

The principles of corporate governance at JSC “MOESK” are based on the regulatory and legal framework that includes the laws of the Russian Federation and the Company’s internal documents approved by the general meeting of shareholders and the Company’s Board of Directors.

Corporate governance at the Company is based on the following principles: accountability, fairness, transparency, responsibility.

## Accountability

The Company’s corporate governance system ensures efficient control over the work of the General Director and Company management by the Board of Directors as well as the accountability of the Board of Directors to the Company’s shareholders.

In order to improve the quality of corporate governance, the Company strives to comply with the requirements of the Corporate Code of Conduct recommended by Order No. 421/r of the Russian Federal Commission for the Securities Market dated April 4, 2002. Information about the implementation of the Corporate Code of Conduct is contained in Appendix 5 hereto.

## Fairness

The Company shall protect the rights of shareholders and ensure equal treatment of all shareholders. The Board of Directors shall provide all shareholders with the opportunity to receive effective protection in the event their rights are violated.

The rights of the Company’s shareholders are protected by:

- equal treatment of all shareholders regardless of their share of ownership or location;
- granting shareholders the right to participate in the management of the Company by taking part in the general meeting of shareholders with the right to vote on all matters within their competence;
- the procedure of holding a general meeting of shareholders that ensures all participants have a reasonably equal opportunity to express their opinion and ask

questions;

- the submission by shareholders of proposals for the agenda of the general meeting of shareholders in the manner prescribed by the laws of the Russian Federation and the Company Charter;
- the participation of representatives of the shareholders in the work of the Company's management and supervisory bodies;
- granting shareholders the right to participate in the distribution of the Company's profit;
- granting shareholders the right to receive complete and accurate information about the Company in a routine and timely manner.

The Company ensures the timely disclosure of accurate information about the most significant events of its businesses, including data on its financial status, production and business activities, social and environmental indicators as well as ownership and management structure. JSC "MOESK" also provides free and equal access to such information for all interested persons in order to enable the Company's shareholders and investors to make informed decisions.

In order to implement the principle of transparency and also protect insider information, JSC "MOESK" is guided in its activities by the Provision on the Information Policy approved by the Board of Directors on April 30, 2010 (Minutes No. 107 dated April 30, 2010) and by the Provision on Insider Information of JSC "MOESK" approved by the Board of Directors on December 30, 2011 (Minutes No. 155 dated December 30, 2011).

The main principles of information disclosure about the Company and its activities are:

- guaranteeing the completeness and accuracy of the disclosed information;
- the regularity and promptness of disclosure;
- the availability of information for shareholders and interested persons;
- restricting the disclosure of information related to trade secrets.

Information about the Company and its activities is disclosed through the distribution of information via electronic mass media, print media and the Internet in the form of press releases, statements, articles, advertising materials and other information.

In accordance with the Charter of JSC "MOESK" and the Provision on the Information Policy, the primary print media publishing information for the Company's shareholders and investors is the social and political newspaper "Izvestia."

## Transparency

The greatest amount of information about the Company's activities is posted on the Company's corporate website at the address: [www.moesk.ru](http://www.moesk.ru). The JSC "MOESK" website provides information about the Company's structure and management bodies, information for shareholders, investors and other interested persons, including information that is subject to mandatory disclosure on the Company's key production, financial and economic performance indicators, its mission and the most significant events happening around and within the Company.

In accordance with the requirements of the laws of the Russian Federation, the Company regularly submits quarterly issuer reports to the FFMS of Russia.

## Responsibility

The company recognizes the rights of all interested persons specified by the laws of the Russian Federation and strives for cooperation with such persons for the purpose of its own development and to ensure financial stability.

## 5.2. . Report of the Board of Directors on the results of priority areas of activity

The registration of ownership rights for real estate property and the registration/renewal of rights to use land plots for the period of 2011-2014 taking into account work to prepare information on the boundaries of the protected zones of grid facilities was defined as a priority area of the Company's activities by the decision of the Board of Directors dated November 25, 2010.

In 2011, in order to implement the decision of the Board of Directors, the Company initiated the Work Program of JSC "MOESK" on the registration of ownership rights for real estate property and the registration/renewal of rights to use land plots for the period of 2011-2014. The purpose of the program is to ensure the legal and other conditions required for the effective use of land and property owned by JSC "MOESK" based on current information on property assets as well as to establish a special regime for using land that ensures the safe operation of power grid facilities, including to minimize legal and economic risks when exercising the Company's rights to control, manage and own the property of an enterprise.

The Program involves a range of work, including measures for:

- the state cadastral registration of land plots used by JSC "MOESK" and the subsequent registration of rights thereto;
- the technical and cadastral registration of real estate facilities with the subsequent entry of information about the Company's ownership rights for these facilities in the Unified State Register for Real Estate Rights and Transactions;
- determining the boundaries of the protected zones of JSC "MOESK" power grid facilities with the subsequent entry of the relevant information in the State Real Estate Cadastre.

The Program is implemented based on a ranking of various types of work depending on their administrative, financial and economic risks and taking into account the higher priority classification of work on facilities with increased social importance that provide supplies to first category power consumers: on power transmission lines with capacity of 110-220 kV located on the ter-

The registration of ownership rights for real estate property and the registration/renewal of rights to use land plots for the period of 2011-2014 taking into account work to prepare information on the boundaries of the protected zones of grid facilities

ritory of cities and other populated areas and passing through forest lands, including for power grid facilities that are part of The JSC “MOESK” investment or repair programs.

In 2011, land survey (cadastral) work was performed in excess of the program targets. Information has been entered into the State Real Estate Cadastre on the registration of 5,414 land plots used by JSC “MOESK” with lease relations registered for 3,021 of them. As a result of the technical inventory and state cadastral registration of capital construction facilities (real estate) during the reporting period, the JSC “MOESK” ownership rights to 182 real estate facilities underwent state registration, which actually exceeded the planned targets of the Program for this area.

The activities specified by the Program to determine the boundaries of the protected zones of power grid facilities were 100% completed. Approval has been secured with the agencies of the Federal Service for Environmental, Technological and Nuclear Supervision for protected zones with total length of 5,365 kilometers based on sets of documents compiled in accordance with the requirements of Order No. 179 of the Ministry of Natural Resources and the Environment of the Russian Federation dated May 24, 2010.

### The consolidation of power grid facilities owned by JSC “Mosenergo” that are located on the territory of Moscow and the Moscow Region

The consolidation of power grid facilities owned by JSC “Mosenergo” that are located on the territory of Moscow and the Moscow Region was defined as a priority area of the Company’s activities by the decision of the Board of Directors dated December 23, 2010.

As part of the consolidation of power grid facilities in 2011, agreements were concluded following an auction between JSC “MOESK” and JSC “Mosenergo” for the purchase and sale of moveable and immoveable property included in the Company’s electricity transmission technological process. The Company previously used this property based on lease rights.

The total value of these agreements was more than 673 million rubles, including VAT of 103 million rubles.

In accordance with the agreements, JSC “MOESK” acquired property including the Sumskaya Substation No. 561 with total value of 426 million rubles as well as 54 moveable and immoveable facilities with total value of 248 million rubles.

The felling of trees that are falling or threatening to fall on OL with capacity of 6-220 kV on the territory of Moscow and the Moscow Region was defined as a priority area of the Company's activities by the decision of the Board of Directors dated February 28, 2011.

## Felling of trees that are falling or threatening to fall on OL 6-220 kV

Work to repair power transmission lines and clear routes of trees and shrubs was performed as part of the measures to mitigate the aftermath of the freezing rain. In 2011, the following work was performed:

- 1,423 poles were replaced and repaired;
- over 706 kilometers of wires were restored and more than 417,000 trees were removed from OL with capacity of 0.4-220 kV taking into account trees that were falling or threatening to fall, including 1,031 trees in Moscow and over 416,000 trees in the Moscow Region.

### REPORT ON WORK TO FELL TREES THAT ARE FALLING OR THREATENING TO FALL ON OL 6-220 KV

Name	Number of trees threatening to fall				Recycling of felled debris				Bucking			
	Total	Total removed	Remaining	% completed	Total (must be recycled)	Total recycled	Remaining	% completed	Total	Total bucked	Remaining	% completed
	number	number	number	%	m <sup>3</sup>	m <sup>3</sup>	m <sup>3</sup>	%	number	number	number	%
Moscow OL 35-220 kV	1,031	1,031	0	100	310	310	0	100	1,031	1,031	0	100
Moscow Region OL 35-220 kV	290,318	290,318	0	100	25,163	25,163	0	100	125,814	125,814	0	100
Moscow Region OL 6-10 kV	125,814	125,814	0	100	83,536	83,536	0	100	417,163	417,163	0	100
<b>Total for Company</b>	<b>417,163</b>	<b>417,163</b>	<b>0</b>	<b>100</b>	<b>83,536</b>	<b>83,536</b>	<b>0</b>	<b>100</b>	<b>417,163</b>	<b>417,163</b>	<b>0</b>	<b>100</b>

The preparation of an innovative development program for the Company was defined as a priority area of the Company's activities by the decision of the Board of Directors dated February 28, 2011.

The JSC "MOESK" innovative development Program for 2011-2016 and the period until 2020 was approved by the decision of the Board of Directors dated July 29, 2011.

## Innovative development program

The goal of this Program is to improve the economic and energy efficiency of power supplies to consumers by supporting the innovative development of JSC “MOESK” and establishing modern power grid infrastructure at the level of global standards.

They key areas of innovative development for JSC “MOESK” are:

- innovative technologies and components of smart distribution grids;
- innovative systems and methods of measurement, communications and control used in smart grids;
- the creation and development of new services and types of customer service;
- innovations in business processes and company management.

#### FINANCING FOR THE PROGRAM, mln rubles

Area	2011	2012	2013	2014	2015	2016	2017-2020
Internal R&D	688	576	826	881	943	to be determined	
R&D via the centralized R&D fund of JSC “IDGC Holding”	0	384	413	440	471	to be determined	
Projects to develop innovative technologies, to develop new types of services and to improve business processes, mln rubles	6,606	13,399	8,910	7,992	8,457	7,799	27,997

Ratio of Program financing sources: internal funds accounted for 75% and borrowed funds for 25%.

Implementing the program measures will make it possible to achieve the following results:

- improving the level of reliability and quality of electricity transmission services for consumers connected to the JSC “MOESK” power grids;
- satisfying the maximum amount of grid connection requests in a timely manner for newly connected consumers while ensuring an optimal ratio in the category of reliability and capital expenditures;
- improving the safety of technical equipment operation;
- improving the efficiency of the use of power grid equipment;
- reducing electricity losses during transmission via power grids to a level close to the indicators of companies that are global industry leaders;

- reducing expenses on services for electricity transmission and the connection of consumers to JSC “MOESK” grids;
- reducing the amount of capital investment per unit of new capacity and in JSC “MOESK” power transmission lines;
- reducing energy resources used for production and business needs to a level close to the indicators of foreign companies that are global industry leaders;
- increasing productivity by at least 5% per year to the average level of similar companies that are industry leaders;
- improving the environmental efficiency of JSC “MOESK” facilities in order to achieve long-term sustainable development.

Ensuring the level of reliability and the quality of services established by the executive authorities of the constituent regions of the Russian Federation in matters of state tariff regulation in accordance with regulatory legal acts was defined as a priority area of the Company’s activities by the decision of the Board of Directors dated September 26, 2011.

The indicator for the reliability of services rendered is determined by dividing the average duration of the interruption in electricity transmission by the number of consumer connection points to the power grid.

Reliability level indicator	Plan	Actual	Change, %
Moscow	0.000514	0.000395	23%
Moscow Region	0.083317	0.070453	15%

The quality level of services rendered is determined based on the actual values of information content, promptness and feedback indicators taking into account weighted coefficients.

Quality level indicator	Plan	Actual	Change, %
Moscow	1.01	0.90	12%
Moscow Region	1.01	0.85	16%

The quality and reliability of services indicator is within the specified deviation range from the planned values.

## Ensuring the reliability and quality of services

## Performance assessment of planned reliability and quality level indicator



The values (coefficients) obtained from the performance assessment of the reliability and quality of services are used to calculate a composite index of the level of the reliability and quality of services for the most recent period of regulation. Based on this index, adjustments are made to the required gross revenue when establishing the tariff for the next period of regulation.

Based on the activities of JSC "MOESK" in 2011, the composite index of the reliability and quality of services is equal to zero.

Reliability coefficient	2011
Moscow	0
Moscow Region	0

Quality coefficient	2011
Moscow	0
Moscow Region	0

## Energy inspection of the Company's production, business and power grid facilities

Conducting a mandatory energy inspection of the Company's production, business and power grid facilities in 2011-2012 was defined as a priority area of the Company's activities by the decision of the Board of Directors dated November 23, 2011.

The Program and procedure for conducting an energy inspection of JSC "MOESK" were prepared in 2011. These documents contain the standards and technical requirements for conducting an energy inspection of administrative buildings, production facilities and technological processes at JSC "MOESK" as well as the approaches, methods, technologies, estimated cost and timeframe for conducting the energy inspection.

The introduction of a construction management system for major investment projects was defined as a priority area of the Company's activities by the decision of the Board of Directors dated November 23, 2011.

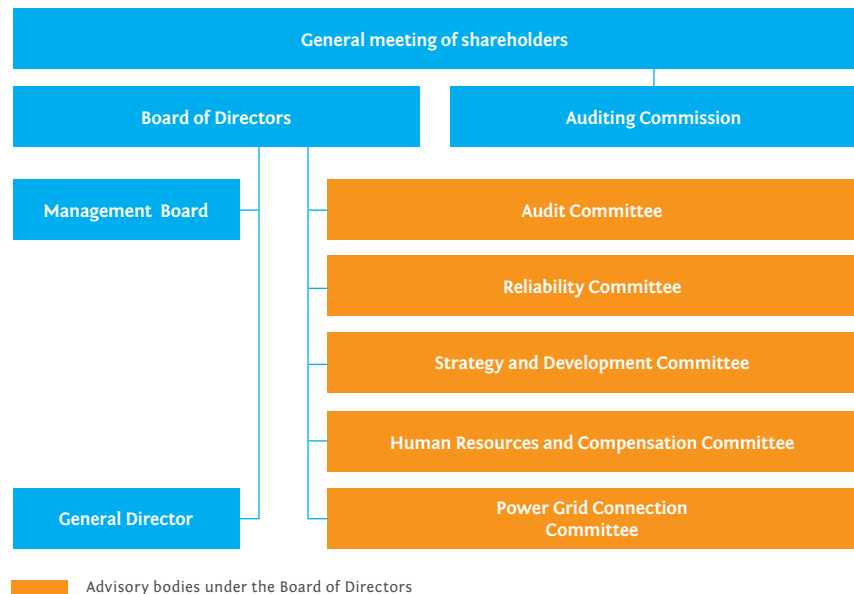
In 2011, the following measures were implemented in this area:

- basic documents (regulations and provisions) outlining the organization of activities for the project management system were prepared and approved;
- the following pilot projects were selected for the initial phase of introducing the project management system:
  - Belorusskaya SS-220/20/10 kV – commissioning in 2015;
  - Kozhevnikeskaya SS-220/20/10 kV – commissioning in 2014;
  - the construction of GIMCS at Butyrka SS-220/110/10/6 kV – commissioning in 2014;
  - the construction of the Pobeda SS-110/10 kV (Polyanka dispatch office) – commissioning in 2012;
  - the reconstruction of the Presnya SS-220 kV – commissioning in 2014 (first startup facility);
  - the reconstruction of the Grazhdanskaya SS-220 kV – commissioning in 2014 (first startup facility).
- internal organizational structures for the project management system (management committee, working groups) have been established and project leaders have been appointed;
- an automated system based on Primavera software has been introduced.

Members of the project management team have undergone training with this software product and begun importing data.

## Introduction of a construction management system for major investment projects

## 5.3. Management and supervisory bodies



### General meeting of shareholders

The general meeting of shareholders is the supreme management body of the Company.

In accordance with the Federal Law “On Joint-Stock Companies,” the Charter of JSC “MOESK” and internal Company documents, the main issues that fall within the competence of the general meeting of shareholders are:

- amendments and addenda to the Charter or the approval of a new version of the Charter;
- electing members of the Company’s Board of Directors and the early termination of their powers;
- electing the members of the Company’s Auditing Commission and the early termination of their powers;
- approving the Company’s Auditor;
- approving the annual report and annual financial statements, including the Company’s profit and loss statements (profit and loss accounts), as well

as the distribution of the Company's profits (including payment (declaration) of dividends except for profits distributed as dividends for the first three, six and nine months of the financial year) and the losses for the financial year;

- the payment (declaration) of dividends for the first three, six and nine months of the financial year;
- adopting decisions on the approval of transactions in instances specified by Article 83 of the Federal Law "On Joint-Stock Companies";
- adopting decisions on the approval of major transactions in instances specified by Article 79 of the Federal Law "On Joint-Stock Companies";
- approving internal documents governing the Company's activities;
- resolving other issues specified by the Federal Law "On Joint-Stock Companies."

Issues that fall within the competence of the general meeting of shareholders may not be delegated to the Board of Directors, Management Board or General Director.

The procedure for convening and holding general meetings of shareholders is specified by the laws of the Russian Federation, the Company Charter and the Provision on the Procedure for Preparing and Holding the General Meeting of JSC "MOESK" Shareholders.

The annual general meeting of JSC "MOESK" shareholders was held on June 20, 2011 and adopted the following decisions:

- Approved the annual report and annual financial statements, including the JSC "MOESK" profit and loss statements, and also adopted a decision on the distribution of JSC "MOESK" profits (including the payment of dividends) and losses for the 2010 financial year.
- Elected new members of the JSC "MOESK" Board of Directors and Auditing Commission.
- Approved the auditor of JSC "MOESK."
- Approved the new version of the Company Charter as well as internal Company documents: new versions of the Provision on the Procedure for Preparing and Holding the General Meeting of Shareholders, the Provision on the Procedure for Convening and Holding Meetings of the Board of Directors and the Provision on the JSC "MOESK" Management Board.
- Adopted a decision on the payment of remuneration to non-government employee members of the Board of Directors for their work on the Company's Board of Directors.

An extraordinary general meeting of JSC "MOESK" shareholders held on October 17, 2011 was recognized as invalid due to the lack of a quorum. A repeat extraordinary general meeting of shareholders was scheduled for November 25, 2011.

The repeat extraordinary general meeting of JSC “MOESK” shareholders was held on November 25, 2011 and the decision was adopted to terminate the powers of the existing Board of Directors and Auditing Commission and elect a new Board of Directors and Auditing Commission.

Full details of the decisions adopted at the general meetings of shareholders may be found on the JSC “MOESK” website at the address [www.moesk.ru](http://www.moesk.ru).

## Board of Directors

The Board of Directors is the Company’s management body that performs the general management of the Company’s activities and monitors the implementation of the decisions adopted by the general meeting of the Company’s shareholders in accordance with the requirements of the laws of the Russian Federation.

The main issues that fall within the competence of the Board of Directors are:

- determining the priority areas of the Company’s development and strategy;
- electing the General Director of the Company and the early termination of the General Director’s powers, including decisions on the early termination of the General Director’s employment contract;
- recommendations on the amount of dividends to pay for shares and the payment procedure;
- approving internal Company documents, except for internal documents whose approval falls within the competence of the general meeting of shareholders as well as other internal documents whose approval falls within the competence of the Company’s executive bodies;
- approving the business plan (adjusted business plan), including the investment program, and the quarterly report on its implementation, as well as approving (adjusting) the list and values of the benchmarks for the Company’s cash flow;
- the review of the investment program, including amendments thereto;
- the establishment of branches and the opening of Company representative offices, their liquidation as well as amendments to the Company Charter associated with the establishment of branches and the opening of representative offices (including amendments to information on the name and location of the branches or representative offices) and their liquidation;
- the Company’s participation in other organizations (including the approval of constituent documents and candidates for the management bodies of newly created organizations) as well as changes to its participatory interest (number of shares, size of equity unit, stakes), encumbrances of shares (stakes) and the termination of the Company’s participation in other organizations;
- electing the Chairman of the Company’s Board of Directors and the early termination of the Chairman’s powers;
- electing the Deputy Chairman of the Company’s Board of Directors and the early termination of the Deputy Chairman’s powers;

- electing the Secretary of the Company's Board of Directors and the early termination of the Secretary's powers;
- the review of reports by the General Director on the Company's activities (including on the performance of the General Director's official duties) and the implementation of decisions adopted by the general meeting of shareholders, the Board of Directors and the Management Board of the Company;
- nominating candidates on behalf of the Company for election to the sole executive body, other management bodies and supervisory bodies as well as nominating candidates for the auditor of organizations in which the Company participates which are engaged in the production, transmission, dispatching, distribution or sale of electricity or thermal energy in addition to repair and service activities;
- the preliminary approval of collective bargaining and agreements concluded by the Company within the framework of regulating social and labor relations as well as the approval of documents on non-governmental pension provisions for Company employees;
- approving projected (up to five years) annual and quarterly capital construction plans, procurement plans for goods and services, new construction, modernization and reconstruction projects as well as reports on their implementation;
- determining the Company's procurement policy, including the approval of the Provision for the Regulated Procurement of Goods, Work and Services, the approval of the director of the Company's central procurement body and its members, the approval of the annual comprehensive procurement program and the adoption of other decisions in accordance with the approved documents regulating the Company's procurement activities;
- approving targets (adjusted targets) for the Company's key performance indicators and reports on their implementation;
- determining the size of the Company's Management Board, electing the members of the Company's Management Board, establishing the remuneration and compensation paid to them as well as the early termination of their powers;
- determining the Company's policy with respect to improving the reliability of the power grid distribution complex and other power grid facilities, including the approval of the Company's strategic programs to improve the reliability of the power grid complex, the development of the power grid complex and its safety;
- approving the organizational structure of the Company's executive office and amendments thereto;
- approving the Provision on Financial Incentive for the General Director, the Provision on Financial Incentive for the Company's Senior Executives and the list of senior executives;
- other issues that fall within the competence of the Board of Directors in accordance with the Federal Law "On Joint-Stock Companies" and the Company Charter.

According to clause 16.1 of the Company Charter, the Board of Directors is comprised of 13 members elected by the general meeting of shareholders.

## Board of Directors

Information on the Board of Directors in power until June 20, 2011 (elected on June 30, 2010)

No.	Full name	Position (at time of election)
1.	Shvets Nikolai Nikolayevich	General Director of JSC "IDGC Holding"
2.	Shulginov Nikolai Grigoryevich	First Deputy Chairman of the Management Board of JSC "SOUES"
3.	Bodunkov Alexei Felixovich	Advisor to the Moscow Region Governor
4.	Popov Alexander Albertovich	Deputy General Director and Administration Head of JSC "IDGC Holding"
5.	Guryanov Denis Lvovich	First Deputy Director of the Corporate Governance and Shareholder Relations Department of JSC "IDGC Holding"
6.	Petukhov Konstantin Yuryevich	Director of Development and Services of JSC "IDGC Holding"
7.	Yurchuk Sergei Yevgenyevich	Director of Finances of JSC "IDGC Holding"
8.	Skribot Wolfgang	Managing Director and Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
9.	Grishchenko Sergei Valentinovich	Deputy Director of the Direct Investments Department of GPB (JSC)
10.	Gavrilenko Anatoly Anatolyevich	General Director of Closed Joint-Stock Company "Leader" (pension fund asset management company)
11.	Kerber Sergei Mikhailovich	Director of the Investment Projects and Programs Directorate and Managing Director of Closed Joint-Stock Company "Leader" (pension fund asset management company)
12.	Nuzhdov Alexei Viktorovich	Deputy General Director for Security of Closed Joint-Stock Company "Leader" (pension fund asset management company)
13.	Sklyarov Yevgeny Viktorovich	Director of the Moscow Fuel and Energy Complex Department

Members of the Board of Directors do not own shares in JSC "MOESK."

A new Board of Directors was elected at the Company's annual general meeting of shareholders on June 20, 2011. Based on the decision adopted by the Company's annual general meeting of shareholders, the powers of the following members of the Board of Directors were terminated: A.F.Bodunkov, K.Y.Petukhov and N.G.Shulginov.

Elected to the Company's new Board of Directors were: N.N.Shvets, D.A.Bolshakov, A.A.Gavrilenko, P.V.Golubev, S.V.Grishchenko, D.L.Guryanov, S.M. Kerber, A.V.Nuzhdov, A.A.Popov, Y.V.Sklyarov, W.Skribot, M.G.Tikhonov and S.Y.Yurchuk.

Information on the Board of Directors in power until November 25, 2011 (elected on June 20, 2011)

No.	Full name	Position (at time of election)
1.	Golubev Pavel Vladilenovich	Director of the Operation, Maintenance and Repair Department of JSC "IDGC Holding"
2.	Guryanov Denis Lvovich	Director of the Corporate Governance and Shareholder Relations Department of JSC "IDGC Holding"
3.	Popov Alexander Albertovich	Deputy General Director and Administration Head of JSC "IDGC Holding"
4.	Bolshakov Dmitry Alexandrovich	Deputy Chairman of the Government of the Moscow Region
5.	Tikhonova Maria Gennadyevna	Director of the Department for Economic Regulation and Property Relations in the Fuel and Energy Complex under the Russian Ministry of Energy
6.	Shvets Nikolai Nikolayevich	Chairman of the Management Board and General Director of JSC "IDGC Holding"
7.	Yurchuk Sergei Yevgenyevich	Director of Finances of JSC "IDGC Holding"
8.	Gavrilenko Anatoly Anatolyevich	General Director of Closed Joint-Stock Company "Leader" (pension fund asset management company)
9.	Kerber Sergei Mikhailovich	Director of the Investment Projects and Programs Directorate and Managing Director of Closed Joint-Stock Company "Leader" (pension fund asset management company)
10.	Nuzhdov Alexei Viktorovich	Deputy General Director for Security of Closed Joint-Stock Company "Leader" (pension fund asset management company)
11.	Skribot Wolfgang	Managing Director and Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
12.	Grishchenko Sergei Valentinovich	Deputy Director of the Direct Investments Department of GPB (JSC)
13.	Sklyarov Yevgeny Viktorovich	Director of the Moscow Fuel and Energy Complex Department

Members of the Board of Directors do not own shares in JSC "MOESK."

The current Board of Directors was elected at the repeat extraordinary annual general meeting of shareholders on November 25, 2011.

As a result of voting, the powers of the following members of the Board of Directors were terminated: D.A.Bolshakov and S.V.Grishchenko.

Elected to the new Board of Directors were: N.N.Shvets, Y.I.Borisov, A.A.Gavrilenko, P.V.Golubev, V.A.Pavlov, D.L.Guryanov, S.M. Kerber, A.V.Nuzhdov, A.A.Popov, Y.V.Sklyarov, W.Skribot, M.G.Tikhonova and S.Y.Yurchuk.



## Board of Directors elected on November 25, 2011:



### SHVETS NIKOLAI NIKOLAYEVICH

Chairman of The Board of Directors,  
General Director, Chairman of the Management Board  
of JSC "IDGC Holding"

Born: 1956

Citizenship: Russian Federation

Education: tertiary

Positions held at other organizations, including the position  
of a member of the board of directors (supervisory board):

- Vice President, Management Board member and Management Bureau member of the All-Russian Industry Association of Employers "Russian Engineering Union";
- Supervisory Board member of the Nonprofit Partnership "Scientific and Technical Council of the Unified Energy System";
- Member of the Board of Directors of JSC "IDGC Holding";
- Chairman of the Board of Directors of JSC "Lenenergo";
- Chairman of the Board of Directors of JSC "Tyumenenergo";
- Chairman of the Board of Directors of JSC "Yantarenergo";
- Chairman of the Board of Directors of JSC "Kubanenergo";
- Member of the Board of Directors of "IDGC of the North Caucasus".

Positions held over the past five years:

- Assistant to the General Director of FSUE "Rosoboronexport";
- Member of the Board of Directors of JSC "Sarapul Electric Generator Plant";
- Member of the Board of Directors of JSC "Start Scientific and Production Enterprise";
- First Deputy Chairman of the Government of the Amur Region;

- Chairman of the Legislative Assembly of the Amur Region;
- Professor of the Management, Marketing and Law Department at Far East State Agrarian University (concurrently);
- Member of the Central Council and Central Council Bureau of the All-Russian Public Organization "Russian Engineering Union";
- Chairman of the Board of Directors of JSC "IDGC of Center and Volga";
- Chairman of the Board of Directors of JSC "IDGC of the North-West";
- Chairman of the Board of Directors of JSC "IDGC of the Urals";
- Member of the Board of Directors of JSC "Russian Regional Development Bank";
- Chairman of the Board of Directors of JSC "IDGC of the Center";
- Chairman of the Board of Directors of JSC "IDGC of the South".

Percentage of common shares owned in the Company: **0%**

Date of first election to the Company's Board of Directors:  
**June 11, 2009**



#### BORISOV YEVGENY IVANOVICH

Advisor to the Chairman of the Management Board of GPB (JSC)

Born: 1950

Citizenship: Russian Federation

Education: tertiary

Positions held at other organizations, including the position of a member of the board of directors (supervisory board):

- Member of the Board of Directors of JSC “Urals Heavy Engineering Plant”;
- Member of the Board of Directors of JSC “Urals Chemical Engineering Plant»;
- Member of the Board of Directors of CJSC “Forpost Management”.

Positions held over the past five years:

- Deputy General Director for Finances of JSC “Mosenergo”;
- General Director of CJSC SA Management Company;
- General Director of JSCOMZ.

Percentage of common shares owned in the Company: **0%**

Date of first election to the Company’s Board of Directors: **November 25, 2011**



#### GAVRILENKO ANATOLY ANATOLYEVICH

General Director of Closed Joint-Stock Company “Leader” (pension fund asset management company).

Born: 1972

Citizenship: Russian Federation

Education: tertiary

Positions held at other organizations, including the position of a member of the board of directors (supervisory board):

- Member of the Board of Directors of CJSC “Leader” (pension fund asset management company);
- Member of the Board of Directors of LLC “Sochi-Briz”;
- Member of the Board of Directors of JSC “GlavnayaDoroga”;
- Member of the Board of Directors of JSC “Gazprom-Neftekhim Salavat”;
- Member of the Board of Directors of JSC “Second Generating Company of the Wholesale Electricity Market”;
- Member of the Board of Directors of GPB (JSC);
- Member of the Board of Directors of JSC “GAZKON”;
- Member of the Board of Directors of JSC “GAZ Service”;
- Member of the Board of Directors of JSC “Mosenergosbyt”;
- Member of the Board of Directors of JSC “Territorial Generating Company No. 1.”

Percentage of common shares owned in the Company: **0%**

Date of first election to the Company’s Board of Directors: **February 28, 2005**



#### GOLUBEV PAVEL VLADILENOVICH

Director of the Operation, Maintenance and Repair Department of JSC "IDGC Holding"

Born: 1962

Citizenship: Russian Federation

Education: tertiary

Positions held over the past five years:

- Deputy Director of MUPEP "Omskelektro";
- Director of the Production and Technical Department of JSC "MOESK".

Percentage of common shares owned in the Company: **0%**

Date of first election to the Company's Board of Directors:

**June 20, 2011**



#### GURYANOV DENIS LVOVICH

First Deputy Director of the Corporate Governance and Shareholder Relations Department of JSC "IDGC Holding"

Born: 1977

Citizenship: Russian Federation

Education: tertiary

Positions held at other organizations, including the position of a member of the board of directors (supervisory board):

- Member of the Board of Directors of JSC "VNIPlenergoprom Property";
- Member of the Board of Directors of JSC "Sevkavkazenergo";
- Member of the Board of Directors of JSC "IDGC of the North Caucasus";
- Member of the Board of Directors of JSC "VOLS VL Management";
- Member of the Board of Directors of JSC "IDGC NIITs".

Positions held over the past five years:

- Director of the Corporate Relations Department of the IDGC Management Center of JSC "FGCUES";
- Director of the Corporate Relations Department of the "IDGC Holding" Business Unit of JSC RAO "UES of Russia" (concurrently).

Percentage of common shares owned in the Company: **0%**

Date of first election to the Company's Board of Directors:

**May 28, 2008**



#### KERBER SERGEI MIKHAILOVICH

Director of the Investment Projects and Programs Directorate and Managing Director of Closed Joint-Stock Company "Leader" (pension fund asset management company).

Born: 1973

Citizenship: Russian Federation

Education: tertiary

Positions held over the past five years:

- Member of the Board of Directors of JSC "Arktel";
- Member of the Board of Directors of JSC "SIBUR Russian Tires";
- Member of the Board of Directors of JSC "SIBUR Fertilizers";
- Member of the Board of Directors of JSC "Mosteploset-energoremont";
- Member of the Board of Directors of JSC "Uralsvyazinform".

Percentage of common shares owned in the Company: 0%

Date of first election to the Company's Board of Directors: **May 28, 2008**



#### NUZHDOV ALEXEI VIKTOROVICH

Deputy General Director for Security of Closed Joint-Stock Company "Leader" (pension fund asset management company).

Born: 1967

Citizenship: Russian Federation

Education: tertiary

Positions held at other organizations, including the position of a member of the board of directors (supervisory board):

- Director of the Corporate Security Department at "Gazfond" National Pension Fund;
- Member of the Board of Directors of JSC "Mosenergosbyt".

Positions held over the past five years:

- Department Director of the Russian Federal Security Service.

Percentage of common shares owned in the Company: 0%

Date of first election to the Company's Board of Directors: **June 30, 2010**



#### POPOV ALEXANDER ALBERTOVICH

Deputy Chairman of the Board of Directors  
Deputy General Director and Administration Head  
of JSC “IDGC Holding”

Born: 1955

Citizenship: Russian Federation

Education: tertiary

Positions held at other organizations, including the position  
of a member of the board of directors (supervisory board):

- Member of the Supervisory Board of NP “KONTS UES”;
- Member of the Board of Directors of JSC “Lenenergo”;
- Member of the Board of Directors of JSC “IDGC  
of the Center”;
- Member of the Board of Directors of JSC “IDGC of Siberia”;
- Member of the Board of Directors of JSC “IDGC of the North-  
West”.

Positions held over the past five years:

- Armed Forces and Federal Security Service  
of the Russian Federation – various positions;
- Chief specialist of the OAU service of the Vice President and  
Security Director of LLC “AVTOVAZ GROUP”;

- Director of the Organizational and Personnel Department  
of the Representation of the Amur Region Administration  
under the President of the Russian Federation and  
the Government of the Russian Federation;
- Director of the Administration of the Amur Region Governor  
and Amur Region Government;
- Director of the Representation of the Amur Region  
Administration under the President of the Rus-  
sian Federation and the Government of the Rus-  
sian Federation.

Percentage of common shares owned in the Company: **0%**

Date of first election to the Company’s Board of Directors:  
**June 11, 2009**



**PAVLOV VADIM ALEXEYEVICH**

Director of the Center of Strategy, Development and Innovation of JSC "IDGC Holding"

Born: 1977

Citizenship: Russian Federation

Education: tertiary

Positions held over the past five years:

- Director of the Regional Tariffs Service of the Rostov Region;
- General Director of JSC "Donenergo";
- Director of the Utilities Infrastructure Development Department of JSC "Kaluga Region Development Corporation".

Percentage of common shares owned in the Company: **0%**

Date of first election to the Company's Board of Directors:

**November 20, 2011**



**SKLYAROV YEVGENY VIKTOROVICH**

Director of the Moscow Fuel and Energy Complex Department

Born: 1955

Citizenship: Russian Federation

Education: tertiary

Positions held over the past five years:

- President of JSC "Mospromstroyaterialy."

Percentage of common shares owned in the Company: **0%**

Date of first election to the Company's Board of Directors:

**June 15, 2007**



#### SKRIBOT WOLFGANG

Managing Director of the Direct Investments Department of GPB (JSC)

Born: 1966

Citizenship: Austria

Education: tertiary

Positions held at other organizations, including the position of a member of the board of directors (supervisory board):

- Member of the Board of Directors of JSC “Mosenergosbyt”;
- Member of the Board of Directors of JSC “MRTE”;
- Member of the Board of Directors of JSC “EKSMO”;
- Member of the Board of Directors of JSC “MES – Pushkino”;
- Member of the Board of Directors of Centrex;
- Member of the Board of Directors of LLC “GPB – Energoeffekt”;
- Member of the Board of Directors of Prima Energy.

Percentage of common shares owned in the Company: 0%

Date of first election to the Company’s Board of Directors:

**February 28, 2005**



#### YURCHUK SERGEIY EVGENYEVICH

Director of Finances of JSC “IDGC Holding”

Born: 1966

Citizenship: Russian Federation

Education: tertiary

Positions held at other organizations, including the position of a member of the board of directors (supervisory board):

- Member of the Board of Directors of JSC “IDGC of South”;
- Member of the Board of Directors of JSC “Lenenergo”;
- Member of the Board of Directors of JSC “IDGC of the Urals”;
- Member of the Board of Directors of JSC “Kubanenergo”.

Positions held over the past five years:

- Director of Economics and Finance of JSC “Severnaya Verf” Shipbuilding Plant;
- Deputy General Director of Economics and Finance of CJSC “Almaz Press.”

Percentage of common shares owned in the Company: 0%

Date of first election to the Company’s Board of Directors:

**June 30, 2010**

**TIKHONOVA MARIA GENNADYEVNA**

Director of the Department for Economic Regulation and Property Relations in the Fuel and Energy Complex under the Russian Ministry of Energy

Born: 1980

Citizenship: Russian Federation

Education: tertiary

Positions held at other organizations, including the position of a member of the board of directors (supervisory board):

- Member of the Board of Directors of JSC “ESK RusHydro”;
- Member of the Board of Directors of JSC “OESK”;
- Member of the Board of Directors of JSC “Enel WGC-5”;
- Member of the Board of Directors of JSC “Kamchatskenergo”;
- Member of the Board of Directors of JSC “Lenenergo”;
- Member of the Board of Directors of JSC “ENERGOSETPROEKT Institute”;
- Member of the Board of Directors of CJSC “Arktikshelfneftegaz”;
- Member of the Board of Directors of JSC “NIITeplopribor”;
- Member of the Board of Directors of JSC “ESSK UES”;
- Member of the Board of Directors of JSC “TsiU SUES”.

Positions held over the past five years:

- Member of the Board of Directors of JSC “Krasny Yakor”;
- Member of the Board of Directors of JSC “Spetsstroyaterialy”;
- Member of the Board of Directors of JSC “DMNG”;
- Member of the Board of Directors of JSC “Bashkirenergo”;
- Member of the Board of Directors of JSC “Mosenergoremont”;
- Member of the Board of Directors of JSC “Trest Gidromontazh”;
- Member of the Board of Directors of JSC “Mobilny GTES”;
- Member of the Board of Directors of JSC “TGC-11”;
- Member of the Board of Directors of JSC “TGC-5”;
- Member of the Board of Directors of JSC “IDGC of Volga”;
- Member of the Board of Directors of JSC “Volga TGC”;
- Member of the Board of Directors of JSC “DEK”;
- Member of the Board of Directors of JSC “TGC-6”;
- Member of the Board of Directors of JSC “Tyumenenergo”;
- Member of the Board of Directors of JSC “Energotranssnab”;
- Member of the Board of Directors of JSC “Zagorskaya GAES-2”.

Percentage of common shares owned in the Company: **0%**

Date of first election to the Company’s Board of Directors: **June 11, 2009**



## Activities of the Board of Directors

At the first meeting of the newly elected Board of Directors on December 19, 2011 (Minutes No. 154 dated December 20, 2011), N.N.Shvets was unanimously elected as Chairman of the Board of the Directors and A.A.Popov was unanimously elected as Deputy Chairman of the Board of the Directors.

No transactions were concluded between members of the Board of Directors and JSC "MOESK" and no claims were filed against members of the Company's Board of Directors in the reporting year. No members of the Board of Directors underwent training at the Company's expense in 2011.

The Board of Directors is guided in its activities by the laws of the Russian Federation, the Company Charter and the Provision on the Procedure for Convening and Holding Meetings of the Company's Board of Directors.

The work of the Board of Directors is organized in accordance with the Work Schedule of the Board of Directors for 2011-2012, which was approved by the Board of Directors on July 22, 2011 (Minutes No. 141 dated July 25, 2011) and adjusted by the decision of the Board of Directors dated October 14, 2011 (Minutes No. 150 dated October 17, 2011).

In 2011, the Board of Directors held 32 meetings, including:

- 17 by the members elected in 2010 in absentia;
- 13 by the members elected on June 20, 2011 with one meeting held in person and absentia form;
- 2 by the members elected on November 25, 2011 in absentia.

In accordance with FFMS Order No. 10-78/pz-n dated December 28, 2010 "On the Approval of the Provision on Activities to Organize Trade on the Securities Market," twelve members of the Board of Directors meet the requirements for members of the Company's Board of Directors to have shares included in the "A" quotation list of the stock exchange.

Attendance of the meeting of the Board of Directors by members of the Board of Directors in power until June 20, 2011.

Member of the Board of Directors	Number of meetings attended by the member of the Board of Directors
N.N. Shvets, D.L. Guryanov, S.M. Kerber, A.A. Popov, N.G. Shulginov, S.Y. Yurchuk,	17
A.F. Bodunkov, A.A. Gavrilenko, K.Y. Petukhov, W. Skribot	16
S.V. Grishchenko	14
A.V. Nuzhdov	12
Y.V. Sklyarov	3

Attendance by members of the Board of Directors at meetings was 88.24% on average, including 87.25% for independent directors.

Attendance of the meeting of the Board of Directors by members of the Board of Directors in power from June 20, 2011 until November 25, 2011.

Member of the Board of Directors	Number of meetings attended by the member of the Board of Directors
N.N. Shvets, D.L. Guryanov, A.A. Popov, S.Y. Yurchuk	13
S.M. Kerber, W. Skribot, M.G. Tikhonova	12
P.V. Golubev, S.V. Grishchenko	11
A.A. Gavrilenko	10
A.V. Nuzhdov	9
D.A. Bolshakov, Y.V. Sklyarov	0

Attendance by members of the Board of Directors at meetings was 76.33% on average, including 74.36% for independent directors.

Attendance of the meeting of the Board of Directors by members of the current Board of Directors elected November 25, 2011.

Member of the Board of Directors	Number of meetings attended by the member of the Board of Directors
N.N. Shvets, Y.I. Borisov, A.A. Gavrilenko, P.V. Golubev, D.L. Guryanov, S.M. Kerber, A.V. Nuzhdov, V.A. Pavlov, A.A. Popov, W. Skribot, M.G. Tikhonova, S.Y. Yurchuk	2
Y.V. Sklyarov	1

Attendance by members of the Board of Directors at meetings was 96.15% on average, including 95.83% for independent directors.

#### ACTIVITIES OF THE BOARD OF DIRECTORS IN 2010-2011

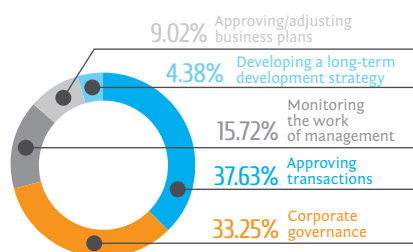
Period	Number of meetings				Number of issues considered	Average quorum at meetings
	In person	In person and absentia	In absentia	Total		
Jan 1, 2010- Dec 31, 2010	0	7	17	24	219	89.10%
Jan 1, 2011- Dec 31, 2011	0	1	31	32	388	83.89%



**IN ACCORDANCE WITH FFMS ORDER NO. 10-78/PZ-N DATED DECEMBER 28, 2010 "ON THE APPROVAL OF THE PROVISION ON ACTIVITIES TO ORGANIZE TRADE ON THE SECURITIES MARKET," 12 MEMBERS OF THE BOARD OF DIRECTORS MEET THE REQUIREMENTS FOR MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS TO HAVE SHARES INCLUDED IN THE 'A' QUOTATION LIST OF THE STOCK EXCHANGE**



#### CLASSIFICATION OF ISSUES CONSIDERED BY THE BOARD OF DIRECTORS IN 2011



The Board of Directors worked in 2011 to adopt decisions within its competence on the most significant issues concerning the Company's activities, including:

- the approval of reports on the implementation of the business plan for the fourth quarter of 2010 and the first two quarters of 2011, the consideration of reports on the results of the 2010-2011 fall and winter period, reports on the implementation of the key performance targets by JSC "MOESK" in the fourth quarter of 2010 and the first two quarters of 2011, and the approval of adjusted key performance targets for 2011.
- determining the priority areas of the Company's activities:
  - on the felling of trees that are falling or threatening to fall on the territory of Moscow and the Moscow Region;
  - on the preparation of an innovative development program;
  - on ensuring the established level of reliability and quality of services in accordance with regulatory legal documents;
  - on the introduction of a system to manage the construction of the most important investment projects;
  - on the mandatory energy inspection of the Company's production, business and power grid facilities in 2011-2012.
- the approval of the Company's internal documents and programs:
  - a) Provisions on the control environment and risks of business processes: "Commercial Accounting and Electricity Transmission Services," "Procurement Management," "Grid Connection Services" and "Operating Activities";
  - b) Provision on Financial Incentive and Social Benefits for Senior Executives;
  - c) Provision on Financial Incentive for the General Director;
  - d) Insurance coverage programs for 2012;
  - e) Standard on the technical policy for metering electricity in the power grid distribution complex;
  - f) Provision on Insider Information in the new edition;
  - g) Provision on the Procedure for the Regulated Procurement of Required Goods, Work and Services in the new edition;
  - h) Programs concerning energy conservation and improved energy efficiency in the period of 2011-2015;
  - i) List of priority measures to develop and improve the reliability of the operational and technological control system of the power grid complex;
  - j) Innovative development program;
  - k) Insurance coverage program for 2011;
  - l) the annual comprehensive program for competitive and regulated non-competitive procurements for 2011;
  - m) the adjusted energy conservation and improved energy efficiency program for the period of 2011-2015;
  - n) the comprehensive program to develop and improve the reliability of the operational and technological control system of the power grid complex;
- the approval of the organizational structure of the executive office and preliminary approval of the collective bargaining agreement for 2012.

- the participation of JSC “MOESK” in the Energy Training and Innovation Center autonomous non-profit organization, participation in the All-Russian Industry Association of Electricity Employers and the termination of the participation of JSC “MOESK” in NP “INVEL.”
- the preliminary approval of transactions in which the Company had an interest;
- other issues.

#### CLASSIFICATION OF ISSUES CONSIDERED BY THE BOARD OF DIRECTORS IN 2011

No.	Matters falling within the competence of the Board of Directors	Number of issues considered, pcs	Share of overall number of issues considered, %
1.	Developing a long-term development strategy for the Company and adopting decisions on participation in other organizations, bond placements and attracting external loans	17	4.38
2.	Approving/adjusting business plans, investment programs, comprehensive programs for competitive and regulated non-competitive procurements, key performance indicators, cash flow benchmarks, insurance coverage programs, etc.	35	9.02
3.	Corporate governance:	129	33.25
3.1.	Approving/amending the Company's internal documents and making amendments to the Charter within the competence of the Board of Directors	12	3.09
3.2.	Preparing and holding general meetings of shareholders and considering the proposals of shareholders on agenda issues at shareholders meetings, etc.	23	5.93
3.3.	Organizing and holding meetings of the Board of Directors and committees under the Board of Directors as well as electing the Chairman of the Board of Directors, etc.	26	6.7
3.4.	Considering issues related to the activities of the Company's executive bodies, management, internal control bodies and the external auditor	27	6.96
3.5.	Providing financial assistance to employees and charity (sponsor) support	2	0.52
3.6.	Considering issues related to the monitoring of the activities of companies in which JSC “MOESK” owns shares (stakes)	39	10.05
4.	Monitoring the work of management, including the consideration of reports on the implementation of business plans, investment programs, KPI targets, the credit policy, production and economic activities and insurance coverage	61	15.72
5.	Approving transactions, including the prior approval of transactions in which the Company has an interest, major transactions, securities transactions and other transactions which the Board of Directors is in charge of monitoring	146	37.63
<b>Total</b>		<b>388</b>	<b>100</b>

Information on transactions implemented by the Company in which it has an interest is contained in Appendix 7.

Information on transactions in which the Company has an interest

In 2011, the Company did not conclude any major transactions that required the prior approval of the Board of Directors or the general meeting of shareholders in accordance with Federal Law No. 208-FZ “On Joint-Stock Companies” dated December 26, 1995.

Information on major transactions

## Committees under the Board of Directors

In order to effectively study the issues falling within the competence of the Board of Directors and make preliminary recommendations to the Board of Directors and executive body, the Company has committees under the Board of Directors which include representatives of the main JSC “MOESK” shareholders.

The committees under the Board of Directors are formed in accordance with the requirements of Russian stock exchanges, and complying with these requirements enables JSC “MOESK” shares to be maintained in the “A” category of the exchange quotations lists.

In 2011, committees working under the Board of Directors included: the Human Resources and Compensation Committee, the Audit Committee, the Strategy and Development Committee, the Power Grid Connection Committee and the Reliability Committee.

## Audit Committee

The Audit Committee was established by the decision of the Board of Directors and is an advisory body that ensures the Board of Directors is able to control the Company’s financial and business activities.

The job of the Audit Committee is to develop and submit recommendations (conclusions) to the Board of Directors on matters concerning financial and business activities.

The Provision on the Audit Committee was approved by the decision of the Board of Directors dated June 10, 2010 (Minutes No. 110 dated June 11, 2010).

Information on the Audit Committee members in power until July 22, 2011

No.	Name	Position and place of work (at time of election)
1.	Yurchuk Sergei Yevgenyevich (Committee Chairman)	Director of Finances of JSC “IDGC Holding”
2.	Guryanov Denis Lvovich	First Deputy Director of the Corporate Governance and Shareholder Relations Department of JSC “IDGC Holding”
3.	Kerber Sergei Mikhailovich	Director of the Investment Projects and Programs Directorate and Managing Director of Closed Joint-Stock Company “Leader” (pension fund asset management company)
4.	Popov Alexander Albertovich	Deputy General Director and Administration Head of JSC “IDGC Holding”
5.	Skribot Wolfgang	Managing Director and Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)

Under the decision of the Board of Directors dated July 22, 2011 (Minutes No. 141 dated July 25, 2011), the size of the Committee was approved at 6 people and the members of the Committee were elected.

No.	Name	Position and place of work (at time of election)
1.	Yurchuk Sergei Yevgenyevich (Committee Chairman)	Director of Finances of JSC "IDGC Holding"
2.	Popov Alexander Albertovich	Deputy General Director and Administration Head of JSC "IDGC Holding"
3.	Guryanov Denis Lvovich	Director of the Corporate Governance and Shareholder Relations Department of JSC "IDGC Holding"
4.	Kerber Sergei Mikhailovich	Director of the Investment Projects and Programs Directorate and Managing Director of Closed Joint-Stock Company "Leader" (pension fund asset management company)
5.	Skribot Wolfgang	Managing Director and Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
6.	Grishchenko Sergei Valentinovich	Deputy Director of the Direct Investments Department of GPB (JSC)

Under the decision of the Board of Directors dated December 30, 2011 (Minutes No. 155 dated December 30, 2011), the size of the Committee was approved at 6 people and the members of the Committee were elected.

No.	Name	Position and place of work (at time of election)
1.	Yurchuk Sergei Yevgenyevich (Committee Chairman)	Director of Finances of JSC "IDGC Holding"
2.	Borisov Yevgeny Ivanovich	Advisor to the Chairman of the Management Board of GPB (JSC)
3.	Guryanov Denis Lvovich	First Deputy Director of the Corporate Governance and Shareholder Relations Department of JSC "IDGC Holding"
4.	Skribot Wolfgang	Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
5.	Kerber Sergei Mikhailovich	Director of the Investment Projects and Programs Directorate and Managing Director of Closed Joint-Stock Company "Leader" (pension fund asset management company)
6.	Pavlov Vadim Alexeyevich	Director of the Center of Strategy, Development and Innovation of JSC "IDGC Holding"

In 2011, the Audit Committee under the Board of Directors held 11 meetings, including three meetings in person.

Attendance of the meetings of the Audit Committee under the Board of Directors by Committee members in power until July 22, 2011

Audit Committee member	Number of meetings attended by the Audit Committee member
S.Y. Yurchuk, D.L. Guryanov	5
S.M. Kerber, A.A. Popov	4
W. Skribot	1

Attendance by members of the Audit Committee under the Board of Directors at meetings was 86% on average.

Attendance of the meetings of the Audit Committee under the Board of Directors by Committee members elected on July 22, 2011

Audit Committee member	Number of meetings attended by the Audit Committee member
S.Y. Yurchuk, D.L. Guryanov, S.M. Kerber	6
A.A. Popov, W. Skribot	5
S.V. Grishchenko	1

Attendance by members of the Audit Committee under the Board of Directors at meetings was 78% on average.

The current Audit Committee elected on December 30, 2011 has not held any meetings.

In 2011, the meetings of the Audit Committee under the Board of Directors considered issues and gave recommendations on the most important issues concerning the Company's activities, in particular:

- recommendations to the Board of Directors concerning the amount of payment for the services of the Company's Auditor;
- considering information on the preparation of the Company's IFRS statements for 2010;
- recommendations on the conditions for the competitive procedures to select the Company's Auditor;
- considering the Company's financial (accounting) statement for 2010 prepared in accordance with RAS;
- an assessment of the Auditor's report on the Company's accounting statement for 2010 prepared in accordance with RAS;

- an analysis of the structure of the Company's accounts receivable and payable at the start and end of 2010;
- recommendations on the amount of dividends to pay on JSC "MOESK" shares for 2010 and the payment procedure;
- the preliminary approval of the JSC "MOESK" annual report for 2010;
- considering candidates for the Company's external auditor to audit its financial (accounting) statement for 2011 prepared in accordance with RAS;
- approving the terms of the agreement with the Auditor performing the audit of the JSC "MOESK" financial statement prepared in accordance with IFRS;
- considering the Provision on Insider Information, the regulations for protecting its confidentiality, the access procedure and monitoring of compliance with the requirements of applicable laws at JSC "MOESK" in the new edition.

The Committee was established to improve the efficient management of the Company's development through the preparation of fully informed recommendations for the Company's Board of Directors with respect to personnel policy and incentive and also to monitor the implementation of such decisions adopted by the Company's Board of Directors.

The Provision on the Human Resources and Compensation Committee was approved by the decision of the Board of Directors dated June 10, 2010 (Minutes No. 110 dated June 11, 2010) and amendments were made to the provision by the decision of the Board of Directors dated March 29, 2011 (Minutes No. 132 dated March 30, 2011).

Information on the Human Resources and Compensation Committee members in power until July 22, 2011

No.	Name	Position and place of work (at time of election)
1.	Popov Alexander Albertovich (Committee Chairman)	Deputy General Director and Administration Head of JSC "IDGC Holding"
2.	Gavrilenko Anatoly Anatolyevich	General Director of Closed Joint-Stock Company "Leader" (pension fund asset management company)
3.	Guryanov Denis Lvovich	First Deputy Director of the Corporate Governance and Shareholder Relations Department of JSC "IDGC Holding"
4.	Skribot Wolfgang	Managing Director and Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
5.	Yurchuk Sergei Yevgenyevich	Director of Finances of JSC "IDGC Holding"

## Human Resources and Compensation Committee



Under the decision of the Board of Directors dated July 22, 2011 (Minutes No. 141 dated July 25, 2011), the size of the Committee was approved at 7 people and the members of the Committee were elected.

No.	Name	Position and place of work (at time of election)
1.	Popov Alexander Albertovich (Committee Chairman)	Deputy General Director and Administration Head of JSC "IDGC Holding"
2.	Guryanov Denis Lvovich	Director of the Corporate Governance and Shareholder Relations Department of JSC "IDGC Holding"
3.	Yurchuk Sergei Yevgenyevich	Director of Finances of JSC "IDGC Holding"
4.	Golubev Pavel Vladilenovich	Director of the Operation, Maintenance and Repair Department of JSC "IDGC Holding"
5.	Grishchenko Sergei Valentinovich	Deputy Director of the Direct Investments Department of GPB (JSC)
6.	Skribot Wolfgang	Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
7.	Gavrilenko Anatoly Anatolyevich	General Director of Closed Joint-Stock Company "Leader" (pension fund asset management company)

Under the decision of the Board of Directors dated December 30, 2011 (Minutes No. 155 dated December 30, 2011), the size of the Committee was approved at 7 people and the members of the Committee were elected.

No.	Name	Position and place of work (at time of election)
1.	Popov Alexander Albertovich (Committee Chairman)	Deputy General Director and Administration Head of JSC "IDGC Holding"
2.	Guryanov Denis Lvovich	Director of the Corporate Governance and Shareholder Relations Department of JSC "IDGC Holding"
3.	Yurchuk Sergei Yevgenyevich	Director of Finances of JSC "IDGC Holding"
4.	Golubev Pavel Vladilenovich	Director of the Operation, Maintenance and Repair Department of JSC "IDGC Holding"
5.	Borisov Yevgeny Ivanovich	Advisor to the Chairman of the Management Board of GPB (JSC)
6.	Skribot Wolfgang	Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
7.	Gavrilenko Anatoly Anatolyevich	General Director of Closed Joint-Stock Company "Leader" (pension fund asset management company)

In 2011, the Human Resources and Compensation Committee under the Board of Directors held 18 meetings, including two meetings in person.

Attendance of the meetings of the Human Resources and Compensation Committee under the Board of Directors by Committee members in power until July 22, 2011.

Human Resources and Compensation Committee member	Number of meetings attended by the Human Resources and Compensation Committee member
A.A. Popov, S.Y. Yurchuk	12
D.L. Guryanov	11
A.A. Gavrilenko	6
W. Skribot	4

Attendance by members of the Human Resources and Compensation Committee under the Board of Directors at meetings was 77% on average.

Attendance of the meetings of the Human Resources and Compensation Committee under the Board of Directors by Committee members elected on July 22, 2011.

Human Resources and Compensation Committee member	Number of meetings attended by the Human Resources and Compensation Committee member
D.L. Guryanov, S.Y. Yurchuk	6
A.A. Popov, W. Skribot	5
P.V. Golubev	3
A.A. Gavrilenko, S.V. Grishchenko	2

Attendance by members of the Human Resources and Compensation Committee under the Board of Directors at meetings was 69% on average.

The current Human Resources and Compensation Committee elected on December 30, 2011 has not held any meetings.

In 2011, the meetings of the Human Resources and Compensation Committee under the Board of Directors considered issues and gave recommendations on the most important issues concerning the Company's activities, including:

- the preliminary assessment of candidates for the Company's Board of Directors;
- the termination of the powers of the Company's Management Board and the election of members to the Management Board;
- considering the organizational structure of the administrative personnel of the Company's branches;
- considering the organizational structure of the Company's executive office;
- considering the Provision on Financial Incentive for the General Director in the new edition;
- considering the Provision on Financial Incentive and Social Benefits for Senior Executives;
- the bonus paid to the Company's General Director for fulfilling a particularly important task;
- approving the draft Provision on the Company's Candidate Pool of Young Professionals;
- amendments to the terms of the employment contract with the Company's General Director;
- considering the company's candidate pool of young professionals.

## Reliability Committee

The main objectives of the Reliability Committee are to develop and submit recommendations (conclusions) to the Board of Directors on the following activities of the Board of Directors:

- an expert evaluation of the investment programs and plans for the repair of energy facilities and an analysis of their implementation in terms of ensuring the requirements of integrated reliability;
- assessing the completeness and sufficiency of measures taken as a result of accidents and major technological disruptions as well as monitoring their implementation;
- monitoring and assessing the activities of the Company's technical services as regards:
  - ensuring the integrated reliability of the grid and generating equipment and facilities;
  - ensuring the normal condition of fixed assets and communicating information on projected risks in the reliability of their functioning;
- an analysis of measures to implement contractual and economic mechanisms to control reliability.

The Provision on the Reliability Committee was approved by the decision of the Board of Directors dated December 10, 2009 (Minutes No. 98 dated December 11, 2009).

Under the decision of the Board of Directors dated July 30, 2010 (Minutes No. 112 dated August 2, 2010), the size of the Committee was approved at 8 people and the members of the Committee were elected.

No.	Name	Position and place of work (at time of election)
1.	Zuykova Olga Valentinovna (Committee Chairman)	Director of the Production Control and Occupational Safety Directorate of JSC "IDGC Holding"
2.	Ilyushin Pavel Vladimirovich	Deputy Director of the Operation, Maintenance and Repair Department of JSC "IDGC Holding"
3.	Tambiyev Timur Khyzyrovich	Director of the Investment Project Analysis and Efficiency Evaluation Division of the Investments Department of JSC "IDGC Holding"
4.	Chegodayev Anatoly Vasilyevich	Deputy General Director and Technical Director of JSC "MOESK"
5.	Bulanova Olga Leonidovna	Deputy General Director for Economics and Finances of JSC "MOESK"
6.	Voynov Roman Vladimirovich	Deputy Technical Director of Dispatch Control and Director of the GridManagementCenter of JSC "MOESK"
7.	Alyushenko Igor Dmitryevich	Director of Dispatch Control Technology Development of IDO of Center (Interregional Dispatch Office of Center) – a branch of JSC "SOUES"
8.	Balabanov Mikhail Ivanovich	First Deputy Director of the Fuel and Energy Department of Moscow

Under the decision of the Board of Directors dated July 22, 2011 (Minutes No. 141 dated July 25, 2011), the size of the Committee was approved at 9 people and the members of the Committee were elected.

No.	Name	Position and place of work (at time of election)
1.	Zuykova Olga Valentinovna (Committee Chairman)	Director of the Production Control and Occupational Safety Directorate of JSC "IDGC Holding"
2.	Chegodayev Anatoly Vasilyevich	Deputy General Director and Technical Director of JSC "MOESK"
3.	Bulanova Olga Leonidovna	Deputy General Director for Economics and Finances of JSC "MOESK"
4.	Voynov Roman Vladimirovich	Deputy General Director and Director of the branch "Central Power Grids"
5.	Balabanov Mikhail Ivanovich	First Deputy Director of the Fuel and Energy Department of Moscow
6.	Magadeyev Ruslan Raisovich	Director of the Operational and Technological Control Department of JSC "IDGC Holding"
7.	Pankov Dmitry Leonidovich	Director of Strategy, Development and Innovations of JSC "IDGC Holding"
8.	Borisov Yevgeny Ivanovich	Advisor to the Chairman of the Management Board of GPB (JSC)
9.	Nalevin Alexei Alexandrovich	Deputy Director of the Capital Construction Department of LLC "GPB – Energoeffect"

Under the decision of the Board of Directors dated December 19, 2011 (Minutes No. 154 dated December 20, 2011), the size of the Committee was approved at 8 people and the members of the Committee were elected.

No.	Name	Position and place of work (at time of election)
1.	Zuykova Olga Valentinovna (Committee Chairman)	Director of the Production Control and Occupational Safety Directorate of JSC "IDGC Holding"
2.	Chegodayev Anatoly Vasilyevich	Deputy General Director and Technical Director of JSC "MOESK"
3.	Bulanova Olga Leonidovna	Deputy General Director for Economics and Finances of JSC "MOESK"
4.	Ivanov Vsevolod Yevgenyevich	Deputy Technical Director of the Operational and Technological Control Department and Director of the Grid Management Center
5.	Balabanov Mikhail Ivanovich	First Deputy Director of the Fuel and Energy Department of Moscow
6.	Ilyushin Pavel Vladimirovich	Deputy Director of the Operation, Maintenance and Repair Department and Director of the Planning and Equipment Repair and Maintenance Division of JSC "IDGC Holding"
7.	Borisov Yevgeny Ivanovich	Advisor to the Chairman of the Management Board of GPB (JSC)
8.	Nalevin Alexei Alexandrovich	Deputy Director of the Capital Construction Department of LLC "GPB – Energoeffect"

In 2011, the Reliability Committee under the Board of Directors held 8 meetings in absentia.

Attendance of the meetings of the Reliability Committee under the Board of Directors by Committee members elected on July 30, 2010.

Reliability Committee member	Number of meetings attended by the Reliability Committee member
R.V. Voynov, O.V. Zuykova, P.V. Ilyushin	4
A.V. Chegodayev	3
I.D. Alyushenko, O.L. Bulanova	2
M.I. Balabanov, T.K. Tambiyev	0

Attendance by members of the Reliability Committee under the Board of Directors at meetings was 59% on average.

Attendance of the meetings of the Reliability Committee under the Board of Directors by Committee members elected on July 22, 2011.

Reliability Committee member	Number of meetings attended by the Reliability Committee member
O.L. Bulanova, Y.I. Borisov, O.V. Zuykova, R.V. Voynov, A.A. Nalevin, A.V. Chegodayev	3
R.R. Magadeyev	2
D.L. Pankov	1
M.I. Balabanov	0

Attendance by members of the Reliability Committee under the Board of Directors at meetings was 78% on average.

Attendance of the meetings of the Reliability Committee under the Board of Directors by current Committee members elected on December 19, 2011.

Reliability Committee member	Number of meetings attended by the Reliability Committee member
O.L. Bulanova, V.Y. Ivanov, O.V. Zuykova, A.V. Chegodayev	1
M.I. Balabanov, Y.I. Borisov, P.V. Ilyushin, A.A. Nalevin	0

Attendance by members of the Reliability Committee under the Board of Directors at meetings was 50% on average.

In 2011, the meetings of the Reliability Committee under the Board of Directors considered the following key issues:

- approving a list of priority measures to develop and improve the reliability of the operational and technological control system of the JSC “MOESK” power grid complex;
- approving the integrated Program to develop and improve the reliability of the operational and technological control system of the JSC “MOESK” power grid complex;
- approving the innovative development Program;
- considering the Report on the alignment of protective zones (firebreaks) for the JSC “MOESK” Power transmission overhead lines with the standard values;
- the preparedness of JSC “MOESK” for work in the 2011-2012 fall and winter period;
- submitting a Program to reduce occupational injury levels for 2012-2013 to the Board of Directors for consideration.

The main objectives of the Strategy and Development Committee are to develop and submit recommendations (conclusions) to the Board of Directors on the following activities of the Board of Directors:

- identifying priority areas, strategic goals and the core principles for the Company’s strategic development;
- boosting the Company’s investment appeal, improving investment activities and making informed investment decisions;
- adjusting the Company’s existing development strategy;
- monitoring the implementation of the programs and projects adopted as well as the Company’s reform process;
- defining and improving the Company’s policy in matters of business planning and budgeting;
- developing recommendations on the Company’s dividend policy;
- assessing the effectiveness of the Company’s activities.

The Provision on the Strategy and Development Committee was approved by the decision of the Board of Directors dated December 25, 2007 (Minutes No. 54 dated December 28, 2007).

Information on the Strategy and Development Committee under the Board of Directors in power until March 29, 2011.

No.	Name	Position and place of work (at time of election)
1.	Kurbatov Mikhail Yuryevich (Committee Chairman)	Deputy General Director of JSC “IDGC Holding”
2.	Binko Gennady Felixovich	Deputy General Director of JSC “IDGC Holding”
3.	Demidov Alexei Vladimirovich	Deputy General Director for Economics and Finances of JSC “IDGC Holding”
4.	Perepelkin Alexei Yuryevich	Deputy General Director for Corporate Governance and Property of JSC “IDGC Holding”
5.	Sannikov Alexei Valeryevich	Deputy General Director of JSC “IDGC Holding”

## Strategy and Development Committee

No.	Name	Position and place of work (at time of election)
6.	Petukhov Konstantin Yuryevich	Director of Strategy and Development of JSC "IDGC Holding"
7.	Kudryavy Viktor Vasilyevich	Advisor to the President of CJSC "Eurocement Group"
8.	Demina Valentina Alexandrovna	Senior Analyst of CJSC "Leader" (pension fund asset management company)
9.	Nuzhdov Alexei Viktorovich	Deputy General Director for Security of Closed Joint-Stock Company "Leader" (pension fund asset management company)
10.	Tushunov Dmitry Yuryevich	Director of the Analytical Department and Chief Economist of CJSC "Leader" (pension fund asset management company)
11.	Kravchenko Alexei Sergeyeovich	Deputy Director of the Direct Investments Department of GPB (JSC)
12.	Krupin Mikhail Lvovich	Deputy General Director for Grid Connections in Moscow at JSC "MOESK"
13.	Bulanova Olga Leonidovna	Deputy General Director for Economics and Finances of JSC "MOESK"
14.	Oleynik Alexander Pavlovich	Deputy Director of the Fuel and Energy Department of Moscow
15.	Shulginov Nikolai Grigoryevich	First Deputy Chairman of the Management Board of JSC "SOUES"

Under the decision of the Company's Board of Directors dated March 29, 2011 (Minutes No. 132 dated March 30, 2011), the following changes were made to the Strategy and Development Committee:

- the early termination of the powers of Committee member K.Y. Petukhov;
- the election to the Committee of B.I. Mekhanoshin – the Deputy General Director and Technical Director of JSC "IDGC Holding."

Under the decision of the Board of Directors dated July 22, 2011 (Minutes No. 141 dated July 25, 2011), the size of the Committee was approved at 17 people and the members of the Committee were elected.

No.	Name	Position and place of work (at time of election)
1.	Kurbatov Mikhail Yuryevich (Committee Chairman)	Deputy General Director of JSC "IDGC Holding"
2.	Pavlov Vadim Alexeyevich	Director of the Center of Strategy, Development and Innovation of JSC "IDGC Holding"
3.	Perepelkin Alexei Yuryevich	Deputy General Director for Corporate Governance and Property of JSC "IDGC Holding"
4.	Sannikov Alexei Valeryevich	Deputy General Director of JSC "IDGC Holding"
5.	Demidov Alexei Vladimirovich	Deputy General Director for Economics and Finances of JSC "IDGC Holding"
6.	Mekhanoshin Boris Iosifovich	Deputy General Director and Technical Director of JSC "IDGC Holding"
7.	Bulanova Olga Leonidovna	Deputy General Director for Economics and Finances of JSC "MOESK"
8.	Krupin Mikhail Lvovich	Deputy General Director for Grid Connections in Moscow at JSC "MOESK"
9.	Oleynik Alexander Pavlovich	Deputy Director of the Fuel and Energy Department of Moscow and Director of the Energy Industry Investment Policy Department
10.	Borisov Yevgeny Ivanovich	Advisor to the Chairman of the Management Board of GPB (JSC)
11.	Skribot Wolfgang	Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)

No.	Name	Position and place of work (at time of election)
12.	Kravchenko Alexei Sergeyevich	Deputy Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
13.	Igumnov Nikita Georgyevich	Project Manager of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
14.	Kuvayeva Valeria Dmitryevna	Consultant of the Department for Economic Regulation and Property Relations in the Fuel and Energy Complex under the Russian Ministry of Energy
15.	Nuzhdov Alexei Viktorovich	Member of the Board of Directors of JSC "MOESK"
16.	Tushunov Dmitry Yuryevich	Director of the Analytical Department and Chief Economist of CJSC "Leader"
17.	Demina Valentina Alexandrovna	Senior Analyst of CJSC "Leader" (pension fund asset management company)

Under the decision of the Board of Directors dated December 19, 2011 (Minutes No. 154 dated December 20, 2011), the size of the Committee was approved at 17 people and the members of the Committee were elected.

No.	Name	Position and place of work (at time of election)
1.	Kurbatov Mikhail Yuryevich (Committee Chairman)	Deputy General Director of JSC "IDGC Holding"
2.	Bulanova Olga Leonidovna	Deputy General Director for Economics and Finances of JSC "MOESK"
3.	Snitsky Andrei Viktorovich	Director of IT, Innovations and Operational Efficiency of JSC "MOESK"
4.	Borisov Yevgeny Ivanovich	Advisor to the Chairman of the Management Board of GPB (JSC)
5.	Skribot Wolfgang	Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
6.	Grishchenko Sergei Valentinovich	Deputy Director of the Direct Investments Department of GPB (JSC)
7.	Igumnov Nikita Georgyevich	Project Manager of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
8.	Nuzhdov Alexei Viktorovich	Member of the Board of Directors of JSC "MOESK"
9.	Tushunov Dmitry Yuryevich	Director of the Analytical Department and Chief Economist of CJSC "Leader" (pension fund asset management company)
10.	Demina Valentina Alexandrovna	Senior Analyst of CJSC "Leader" (pension fund asset management company)
11.	Oleynik Alexander Pavlovich	Deputy Director of the Fuel and Energy Department of Moscow and Director of the Energy Industry Investment Policy Department
12.	Bykova Natalya Alexandrovna	Chief Specialist and Expert of the Department for Economic Regulation and Property Relations in the Fuel and Energy Complex under the Russian Ministry of Energy
13.	Pavlov Vadim Alexeyevich	Director of the Center of Strategy, Development and Innovation of JSC "IDGC Holding"
14.	Perepelkin Alexei Yuryevich	Deputy General Director for Corporate Governance and Property of JSC "IDGC Holding"
15.	Sannikov Alexei Valeryevich	Deputy General Director of JSC "IDGC Holding"
16.	Demidov Alexei Vladimirovich	Deputy General Director for Economics and Finances of JSC "IDGC Holding"
17.	Mekhanoshin Boris Iosifovich	Deputy General Director and Technical Director of JSC "IDGC Holding"



In 2011, the Strategy and Development Committee under the Board of Directors held 23 meetings, including 8 meetings in person.

Attendance of the meetings of the Strategy and Development Committee under the Board of Directors by Committee members in power until March 29, 2011

Strategy and Development Committee member	Number of meetings attended by the Strategy and Development Committee member
O.L. Bulanova, V.A. Demina, M.Y. Kurbatov, A.Y. Perepelkin, D.Y. Tushunov	5
M.L. Krupin, N.G. Shulginov	4
V.V. Kudryavy	3
G.F. Binko, A.V. Demidov, A.S. Kravchenko,	2
K.Y. Petukhov	2
A.V. Sannikov	1
A.V. Nuzhdov, A.P. Oleynik	0

Attendance by members of the Strategy and Development Committee under the Board of Directors at meetings was 59% on average.

Attendance of the meetings of the Strategy and Development Committee under the Board of Directors by Committee members in power until July 22, 2011.

Strategy and Development Committee member	Number of meetings attended by the Strategy and Development Committee member
O.L. Bulanova, V.A. Demina, M.Y. Kurbatov, A.Y. Perepelkin, D.Y. Tushunov	5
M.L. Krupin, N.G. Shulginov	4
V.V. Kudryavy	3
G.F. Binko, A.V. Demidov, A.S. Kravchenko, B.I. Mekhanoshin	2
A.V. Sannikov	1
A.V. Nuzhdov, A.P. Oleynik	0

Attendance by members of the Strategy and Development Committee under the Board of Directors at meetings was 66% on average.

Attendance of the meetings of the Strategy and Development Committee under the Board of Directors by Committee members elected on July 22, 2011

Strategy and Development Committee member	Number of meetings attended by the Strategy and Development Committee member
V.A. Demina, N.G. Igumnov, A.S. Kravchenko	9
Y.I. Borisov, O.L. Bulanova, M.Y. Kurbatov, V.A. Pavlov, A.Y. Perepelkin	8
A.V. Demidov, W. Skribot, D.Y. Tushunov	7
B.I. Mekhanoshin	6
V.D. Kuvayeva	5
A.V. Nuzhdov, A.V. Sannikov	4
M.L. Krupin	3
A.P. Oleynik	0

Attendance by members of the Strategy and Development Committee under the Board of Directors at meetings was 69% on average.

Attendance of the meetings of the Strategy and Development Committee under the Board of Directors by Committee members elected on December 19, 2011

Strategy and Development Committee member	Number of meetings attended by the Strategy and Development Committee member
Y.I. Borisov, O.L. Bulanova, N.A. Bykova, V.A. Demina, N.G. Igumnov, M.Y. Kurbatov, B.I. Mekhanoshin, A.V. Nuzhdov, W. Skribot, A.V. Snitsky, D.Y. Tushunov, V.A. Pavlov	1
A.V. Demidov, S.V. Grishchenko, A.Y. Perepelkin, A.P. Oleynik, A.V. Sannikov	0

Attendance by members of the Strategy and Development Committee under the Board of Directors at meetings was 71% on average.

In 2011, the meetings of the Strategy and Development Committee under the Board of Directors considered issues and gave recommendations on the most important issues concerning the Company's activities, including:

- considering reports on the implementation of the Company's business plan (including investment program);
- considering the Company's adjusted business plan (including investment program) for 2011;
- considering the Company's business plan (including investment program) for 2012;
- the Company's participation in the All-Russian Industry Association of Electricity Employers;
- the Company's participation in the Energy Training and Innovation Center autonomous non-profit organization via its establishment;
- considering a list of priority measures to develop and improve the reliability of the operational and technological control system of the Company's power grid complex.

## Power Grid Connection Committee

The main objectives of the Power Grid Connection Committee are to develop and submit recommendations (conclusions) to the Board of Directors on the following activities of the Board of Directors:

- developing proposals to improve the legal framework of antimonopoly regulation and ensure non-discriminatory access to power grid connections for consumers;
- developing proposals to improve the Company's internal regulations and standards to ensure non-discriminatory access to power grid connections for consumers;
- developing principles and criteria for assessing the effectiveness of the Company's activities involving the connection of consumers to power grids;
- assessing the effectiveness of the Company's activities involving the connection of consumers to power grids;
- analyzing the current situation at the Company and preparing proposals for the Board of Directors as regards the connection of consumers to power grids.

The Provision on the Power Grid Connection Committee was approved by the decision of the Board of Directors dated February 10, 2009 (Minutes No. 79 dated February 11, 2009).

Information on the Power Grid Connection Committee members in power until July 22, 2011

No.	Name	Position and place of work (at time of election)
1.	Petukhov Konstantin Yuryevich (Committee Chairman)	Director of Strategy and Development of JSC "IDGC Holding"
2.	Krupin Mikhail Lvovich	Deputy General Director for Grid Connections in Moscow at JSC "MOESK"
3.	Zotova Olga Stanislavovna	Director of the Department for Investment Planning and Grid Connection Economics of JSC "MOESK"
4.	Makarovsky Alexei Yuryevich	Director of the Directorate for Grid Connection Economics of JSC "MOESK"
5.	Kruchinin Mikhail Alexandrovich	Director of the Electricity Transport Directorate of JSC "MOESK"
6.	Yarosh Denis Nikolayevich	Deputy Chief Dispatcher for Operations of Moscow Interregional Dispatch Office – a branch of JSC "SOUES"
7.	Demina Valentina Alexandrovna	Senior Analyst of CJSC "Leader" (pension fund asset management company)
8.	Kravchenko Alexei Sergeyeovich	Deputy Director of the Direct Investments Department of GPB (JSC)
9.	Pleshivtsev Vsevolod Georgyevich	First Deputy Director of the Fuel and Energy Department of Moscow
10.	Konovalov Andrei Pavlovich	General Director of JSC "MOESK"
11.	Tikhonova Maria Gennadyevna	Director of the Department for Economic Regulation and Property Relations in the Fuel and Energy Complex under the Russian Ministry of Energy

Under the decision of the Board of Directors dated July 22, 2011 (Minutes No. 141 dated July 25, 2011), the size of the Committee was approved at 11 people and the members of the Committee were elected.

No.	Name	Position and place of work (at time of election)
1.	Skribot Wolfgang (Committee Chairman)	Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
2.	Vershinin Roman Alexandrovich	Deputy Director of the Services Development and Implementation Department of LLC "GPB – Energoeffect"
3.	Demina Valentina Alexandrovna	Senior Analyst of CJSC "Leader"
4.	Zotova Olga Stanislavovna	Director of the Department for Investment Planning and Grid Connection Economics of JSC "MOESK"
5.	Kalmykova Vera Ivanovna	Director of the Capital Construction Department of LLC "GPB – Energoeffect"
6.	Konovalov Andrei Pavlovich	General Director of JSC "MOESK"
7.	Krupin Mikhail Lvovich	Deputy General Director for Grid Connections in Moscow at JSC "MOESK"
8.	Panin Alexander Alexandrovich	Director of Legal Support – Director of the Legal Support Department of JSC "MOESK"
9.	Pleshitsev Vsevolod Georgyevich	First Deputy Director of the Fuel and Energy Department of Moscow
10.	Pyatigor Alexander Mikhailovich	Director of the Advanced Development and Grid Connection Department of JSC "IDGC Holding"
11.	Mazo Leonid Vladimirovich	Acting Deputy General Director of JSC "IDGC Holding"

Under the decision of the Board of Directors dated December 30, 2011 (Minutes No. 155 dated December 30, 2011), the size of the Committee was approved at 14 people and the members of the Committee were elected.

No.	Name	Position and place of work (at time of election)
1.	Skribot Wolfgang (Committee Chairman)	Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department of GPB (JSC)
2.	Zotova Olga Stanislavovna	Director of the Investments Department of JSC "MOESK"
3.	Konovalov Andrei Pavlovich	General Director of JSC "MOESK"
4.	Panin Alexander Alexandrovich	Director of Legal Support – Director of the Legal Support Department of JSC "MOESK"
5.	Romanenko Igor Vladimirovich	Director of Grid Connections in Moscow of JSC "MOESK"
6.	Kalmykova Vera Ivanovna	Director of the Capital Construction Department of LLC "GPB – Energoeffect"
7.	Borisov Yevgeny Ivanovich	Advisor to the Chairman of the Management Board of GPB (JSC)
8.	Demina Valentina Alexandrovna	Senior Analyst of CJSC "Leader" (pension fund asset management company)
9.	Pleshitsev Vsevolod Georgyevich	First Deputy Director of the Fuel and Energy Department of Moscow
10.	Mazo Leonid Vladimirovich	Deputy General Director of JSC "IDGC Holding"
11.	Pyatigor Alexander Mikhailovich	Director of the Advanced Development and Grid Connection Department of JSC "IDGC Holding"
12.	Korolev Vitaly Gennadyevich	Director of the Electricity Monitoring Department of the Russian Federal Antimonopoly Service
13.	Komarov Valentin Mikhailovich	Deputy Director of the Advanced Development and Grid Connection Department and Director of the Grid Connection Division of JSC "IDGC Holding"
14.	Finogenov Alexander Vladimirovich	Director of Investment Projects at CJSC "Leader" (pension fund asset management company)

In 2011, the Power Grid Connection Committee under the Board of Directors held 6 meetings, including 4 meetings in person.

Attendance of the meetings of the Power Grid Connection Committee under the Board of Directors by Committee members in power until July 22, 2011

Power Grid Connection Committee member	Number of meetings attended by the Power Grid Connection Committee member
A.P. Konovalov, A.S. Kravchenko, A.Y. Makarovskiy, K.Y. Petukhov, M.G. Tikhonova, D.N. Yarosh	3
V.A. Demina, O.S. Zotova, M.L. Krupin, M.A. Kruchinin	2
V.G. Pleshivtsev	0

Attendance by members of the Power Grid Connection Committee under the Board of Directors at meetings was 78% on average.

Attendance of the meetings of the Power Grid Connection Committee under the Board of Directors by Committee members elected on July 22, 2011

Power Grid Connection Committee member	Number of meetings attended by the Power Grid Connection Committee member
O.S. Zotova, L.V. Mazo, A.A. Panin, A.M. Pyatigor, W. Skribot	3
V.A. Demina, V.I. Kalmykova, A.P. Konovalov, V.G. Pleshivtsev	2
M.L. Krupin	1
R.A. Vershinin	0

Attendance by members of the Power Grid Connection Committee under the Board of Directors at meetings was 72% on average.

The current Power Grid Connection Committee elected on December 30, 2011 has not held any meetings.

In 2011, the meetings of the Power Grid Connection Committee under the Board of Directors considered issues and gave recommendations on the most important issues concerning the Company's activities, including:

- organizing an information exchange between JSC "MOESK" and the Fuel and Energy Department of Moscow regarding grid connections;
- the current situation in the Company's activities to connect consumers to power grids;
- the register of the Company's grid connection liabilities;

- considering a range of measures to reduce the number of complaints and appeals by JSC “MOESK” consumers during connection to power grids and ensure compliance with the requirements of the antimonopoly laws of the Russian Federation;
- considering the JSC “MOESK” Standard on a Centralized Customer Service System.

In 2011, one joint meeting of the Strategy and Development Committee and the Power Grid Connection Committee under the Board of Directors was held in person at which the committees considered the results of activities for connection to JSC “MOESK” power grids.

Attendance of the joint meeting by members of the Strategy and Development Committee and the Power Grid Connection Committee under the Board of Directors in power at the time of the joint meeting.

Member of the Strategy and Development Committee / Power Grid Connection Committee	Number of meetings attended by the member of the Strategy and Development Committee / Power Grid Connection Committee
A.V. Demidov, G.F. Binko, O.L. Bulanova, V.A. Demina, O.S. Zotova, M.Y. Kurbatov, A.S. Kravchenko, A.P. Konovalov, V.V. Kudryavy, A.Y. Makarovskiy, M.L. Krupin, A.Y. Perepelkin, V.G. Pleshivtsev, M.A. Kruchinin, N.G. Shulginov, M.G. Tikhonova, D.Y. Tushunov, D.N. Yarosh, A.V. Sannikov	1
A.P. Oleynik, K.Y. Petukhov, A.V. Nuzhdov	0

Attendance of the joint meeting by Committee members was 87% on average.

The Management Board is the Company’s collective executive body. The Management Board is responsible for the practical implementation of the Company’s objectives, development strategy and policy, it manages current activities within the competence determined by the decisions of the general meeting of shareholders and the Board of Directors, and it acts in accordance with the laws of the Russian Federation, the Company’s Charter and other internal documents as well as the Provision on the Management Board of JSC “MOESK” approved by the decision of the annual general meeting of shareholders on June 20, 2011.

The main tasks of the Management Board are:

- ensuring the observance of the rights and lawful interests of the Company’s shareholders;
- preparing proposals on the Company’s development strategy;

## Joint meetings of the Committees under the Board of Directors

## Management Board

- implementing the Company's financial and business policy, finding solutions to the most important issues in its current business activities, and coordinating the work of its units;
- improving the effectiveness of internal control and risk monitoring;
- ensuring a high return on the Company's assets and maximum profit from its operations.

The main issues falling within the competence of the Management Board are:

- developing and submitting long-term plans for the main areas of the Company's activities to the Board of Directors;
- approving (adjusting) targeted key performance indicators for the Company's departments (officers);
- preparing the business plan (adjusted business plan) and a report on its implementation as well as approving and adjusting cash flows in accordance with the list and benchmarks approved by the Board of Directors for the Company's cash flow (with mandatory submission to the Company's Board of Directors);
- preparing the investment program and a report for the Company's Board of Directors on its implementation;
- considering the Company's individual investment projects valued at more than 2 (two) million rubles and approving the reports of the Company's officers and departments on the effectiveness of their implementation;
- approving the Company's quarterly cash flow budget and also the report on its implementation;
- preparing the annual program for the Company's procurement activities, approving quarterly programs for the Company's procurement activities, and preparing reports on the implementation of the annual and quarterly programs for the Company's procurement activities;
- preparing a report on the Company's financial and business activities and on the implementation by the Management Board of the decisions adopted by the general meeting of shareholders and the Company's Board of Directors;
- the preliminary review and submission to the Company's Board of Directors of recommendations on matters under consideration by the Board of Directors in the manner prescribed by the Company's internal documents regulating the procedure for the activities of the Management Board;
- adopting decisions on matters falling within the competence of the supreme management bodies of business entities in which the Company owns 100 (one hundred) percent of charter capital or all the voting shares (subject to sub-clause 36 of clause 15.1 of the Company Charter);
- resolving other issues involving the management of the Company's current activities in accordance with the decisions of the general meeting of shareholders and the Board of Directors as well as issues submitted by the General Director to the Management Board for consideration.

The Management Board was elected on August 31, 2010 with the following members:

No.	Name	Position and place of work (at time of election)
1.	Konovalov Andrei Pavlovich, Committee Chairman	General Director of JSC "MOESK"
2.	Bulanova Olga Leonidovna, Deputy Committee Chairman	Deputy General Director for Economics and Finances of JSC "MOESK"
3.	Volkenshtein Grigory Yakovlevich	Deputy General Director for Capital Construction of JSC "MOESK"
4.	Kuznetsov David Felixovich	Deputy General Director for Special Projects of JSC "MOESK"
5.	Krupin Mikhail Lvovich	Deputy General Director for Grid Connections in Moscow at JSC "MOESK"
6.	Marakin Yury Vadimovich	Deputy General Director for Security of JSC "MOESK"
7.	Chegodayev Anatoly Vasilyevich	Deputy General Director and Technical Director of JSC "MOESK"

Under the decision of Board of Directors dated March 29, 2011 (Minutes No. 132 dated March 30, 2011), the powers of Management Board member G.Y.Volkenshtein were terminated and Deputy General Director for Capital Construction S.P. Romanovsky was elected to the Management Board.

In 2011, the Management Board held 67 meetings.

In 2011, the Management Board worked to adopt decisions on the most important issues concerning the Company's activities within its competence, including:

- determining the priority areas of activity;
- matters related to the functions of the general meetings of shareholders at business entities in which JSC "MOESK" is the sole shareholder;
- approving the Company's business plan (including investment program) for 2011, the Annual comprehensive Program for competitive and regulated non-competitive procurements for 2011 as well as adjustments to the aforementioned documents;
- considering Reports on the implementation of the Company's business plan (including investment program) for 2010 and the Annual comprehensive program for competitive and regulated non-competitive procurements for 2010;
- considering reports on the financial and business activities of the Company's branches, subsidiaries and dependent companies for 2010;
- the Company's preparations for the 2011-2012 fall and winter period;
- considering the program for the implementation of the Company's housing policy for 2011-2012;
- considering the Company's collective bargaining agreement for 2012;
- considering the private pension program for the Company's employees for 2011;
- the termination of the Company's participation in NP "INVEL."



## Management Board members



**KONOVALOV ANDREI PAVLOVICH**

Management Board Chairman

General Director of JSC “MOESK”

Citizenship: Russia  
Born: 1958  
Education: tertiary

Positions held over the past five years:

- Member of the Management Board of JSC “RusHydro”;
- General Director of JSC Irkutskenergo;
- First Deputy General Director and Director for Economics and Finances of JSC Krasnoyarsk Hydro-Power Station.

Percentage of common shares owned in the Company: 0%  
Stakes in subsidiary/affiliates of the Company: 0%



**BULANOVA OLGA LEONIDOVNA**

Management Board Deputy Chairman

Deputy General Director for Economics and Finances of JSC “MOESK”

Citizenship: Russia  
Born: 1959  
Education: tertiary

Positions held over the past five years:

- Financial Director of “INOPROM” Group.

Percentage of common shares owned in the Company: 0%  
Stakes in subsidiary/affiliates of the Company: 0%



#### KRUPIN MIKHAIL LVOVICH

Deputy General Director for Grid Connections in Moscow at JSC "MOESK"

Citizenship: Russia  
Born: 1972  
Education: tertiary

Positions held over the past five years:

- First Deputy General Director and Financial Director of JSC "Fifth Generating Company of the Wholesale Electricity Market";
- Aide to deputy of the Yaroslavl City Regional Duma of the fifth convocation;
- General Director of LLC "Region Security";
- Member of the Board of Directors of AB "Region" (JSC).

Percentage of common shares owned in the Company: 0%  
Stakes in subsidiary/affiliates of the Company: 0%



#### KUZNETSOV DAVID FELIXOVICH

Deputy General Director for Special Projects of JSC "MOESK"

Citizenship: Russia  
Born: 1963  
Education: tertiary

Positions held over the past five years:

- Member of the Management Board of JSC "RusHydro";
- Director of the representative office in Moscow, Deputy General Director of LLC "LEVIT".

Percentage of common shares owned in the Company: 0%  
Stakes in subsidiary/affiliates of the Company: 0%



#### MARAKIN YURY VADIMOVICH

Deputy General Director for Security of JSC "MOESK"

Citizenship: Russia  
Born: 1960  
Education: tertiary

Positions held over the past five years:

- Service in the army and Russian Federal Security Service agencies in various command, operational and managerial positions;
- Director of the Economic Security Department of SOLLERS OJSC;
- Director of the Security Department of JSC "MOESK".

Percentage of common shares owned in the Company: 0%  
Stakes in subsidiary/affiliates of the Company: 0%



#### ROMANOVSKY SERGEI PETROVICH

Deputy General Director for Capital Construction of JSC "MOESK"

Citizenship: Russia  
Born: 1959  
Education: tertiary

Positions held over the past five years:

- First Deputy Director of the Fuel and Energy Department of Moscow;
- First Deputy General Director of JSC "Elektrozavod";
- First Deputy General Director MES Center of "FGC UES", JSC.

Percentage of common shares owned in the Company: 0%  
Stakes in subsidiary/affiliates of the Company: 0%



#### CHEGODAYEV ANATOLY VASILYEVICH

Deputy General Director and Technical Director of JSC “MOESK”

Citizenship: Russia

Born: 1954

Education: tertiary

Positions held over the past five years:

- Chief Engineer, Director of Energy Sales of JSC “Krasnoyarsk-energo”;
- Deputy General Director for Production, Chief Engineer of JSC “WGC-2”;
- Director for Production, Chief Engineer of JSC RER Engineering Company”;
- Deputy Chief Engineer for Maintenance Organization of JSC “FGCUES.”

Percentage of common shares owned in the Company: 0%

Stakes in subsidiary/affiliates of the Company: 0%

## General Director

The management of the Company's current activities is performed by the sole executive body, the General Director (Chairman of the Management Board), who is accountable to the general meeting of shareholders and the Board of Directors.

The rights and duties of the General Director are determined by the laws of the Russian Federation, the Company Charter and the employment contract concluded between the General Director and the Company.

The competence of the General Director includes all issues concerning the management of the Company's current activities except for issues falling within the competence of the general meeting of shareholders and the Company's Board of Directors.

The General Director of JSC "MOESK" is AndreiPavlovichKonovalov, who was elected by the Board of Directors on March 11, 2010 (Minutes No. 104 dated March 12, 2010). Information on the Company's General Director is presented above.

## Auditing Commission

The Auditing Commission is the body that monitors the Company's financial and economic activities and regularly conducts inspections of the financial and economic activities of the Company, its autonomous subdivisions as well as the officials of the management bodies and structural subdivisions of the executive office to verify their compliance with the laws of the Russian Federation, the Charter and the internal documents of the Company.

According to clause 24.1 of the Company Charter, the Auditing Commission is comprised of five members elected annually by the general meeting of shareholders.

The main issues falling within the competence of the Auditing Commission are:

- analyzing the Company's financial status, identifying reserves to improve the Company's financial status and preparing recommendations for the Company's management bodies;
- organizing and conducting inspections (audits) of the Company's financial and economic activities, in particular an inspection (audit) of the financial, accounting, payment, settlement and other documentation associated with the Company's financial and economic activities to verify their compliance with the laws of the Russian Federation, the Charter and the internal documents of the Company;
- monitoring the integrity and use of fixed assets;
- monitoring compliance with the established procedure for writing off the Company's debt from insolvent debtors as losses;
- monitoring the spending of the Company's funds in accordance with the business plan and budget approved by the Company;

- monitoring the buildup and use of reserves and other special funds of the Company;
- inspecting the accuracy and timeliness of the accrual and payment of dividends on Company shares, interest on bonds and income on other securities;
- verifying compliance with previously issued orders to eliminate violations and shortcomings identified during previous inspections (audits);
- performing other actions (measures) related to the inspection of the Company's financial and economic activities.

Information on the Auditing Commission members in power until June 20, 2011

## Auditing Commission members

No.	Name	Position and place of work (at time of election)
1.	Alimuradova Izumrud Aligadzhiyevna	Director of the Internal Audit Department of JSC "IDGC Holding"
2.	Arkhipov Vladimir Nikolayevich	First Deputy Director of the Security Department of JSC "IDGC Holding"
3.	Kormushkina Lyudmila Dmitryevna	Director of the Audit Organization Division of the Internal Audit Department of JSC "IDGC Holding"
4.	Filippova Irina Alexandrovna	Leading Expert of the Audit Organization Division of the Internal Audit Department of JSC "IDGC Holding"
5.	Saukh Maxim Mikhailovich	Deputy Director of the Corporate Governance and Shareholder Relations Department of JSC "IDGC Holding"

Information on the Auditing Commission members elected June 20, 2011

No.	Name	Position and place of work (at time of election)
1.	Alimuradova Izumrud Aligadzhiyevna	Director of Internal Audit and Risk Management (Director of the Internal Audit and Risk Management Department) of JSC "IDGC Holding"
2.	Arkhipov Vladimir Nikolayevich	Director of the Security Department of JSC "IDGC Holding"
3.	Meshalova Galina Ivanovna	Leading Expert of the Internal Audit, Auditing Inspections and Expert Evaluations Division of the Internal Audit and Risk Management Department of JSC "IDGC Holding"
4.	Kormushkina Lyudmila Dmitryevna	Director of the Internal Audit, Auditing Inspections and Expert Evaluations Division of the Internal Audit and Risk Management Department of JSC "IDGC Holding"
5.	Komarov Valentin Mikhailovich	Deputy Director of the Advanced Development and Grid Connection Department and Director of the Grid Connection Division of JSC "IDGC Holding"

## Information on the Auditing Commission members elected November 25, 2011

### ALIMURADOVA IZUMRUD ALIGADZHIYEVNA

Director of Internal Audit and Risk Management (Director of the Internal Audit and Risk Management Department) of JSC "IDGC Holding"  
Born: 1971  
Education: tertiary

Positions held over the past five years:

- Director of the Internal Audit and Risk Management Department of JSC "IDGC Holding";
- Director of Development of LLC "Energoconsulting."

Percentage of common shares owned in the Company: 0%

### ARKHIPOV VLADIMIR NIKOLAYEVICH

Director of the Security Department of JSC "IDGC Holding"  
Born: 1956  
Education: tertiary

Positions held over the past five years:

- First Deputy Director of the Security Department of JSC "IDGC Holding";
- General Director of CJSC "Rustel."

Percentage of common shares owned in the Company: 0%

### KORMUSHKINA LYUDMILA DMITRYEVNA

Director of the Auditing Inspections and Expert Evaluations Division of the Internal Audit and Risk Management Department of JSC "IDGC Holding"  
Born: 1956  
Education: tertiary

Positions held over the past five years:

- Leading Expert at JSC RAO "UES of Russia."

Percentage of common shares owned in the Company: 0%

**SAUKH  
MAXIM MIKHAILOVICH**

First Deputy Director of the Corporate Governance and Shareholder Relations Department of JSC “IDGC Holding”  
Born: 1979  
Education: tertiary

Positions held over the past five years:

- Deputy Director of the Corporate Governance and Shareholder Relations Department of JSC “IDGC Holding”;
- Leading Expert, Chief Expert and Division Director of the Corporate Governance and Shareholder Relations Department of JSC RAO “UES of Russia.”

Percentage of common shares owned in the Company: **0%**

**FILIPPOVA  
IRINA ALEXANDROVNA**

Leading Expert of the Auditing Inspections and Expert Evaluations Division of the Internal Audit and Risk Management Department of JSC “IDGC Holding”  
Born: 1958  
Education: tertiary

Positions held over the past five years:

- Leading expert and chief specialist of LLC “Energoconsulting.”

Percentage of common shares owned in the Company: **0%**

No transactions were concluded between members of the Auditing Commission and JSC “MOESK”, no claims were filed against members of the Auditing Commission in the reporting year.

In accordance with Federal Law No. 152-FZ “On Personal Data” dated July 27, 2006, the Company has obtained consent to process the personal data of all members of JSC “MOESK” management and supervisory bodies.



## 5.4. Criteria for calculating the amount of remuneration payable to members of management bodies and the Auditing Commission

### Remuneration for members of the Board of Directors

In 2011, the total amount of remuneration paid to members of the Board of Directors was 32.83 million rubles, including:

- 12.32 million rubles for participation in meetings of the Board of Directors
- 20.51 million rubles for the Company's net profit according to the annual accounting statement for 2010 approved by the annual general meeting of shareholders
- 0 rubles for market capitalization over the period of work of the Board of Directors

### Remuneration for members of Committees under the Board of Directors

In 2011, the total amount of remuneration paid to members of Committees under the Board of Directors was 2.83 million rubles.

The amount and procedure for paying remuneration and compensation to members of the Board of Directors and Committees are specified by the Provision on the Payment of Remuneration and Compensation to Members of the Board of Directors approved by the Company's annual general meeting of shareholders on May 28, 2008.

In accordance with clause 2.4 of the Provision on the Company's Management Board, the Board of Directors shall determine the amount of remuneration and compensation paid to members of the Management Board.

In 2011, the Board of Directors did not adopt a decision on the payment of remuneration and compensation to members of the Management Board.

Financial incentive for Company employees who are members of the Management Board is provided in accordance with the Provision on Financial Incentive for the Senior Executives of JSC "MOESK" approved by the decision of the Board of Directors dated October 3, 2011 (Minutes No. 149 dated October 6, 2011).

The amount of remuneration paid to the General Director is determined by the Provision on Financial Incentive for the General Director approved by the decision of the Board of Directors and depends on the extent to which the Company meets its quarterly and annual key performance indicators.

The amount of remuneration paid to the General Director in 2011 was determined by the Provision on Financial Incentive for the General Director approved by the decision of the Board of Directors dated July 13, 2007 (Minutes No. 46 dated July 17, 2007) and the Provision on Financial Incentive for the General Director in the new edition approved by the Board of Directors on October 3, 2011 (Minutes No. 149 dated October 6, 2011) and depended on the extent to which the Company met its quarterly and annual key performance indicators.

The procedure for paying remuneration and compensation to members of the Auditing Commission for participation in the inspection of the Company's financial and business activities is established by the Provision on the Payment of Remuneration and Compensation to Members of the Company's Auditing Commission.

In 2011, the total amount of remuneration accrued for members of the Auditing Commission for inspections of the Company's financial and business activities totaled 1.17 million rubles for inspections conducted in the period from January 1, 2010 to October 1, 2010 as well as in 2011.

## Remuneration for members of the Management Board

## Remuneration for the General Director

## Remuneration for members of the Auditing Commission

## 5.5. Securities

The Company has charter capital of 24,353,545,787 rubles.

The Company has placed a total of 48,707,091,574 common registered shares with par value of 0.5 rubles each.

The Company is entitled to place an additional 3,718,126 common registered shares with par value of 0.5 rubles each. The authorized shares originated from an additional share issue during the reorganization of JSC "MOESK" via its merger with JSC "MGESK."

The Company has no cross shareholdings.

The Company did not place any preferred shares during the reporting period.

### REGISTERED SHARE ISSUES

State registration number of issue	Date of state registration of issue	Number of shares placed, pcs	Par value, rubles, pcs	Placement method	Registration date of the placement report
1-01-65116-D	May 31, 2005	28,249,359,700	0.5	Distributed among JSC "Mosenergo" shareholders	May 31, 2005
1-01-65116-D-001D*	June 30, 2008	20,457,731,874	0.5	Converted during merger	July 31, 2008

\*on November 18, 2008, in accordance with Order No. 08-2788/pz-n of the Russian FFMS, the individual code 001D of state registration number 1-01-65116-D-001D assigned to the additional share issue of JSC "MOESK" was cancelled.

### Share capital history

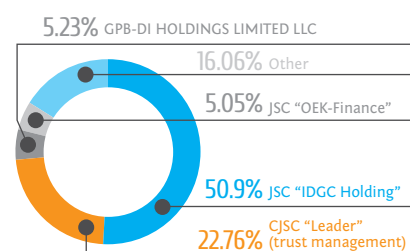
The placement date of the JSC "MOESK" shares was April 1, 2005 (the date of the state registration of JSC "MOESK"). The share placement procedure was determined by the decision of the annual general meeting of JSC "Mosenergo" shareholders with respect to the reorganization of JSC "Mosenergo" through a spin-off (Minutes No. 1 dated June 29, 2004). The shares of JSC "MOESK" were placed through distribution among the shareholders of JSC "Mosenergo," including those shareholders who voted against or did not take part in the vote on the reorganization of JSC "Mosenergo," in proportion to their shares of JSC "Mosenergo." The shareholders received one common share in JSC "MOESK" with par value of 0.5 rubles for each common share they owned in JSC "Mosenergo." The total number of JSC "MOESK" shares subject to distribution

was equal to the total number of JSC “Mosenergo” shares (minus the shares owned by JSC “Mosenergo”) that remained following the repurchase of shares at the request of shareholders who voted against the reorganization or did not take part in the voting.

The number of JSC “MOESK” common shares that each shareholder of JSC “MOESK” received was equal to the number of JSC “Mosenergo” common shares belonging to the shareholder as of the placement date based on the data of the JSC “Mosenergo” shareholder register. The charter capital of JSC “MOESK” consisted of 28,249,359,700 shares with par value of 0.5 rubles.

Decisions were adopted at an extraordinary general meeting of shareholders on April 18, 2008 concerning the reorganization of JSC “MOESK” via a merger with JSC “MGEsK” and the placement of 20,461,450,000 additional shares in JSC “MOESK” for conversion into shares of JSC “MGEsK.” A month after the reorganization of JSC “MOESK” (July 31, 2008), the Russian FFMS registered a placement report on the results of the additional securities issue by JSC “MOESK.” On September 19, 2008, Amendments and Addenda No. 7 to the JSC “MOESK” Charter were registered under which the Company’s charter capital totaled 48,707,091,574 shares.

**STRUCTURE OF SHARE CAPITAL (5% OR MORE) AS OF THE DATE OF THE COMPILATION OF A LIST OF PEOPLE WITH THE RIGHT TO TAKE PART IN THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS (AUGUST 02, 2011)**



**STRUCTURE OF SHARE CAPITAL (5% OR MORE) AS OF THE END OF THE REPORTING YEAR**

No.	Type of registered entity	Name	Share of charter capital as of Dec 31, 2011, %
1.	Nominal holder*	Limited Liability Company “Depository and Corporate Technologies”	50.90
2.	Nominal holder	Non-banking credit institution and Closed Joint-Stock Company “National Settlement Depository”	34.25
3.	Nominal holder	Closed Joint-Stock Company “Depository Clearing Company”	10.69
4.	Other	-	4.16
<b>Total</b>			<b>100</b>

\*As of December 31, 2011, JSC “IDGC Holding” is the shareholder with 50.90% of the JSC “MOESK” charter capital.

## STATISTICAL INFORMATION ON SHAREHOLDERS

Type of holder	As of the record date Aug 2, 2011		As of the end of the year Dec 31, 2011	
	Number of holders	Share of charter capital, %	Number of holders	Share of charter capital, %
Owners – individuals	19,337	4.60	16,141	3.88
Owners – legal entities	391	77.50	66	0.03
Nominal holders	-	-	18	96.09
Trustees	190	17.90	0	0
<b>Total</b>	<b>19,918</b>	<b>100</b>	<b>16,225</b>	<b>100</b>
Residents	19,866	99.80	16,194	99.99
Non-residents	52	0.20	31	0.01
<b>Total</b>	<b>19,918</b>	<b>100</b>	<b>16,225</b>	<b>100</b>

## Information on the registrar

Closed Joint-Stock Company “STATUS Registrar Company” was approved as the Company’s registrar under the decision of the Board of Directors dated October 25, 2006. In addition, the terms of the agreement for maintaining and storing the register of registered securities holders between JSC “MOESK” and CJSC “STATUS” were approved. Detailed information about the Company’s registrar is presented in the Contact Information section.

## Securities market

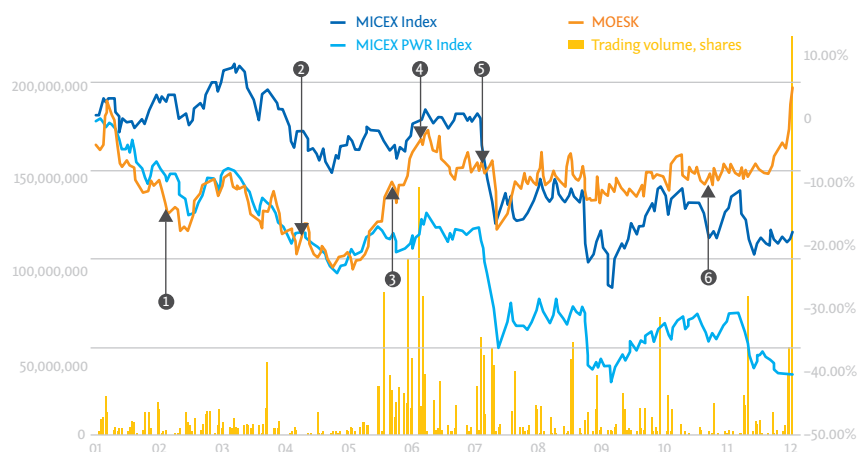
### SHARES ON THE STOCK MARKET

Stock market	MICEX	RTS*
Start of trading date	Feb 9, 2006	Feb 9, 2006
Quotation list	“A” first-tier	“A” second-tier
ISIN		RU000A0ET7Y7
Ticker	MSRS	MSRS – Classical Market MSRSG – Exchange Market
Bloomberg	MSRS RM	MSRS RU – Classical Market MSRSG RU – Exchange Market

\*On December 19, 2011, a merger occurred between the two stock exchanges MICEX and RTS. At this stage, the merger has only taken place from a legal standpoint. Trading continued as usual on the MICEX and RTS

In 2011, 84% of the trading with JSC “MOESK” shares took place on the MICEX and 16% on the RTS.

### THE COMPANY SHARE TRADING RESULTS IN 2011



1. The Russian government calls for the hike in electricity tariffs in 2011 to be capped at 15%.
2. JSC "MOESK" announces dividend payments.
3. The signing of an agreement between JSC "IDGC Holding" and GPB (JSC) on the trust management of JSC "MOESK" shares.
4. The publication of the IFRS financial statement for 2010.
5. A decline on global capital markets: worsening of the sovereign debt crisis in Europe, the U.S. credit rating is lowered from AAA to AA+ for the first time, and the risk increases of a recession in the global economy.
6. The publication of the IFRS financial statement for the first six months of 2011.



**IN 2011, 84% OF THE TRADING WITH JSC "MOESK" SHARES TOOK PLACE ON THE MICEX AND 16% ON THE RTS**



### CHANGE IN THE COMPANY'S SHARE PRICE COMPARED WITH THE MICEX AND MICEX PWR INDICES

Indicator	Change in price by year		
	2009	2010	2011
Company's share price	-8%	34%	4%
MICEX Index	116%	17%	-18%
MICEX PWR Index	165%	39%	-40%

In January 2011, two key factors were identified that affect the share quotations of JSC "MOESK" and other issuers in the energy sector: the expectation that the transition to RAB regulating will improve financial performance and increased government control over electricity prices.

Taking into consideration the Russian government's statement (in February 2011) about restricting electricity tariff hikes to 15%, the market responded with a decline. For almost all of 2011, the shares of energy sector companies were under pressure from the growing risks of investment in the Russian power industry. The biggest disappointment for investors was the postponement in the transition to RAB regulation of energy tariffs.



## JSC "MOESK" IS ONE OF ONLY A FEW COMPANIES IN THE POWER GRID SECTOR THAT DEMONSTRATED GROWTH IN MARKET CAPITALIZATION IN 2011



At the same time, following a correction JSC "MOESK" shares have shown growth since mid-June due to several media reports about GPB (JSC) taking over operational control of the company from JSC "IDGC Holding." Most of the analysts who cover the Company's activities viewed this news as positive.

### STOCK EXCHANGE SHARES

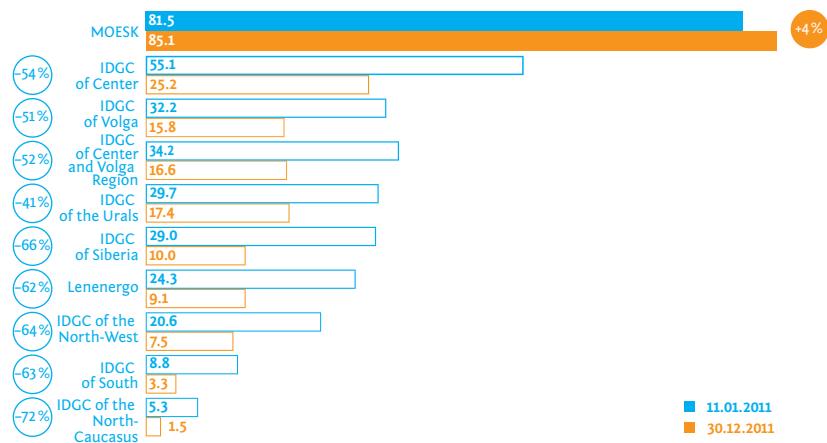
	2009	2010	2011
Min price, rubles	0.69	1.21	1.28
Max price, rubles	1.48	1.80	1.75
Closing price at end of year, rubles	1.07	1.67	1.60
Number of transactions, pcs	41,599	64,840	59,919
Turnover			
mln rubles	1,922	4,798	4,342
mln pcs	1,675	3,080	2,803

JSC "MOESK" is one of only a few companies in the electricity sector that demonstrated growth in market capitalization in 2011.

### PRESENCE IN INDICES

Index	Index code	Inclusion date	Weight of shares in index		
			Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
RTS Index	RTSI	March 16, 2011	-	-	0.25%
RTS Index-2	RTS2	June 15, 2007	1.13%	1.42%	2.72%
RTS Power Index (dollar)	RTSeu	Sept 15, 2006	1.85%	2.72%	5.10%
MICEX Power Index (ruble)	MICEX PWR	July 3, 2006	1.96%	2.36%	5.08%
MICEX Standard Capitalization Index	MICEX MC	Oct 15, 2008	0.76%	0.81%	2.42%

### CHANGE IN MARKET CAPITALIZATION FOR COMPANIES WORKING IN THE POWER GRID SECTOR OVER THE PERIOD FROM JAN 11, 2011 TO DEC 30, 2011, bln. rub



## 5.6. Participation in business entities and non-profit organizations

No.	Company	Location	Primary activity	Share of Company's participation in capital, %	Revenue, mln rubles	Financial result, mln rubles
1.	Open Joint-Stock Company "Electrical Equipment Maintenance Factory" (JSC "RETO Factory")	115201, Moscow, Starokashirskoye shosse, d. 4a	Installation, adjustment and repair of energy facilities, electrical and thermal power equipment and power installations for consumers; repair and overhaul of high-power electrical equipment installed in electrical power networks, thermal power plants, SDPPs and other facilities; recovery operations at electrical power networks, thermal power plants, SDPPs and other facilities in Moscow, the Moscow region and other regions.	100	529.0	4.6
2.	Open Joint-Stock Company "Moskabelsetmontazh" (JSC "MKSM")	115088, Moscow, ul. Yuzhnoportovaya, d. 17, str. 3	Construction and installation work (including work to install external utility networks and equipment, the laying of power supply cable lines with capacity of 1-10, 20, 35, 110, 220 and 500 kV; site preparation and excavation work, the erection of bearing and enclosing structures; the installation of internal utility networks; work to protect structures and equipment; and commissioning work).	100	1,813.5	53.1
3.	Open Joint-Stock Company "Moskabelenergomont" (JSC "MKER")	115569, Moscow, ul. Shipilovskaya, d. 13, korp. 2	Installation, adjustment and repair of energy facilities, electrical and thermal power equipment and power installations for consumers; the repair, reconstruction and modernization of cable lines and equipment as well as the modernization and reconstruction of energy facilities; providing power supplies to consumers connected to grids; supporting the operation of energy equipment, utility systems and facilities in accordance with applicable regulatory requirements.	100	311.4	0.7



## PARTICIPATION IN BUSINESS ENTITIES (continuation)

No.	Company	Location	Primary activity	Share of Company's participation in capital, %	Revenue, mln rubles	Financial result, mln rubles
4.	Open Joint-Stock Company "Energocenter" (JSC "Energocenter")	Moscow Region, Podolsk, ul. Kirova, d. 65	Investment activities, power grid connection services, development of power electric grids and other grid facilities, including design, engineering surveys, construction, reconstruction, modernization, installation and adjustment.	50	224.3	136.1

## PARTICIPATION IN NON-PROFIT ORGANIZATIONS

No.	Company	Location	Area of activity
1.	Non-profit partnership "Scientific and Technical Council of UES"	Moscow, Vrontsovsky per., d. 2	Assisting partnership members in establishing science-based technical and economic policies in the Unified Energy System of Russia.
2.	Non-profit partnership "ENERGOSTROY"	Moscow, Ulansky per., d. 26, str. 1	Preventing damage to the life and health of individuals, the property of individuals or legal entities, state or municipal property, the environment, cultural heritage sites (including historical and cultural monuments) and the people of the Russian Federation as a result of shortcomings in work that affect the safety of capital construction projects and are caused by members of the partnership. Improving the quality of construction, reconstruction and major repairs. Representing and protecting the rights and lawful interests of partnership members, providing assistance in the protection of the economic, professional and social interests of partnership members within bodies of the state authorities and governance, judicial bodies (including arbitral tribunals), local governments, public associations and all other third parties.
3.	Non-profit partnership "ENERGOPRO-EKT"	Moscow, Ulansky per., d. 26, str. 1	Uniting legal entities that perform design documentation preparation work, improve the design quality of capital construction projects, represent and protect the rights and lawful interests of partnership members, providing assistance in the protection of the economic, professional and social interests of partnership members within bodies of the state authorities and governance, judicial bodies (including arbitral tribunals), local governments, public associations and all other third parties.
4.	Non-profit partnership "Union of Energy Auditors and Energy Service Companies"	105066, Moscow, ul. Nizhnaya Krasnoselskaya, d. 40/12, korp. 6	Assistance in: - improving the quality of work in matters involving energy audits and the rendering of energy services; - collaboration and cooperation on the development and introduction of energy efficient and renewable energy technologies, friendly energy production and a reduction in the energy intensity of production; - preparing proposals for amendments to existing legislation on energy efficiency and conservation.
5.	All-Russian Industry Association of Electric Power Employers	115280, Moscow, ul. Avtozavodskaya, d. 14/23, str. 1	Promoting the business of members of the Association by representing and protecting the interests of employers in social, labor, economic and other affairs, in relations with trade unions, the state authorities and local governments, and the development of a coordinated and socially responsible policy for member organizations of the Association.

# 5.7. Property management

## STRUCTURE OF THE COMPANY'S PROPERTY COMPLEX AND CHANGES OVER THE REPORTING PERIOD

No.	Name	Physical quantities: for overhead lines and cable networks – length by circuits (km); for substations and other Assets – quantity (units)	Balance sheet (book) value as of Jan 1, 2011 ('000 rubles)	Commissioned in the period from Jan 1, 2011 to Dec 31, 2011 ('000 rubles)	Decommissioned in the period from Jan 1, 2011 to Dec 31, 2011 ('000 rubles)	Accrued depreciation in the period from Jan 1, 2011 to Dec 31, 2011 ('000 rubles)	Balance sheet (book) value as of Dec 31, 2011 ('000 rubles)
1.	<b>Assets associated with power grid facilities, including:</b>		<b>152,573,050</b>	<b>29,568,555</b>	<b>120,380</b>	<b>14,907,581</b>	<b>167,113,644</b>
1.1.	OL-220 kV and higher	1,457	2,748,245	420,348	7,371	252,035	2,909,187
1.2.	OL-110 kV	9,861	6,043,543	1,295,210	10,958	570,226	6,757,569
1.3.	OL-35 kV	4,068	466,442	297,053	0	64,360	699,135
1.4.	OL-10 kV and lower	48,727	7,393,371	1,363,600	1,253	593,534	8,162,184
1.5.	SS-220 kV and higher	43	17,799,798	2,311,671	0	1,717,245	18,394,224
1.6.	SS-110 kV	353	26,748,734	5,451,690	24	3,105,257	29,095,143
1.7.	SS-35 kV	206	1,796,741	94,855	0	263,661	1,627,935
1.8.	SS-10 kV and lower	29,024	38,122,503	4,667,352	41,362	4,051,430	38,697,063
1.9.	Cable networks (all voltage classes)	70,609	37,280,135	9,536,758	29,062	1,677,768	45,110,063
1.10.	Other assets intended for electrical connections		14,173,538	4,130,018	30,350	2,612,065	15,661,141
2.	<b>Non-core assets including in the “Register of Non-Core Assets”</b>	<b>3</b>	<b>1,908</b>	<b>0</b>	<b>614</b>	<b>0</b>	<b>1,294</b>
3.	<b>Other assets (item 3 = item 4 – item 2 – item 1)</b>		<b>1,475,080</b>	<b>669,273</b>	<b>105</b>	<b>292,381</b>	<b>1,851,867</b>
3.1.	Land plots under ownership	4	11,821	60,520	0	0	72,341
4.	<b>“Fixed assets” (balance sheet line)</b>	<b>52,719</b>	<b>154,050,038</b>	<b>30,237,828</b>	<b>121,099</b>	<b>15,199,962</b>	<b>168,966,805</b>
5.	<b>Leased assets associated with power grid facilities, including:</b>		<b>27,927,344</b>	<b>1,094,468</b>	<b>27,669,091</b>	<b>0</b>	<b>1,352,721</b>
5.1.	OL-220 kV and higher	0	0	0	0	0	0
5.2.	OL-110 kV	19	30,488	0	7,136	0	23,352
5.3.	OL-35 kV	14	14,122	0	14,122	0	0
5.4.	OL-10 kV and lower	0	8,667	0	8,649	0	18
5.5.	SS-220 kV and higher	0	1,604	0	0	0	1,604
5.6.	SS-110 kV	16	382,143	1,000,913	1,031,374	0	351,682
5.7.	SS-35 kV	1	58	0	0	0	58
5.8.	SS-10 kV and lower	67	7,128,929	34,710	7,133,732	0	29,907
5.9.	Cable networks (all voltage classes)	31	18,931,203	0	18,767,361	0	163,842
5.10.	Other leased assets intended for electrical connections		1,430,130	58,845	706,717	0	782,258

## STRUCTURE OF THE COMPANY'S PROPERTY COMPLEX AND CHANGES OVER THE REPORTING PERIOD (continuation)

No.	Name	Physical quantities: for overhead lines and cable networks – length by circuits (km); for substations and other Assets – quantity (units)	Balance sheet (book) value as of Jan 1, 2011 ('000 rubles)	Commissioned in the period from Jan 1, 2011 to Dec 31, 2011 ('000 rubles)	Decommissioned in the period from Jan 1, 2011 to Dec 31, 2011 ('000 rubles)	Accrued depreciation in the period from Jan 1, 2011 to Dec 31, 2011 ('000 rubles)	Balance sheet (book) value as of Dec 31, 2011 ('000 rubles)
6.	<b>Other leased assets, including:</b>	2,075	10,123,500	4,674,204	628,718	0	14,168,986
6.1.	Land plots	2,075	9,868,509	534,131	364,960	0	10,037,681
7.	<b>Assets used under lease agreements associated with power grid facilities, including:</b>	0	36,290,966	0	2,475,313	0	33,815,653
7.1.	OL-220 kV and higher	0	0	0	0	0	0
7.2.	OL-110 kV	0	0	0	0	0	0
7.3.	OL-35 kV	0	0	0	0	0	0
7.4.	OL-10 kV and lower	0	0	0	0	0	0
7.5.	SS-220 kV and higher	12	1,950,538	0	1,104	0	1,949,434
7.6.	SS-110 kV	23	7,287,470	0	39,932	0	7,247,538
7.8.	SS-35 kV	2	145,138	0	600	0	144,538
7.9.	SS-10 kV and lower	57	1,173,201	0	31,317	0	1,141,884
7.10.	Cable networks (all voltage classes)	102	25,734,619	0	2,402,360	0	23,332,259
8.	<b>Other assets used under lease agreements intended for electrical connections</b>	0	2,369,905	0	2,701	0	2,367,204
9.	<b>Other assets used under lease agreements</b>	0	0	0	0	0	0
10.	<b>Total leased assets (item 10= item 5 + item 6 + item 7 + item 8 + item 9)</b>		76,711,715	5,768,672	30,775,823	0	51,704,564
11.	<b>TOTAL (item 11 = item 4 + item 10)</b>		230,761,753	36,006,500	30,896,922	15,199,962	220,671,369

## Changes to the cost and quantity specifications of power transmission lines and substations

The receipt of assets on the JSC “MOESK” balance sheet occurred as a result of the following activities:

- the acquisition of power grid facilities under purchase-sale agreements with JSC “Mosenergo”;
- the startup following construction of new and reconstructed facilities as part of the implementation of the JSC “MOESK” investment program;
- the transfer of property to third parties to compensate for losses incurred by JSC “MOESK” as a result of the liquidation of the Company's property (agreement on the loss compensation procedure);
- the gratuitous acceptance of power grid facilities transferred to JSC “MOESK” by third-party non-profit organizations and individuals.

**The decommissioning of assets over the year occurred for the following reasons:**

- the write-off of assets from the JSC “MOESK” balance sheet as a result of the reconstruction or the full or partial liquidation of JSC “MOESK” property as part of agreements on the loss compensation procedure;
- the decommissioning of assets under purchase-sale agreements with third parties;
- the write-off of worn out and obsolete fixed assets.

**Changes to the cost and quantity specifications of fixed assets on off-balance sheet accounts:**

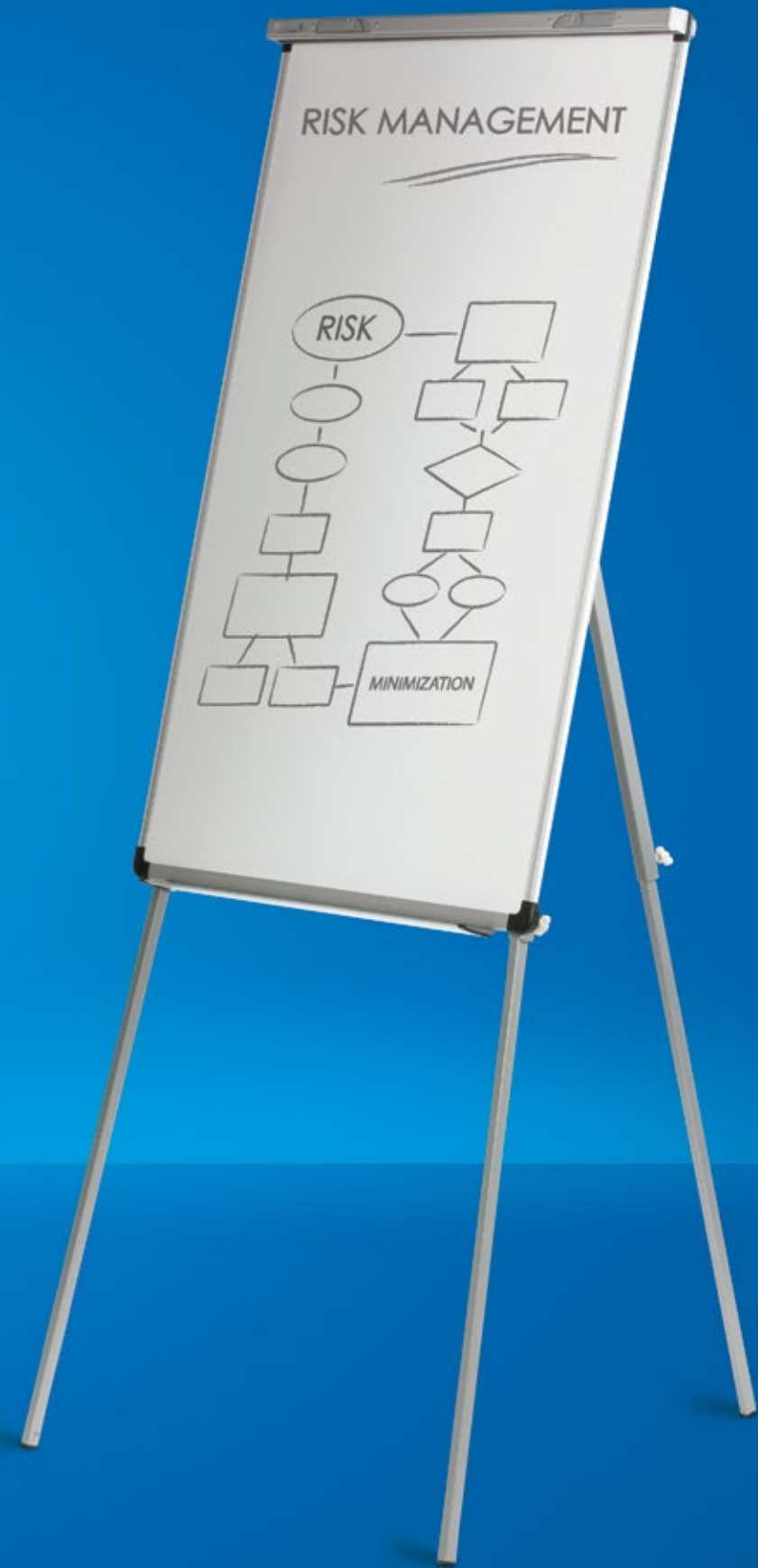
- the return by the Company to JSC “OEK” of previously leased (sub-leased) power grid facilities;
- the reflection on the off-balance sheet accounts of the cadastral value of land plots leased by JSC “MOESK.”

**INFORMATION ON LAND PLOTS**

No.	Type of land plot	Total number and area of land plots		Including:								State cadastral register				Protected areas	
				those purchased on the reporting date		those leased (subleased) on the reporting date		those under the right of permanent (indefinite) use on the reporting date		rights not determined as of reporting date		included on state cadastral register on reporting date		rights registered on reporting date		number-	km
		number-	hectares	number-	hectares	number-	hectares	number-	hectares	number-	hectares	number-	hectares	number-	hectares	number-	km
1.	Land plots for power substation facilities, including:	4,948	781.3	3	4.7	3,763	422.0	491	199.7	691	154.9	4,649	441.7	3,766	426.7	0	0
1.1.	for SS-220 kV and higher	44	128.1	1	1.3	35	97.9	8	28.9	0	0	41	86.8	36	99.2	0	0
1.2.	for SS-110 kV	369	396.4	2	3.40	246	265.8	89	106.9	32	20.3	325	289.0	248	269.2	0	0
1.3.	for SS-35 kV and lower	4,535	256.8	0	0	3,482	58.3	394	63.9	659	134.6	4,283	65.9	3,482	58.3	0	0
2.	Land plots for OL-220 kV and higher	228	23.7	0	0	187	5.5	4	0.3	37	17.9	242	1.9	187	5.5	148	1,618.38
3.	Land plots for OL-110 kV and lower, including:	4,018	349.9	0	0	1,523	18.7	745	105.1	1,750	226.2	4,489	9.3	1,523	18.7	999	11,087.21
3.1.	for OL-110 kV	2,159	161.1	0	0	849	10.2	534	48.4	776	102.6	2,092	6.5	849	10.2	676	7,670.79
3.2.	for OL-35 kV	1,086	32.8	0	0	245	2.5	181	3.5	660	26.8	1,996	2.1	245	2.5	323	3,416.42
3.3.	for OL-0.4/6/10 kV	773	156.0	0	0	429	6.0	30	53.2	314	96.8	401	0.7	429	6.0	0	0
4.	Land plots for power plant facilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5.	Land plots for joint operations facilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6.	Land plots for thermal network facilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7.	Land plots for other facilities	269	152.0	4	46.6	175	69.1	31	28.5	59	7.7	323	118.3	179	115.7	0	0
	<b>Total</b>	<b>9,463</b>	<b>1,306.9</b>	<b>7</b>	<b>51.3</b>	<b>5,648</b>	<b>515.3</b>	<b>1,271</b>	<b>333.6</b>	<b>2,537</b>	<b>406.7</b>	<b>9,703</b>	<b>571.2</b>	<b>5,655</b>	<b>566.6</b>	<b>1,147</b>	<b>12,705.58</b>

# 6. Management of in-company processes

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# 6.1. Quality management system

One of the Company's key objectives is to improve the availability of power grid infrastructure and the quality of power transmission and grid connection services. The main tool for achieving this goal is the development and improvement of the management system in accordance with the requirements of ISO 9000 international standards.

The JSC "MOESK" quality management system was certified according to the requirements of the ISO 9001:2000 international standard in 2008. In 2009, the quality management system was updated to comply with the requirements of ISO 9001:2008. In 2011, the certification of the quality management system also applied to the activities of the JSC "MOESK" branch Moscow Cable Networks.

The compliance of the quality management system with the requirements of ISO 9001:2008 was confirmed by a successful re-certification audit conducted by CJSC "Bureau Veritas Certification Rus" in accordance with the terms of the accreditation certificate of BUREAU VERITAS Certification. The auditors confirmed that the JSC "MOESK" quality management system, including the branch Moscow Cable Networks, has been implemented and is developing while demonstrating an ability to meet the planned targets and continuously improve. The certificate on the compliance of the Company's quality management system with ISO 9001:2008 has been extended until 2014.

The scope of the certification of the quality management system is "The provision of services for the transmission and distribution of electricity and connection to the power grids of the JSC "MOESK" branch Moscow Cable Networks. Managing the activities of JSC "MOESK" branches when providing services for the transmission and distribution of electricity and connection to power grids."

In 2012, the Company plans to expand the scope of quality management system certification to all the Company's branches.

## 6.2. Internal control system

The internal control system is part of the Company's corporate governance system. Internal control ensures the Company's management bodies adopt informed decisions aimed at increasing the Company's shareholder value by enhancing the level of responsibility and accountability of members of the corporate governance system at all levels of Company management.

The main document that ensures the functioning of the Company's quality management system is the Internal Control Policy, which has been approved by the Board of Directors (Minutes No. 110 dated June 11, 2010). The policy is designed to develop and improve the internal control system and create unified approaches to the management of internal control processes.

The Internal Control Policy defines the procedures, objectives and principles of the internal control system, the roles, responsibility and interaction of its participants, as well as the types and levels of internal control over the Company's financial and economic activities.

The provisions of the Internal Control Policy are mandatory for managers and specialists throughout all the levels of the Company, its structural subdivisions as well as other participants in internal control processes and concerned parties. The Company's internal control system is based on the principle of employing unified standards for business processes and control procedures at all levels of management. This means that the unified standards for business processes contain control procedures that are performed at each level of management in accordance with the functional vertical levels.

The Company's Board of Directors determines the areas of development in the internal control system and approves the local regulations aimed at developing the internal control system.

The Audit Committee under the Board of Directors conducts a general assessment of the effectiveness of the internal control procedures at the Company.

The Company's General Director is responsible for the effectiveness of the internal control system as well as the implementation of local regulations on the internal control system.





**CAPTION:**  
Company employees conducting an internal efficiency assessment to improve control procedures

Managers of structural divisions and other Company employees monitor and are responsible for establishing and implementing control procedures and also conduct their own efficiency assessments to improve control procedures.

In order to ensure the effectiveness of the internal control system, the Company has established a structural subdivision of the Company's executive office – the Internal Audit and Risk Management Department, which functions on the basis of the Provision on the Department. To ensure the principles of independence and objectivity, the Department is administratively subordinate to the Company's General Director and functionally subordinate to the Audit Committee under the Board of Directors.

The Internal Audit and Risk Management Department monitors and evaluates the effectiveness of the internal control system and also assesses whether the control procedures conducted by participants in the business process comply with the management levels.

The goal and criteria for the successful improvements to processes in terms of organizing the Company's internal control system are to minimize operational risks by establishing and introducing control procedures into business processes.

The internal control system involves:

- Preliminary (preventive) control (performed prior to the start of business operations in the management and optimization of business processes through identifying and assessing the risks faced by the Company in order to minimize the likelihood of a risk event).
- Routine control (performed directly during the process of business operations and aimed at the prompt identification and immediate elimination of shortcomings and violations in the business processes). In order to improve the reliability of the internal control system, preliminary (preventive) control and routine control are employed in conjunction with the risk-based audit.
- Follow-up control (performed after the business operations are completed and aimed at establishing the reliability of accounting data, identifying violations, shortcomings or positive experience, and assessing whether the results comply with the established performance targets).

In 2011, the Company continued work to improve and develop the internal control system. The Company's Board of Directors approved local regulations aimed at developing the internal control system: the Provision on the Control Environment and Business Process Risks: "Procurement Activities," "Operating Activities," "Sale of Grid Connection Services" and "Commercial Accounting and Sale of Electricity Transmission Services" (Minutes No. 141 dated July 25, 2011).

The Provision on the Control Environment and Business Process Risks is the core document resulting from the introduction of the standardized internal control system. The document incorporates the requirements for aligning the control environment, performing all control procedures, implementing risk management measures and determining zones of responsibility. The appendix to the Provision on the Control Environment and Business Process Risks, called "Matrix of Business Process Risks and Control Procedures," defines and explains the routine control procedures that are "embedded" in the Company's business processes.

In 2012, the Company continues to improve and develop the internal control system and for this purpose plans to meet the following objectives:

- optimizing the control environment of the Company's business processes, including standardizing the documentary procedure for registering control procedures;
- regular monitoring of the implementation of control procedures;
- conducting a risk-based audit and monitoring of the efficiency of the internal control system on a regular basis.



**CAPTION:**

In 2011, the Company continued work to improve and develop the internal control system

## 6.3. Risk management system

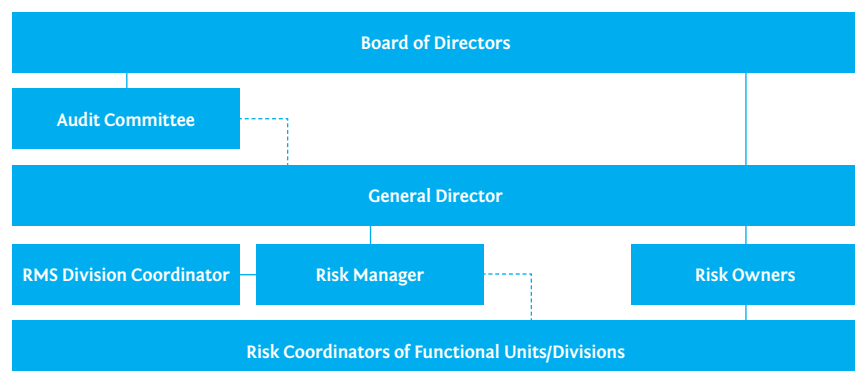
The main purpose of the JSC “MOESK” risk management system is to increase the stability of the Company’s financial results by introducing effective tools to manage the risks that are inherent in the Company.

The fundamental documents regulating the functioning of the JSC “MOESK” risk management system are the Risk Management Policy and Internal Control Policy (approved by the Board of Directors, Minutes No. 110 dated June 10, 2010) as well as the Guidelines on Risk Management at JSC “MOESK.”

These documents determine the basic rules for implementing risk management processes, the structure (main groups) of risks as well as the organizational infrastructure of the risk management system and the principles for controlling the functional effectiveness of the risk management system.

### Organizational structure of risk management system

The appropriate organizational infrastructure has been established at JSC “MOESK” to effectively organize work to introduce and manage the functioning of the risk management system.



The organizational structure of the JSC “MOESK” risk management system is built on the matrix principle. The coordination of the development and general administration of the system is performed by the Company’s risk manager and a division that specializes in matters of risk management. The risk owners and risk coordinators systematically arrange the procedures for identifying and assessing risks in their business areas and develop action plans to respond to the risks and assess the effectiveness of these measures.

## COUNTRY AND REGIONAL RISKS

### Country risks

As a result of the global financial crisis in 2008-2009, Russia’s sovereign rating was downgraded in late 2008 by several international rating agencies. However, positive growth trends have been observed recently, and in mid-2011 the leading ratings agencies Standard & Poor’s and Fitch affirmed their country outlooks at “stable” (Standard & Poor’s) and “positive” (Fitch).

On the other hand, the Russian economy’s dependence on raw commodity exports makes the Company vulnerable to volatility on global financial and commodity markets, which could affect its activities. In particular, it could weaken the Company’s ability to access capital and reduce effective demand for its services. At present, the impact of these risks on the Company’s activities could be assessed as average. In an effort to minimize these risks, JSC “MOESK” is working to reduce operating costs, optimize its investment program and adhere to a balanced policy with respect to borrowing funds.

The risk of destabilization in the political situation is assessed as a low probability.

### Regional risks

The Company conducts its production operations in Moscow and the Moscow Region, where the economy is growing at a considerable pace. This circumstance ensures steady demand for the Company’s services. The further development of the region will create a favorable environment for the Company’s growth and improved financial results. No significant macroeconomic changes on a regional scale capable of negatively affecting the Company’s operations are predicted in the near future. The Company regards the political and economic situation in the regions as stable.

If such risks materialize, the Company plans to undertake crisis management measures to reduce the negative impact on its operations as much as possible.

## Key risks and actions to minimize them



**CAPTION:**  
Installation of 20 kV equipment

### Risks associated with the geographical features of the region

The Company bears risks associated with the increased danger of natural disasters: damage or failure of equipment due to severe storm, heavy snow, sleet and freezing rain.

Actions taken by the Company to reduce the impact of these risks include:

- designing power transmission lines taking into account geographical demarcation based on icing;
- expanding firebreaks for overhead power lines in accordance with the regulatory legal acts governing the procedure for determining protected areas and the felling of technical firebreaks close to power grid facilities;
- introducing modern equipment to diagnose and locate faults on high-voltage power lines;
- developing and implementing the program to replace OL cable with capacity of 0.4-10 kV on the self-supported insulated conductor;
- the selective introduction of anti-icing and ice-melting systems;
- property insurance.

The Company operates in a region with developed infrastructure and faces few risks associated with breakdowns in transport. In addition, the Company's field service and maintenance repair teams are equipped with specialized gear.

### REGULATORY RISKS

#### Risks of tariff regulation

The main services provided by JSC "MOESK" – the transmission of electricity via distribution networks and the connection of consumers to power grids – are government-regulated activities. Thus, the Company may face regulatory risks associated with the tariff level for its services approved by the regulatory bodies and the amount of income generated from this tariff level. The use of the RAB regulation method reduces the impact of subjective factors on the adoption of tariff-related decisions, however it entails the risk of the Company not meeting its targets.

In order to minimize the risks of tariff regulation, the Company is implementing the following measures:

- working with the tariff regulatory authorities of Moscow and the Moscow Region on the economic justification of the costs included in the tariffs;
- drawing up programs jointly with the local authorities to develop the region with the approval of the volume and sources of funding for investment programs;
- working with the regulatory authorities and the Russian Energy Ministry to approve the Company's long-term investment program;
- implementing programs to reduce costs and optimize the investment program.

The regional features of tariff regulation may also entail significant risks for the Company. Specifically, Decree No. 40 of the Regional Energy Commission of Moscow "On the Approval of the Regulations for the Technological Connection of Consumers to Distribution Power Grids in Moscow" established the joint system for setting tariffs on grid connection operations in Moscow. However, the lack of an approved tariff for recording data with the joint participants under grid connection contracts concluded after 1 June 2009 as well as the cancellation of Decree No. 40 of the Regional Energy Commission of Moscow starting from 2011 has led to accounts receivable accumulating on advances issued by the Company to participants in the "one-stop shop." To preclude the risk of this debt being recognized as uncollectible, the Company will initiate the negotiation process involving the regulatory authorities and the joint participants, and will also take steps to recover accounts receivable in court.

## INDUSTRY RISKS

### Risks of antimonopoly regulation

The activities of JSC "MOESK" are characterized by features of a natural monopoly and are subject to antimonopoly regulation. The Company could face serious penalties if it is declared to have violated antimonopoly laws based on appeals from consumers to the territorial branches of the Russian Federal Antimonopoly Service. Activities involving the technological connection of the electrical installations of consumers to the Company's power grids are most exposed to the risk of antimonopoly regulation. Factors associated with this risk include breakdowns in the grid connection,



**THE COMPANY REGULARLY  
EVALUATES CUSTOMER  
SATISFACTION AND DEVELOPS  
CORRECTIVE ACTIONS BASED  
ON THE ASSESSMENTS**



the failure to comply with the deadlines established by law for connection, etc. Another negative factor is the fact that existing legislation grants the Russian Federal Antimonopoly Service the right to broadly interpret the concept of commodity market boundaries. Specifically, a substantiated complaint by an applicant may result in a penalty that is calculated based on the total revenue earned throughout the territory of the Company's presence and not limited to the territory of a specific branch, power grid district or supply center.

To reduce the impact of factors that lead to risks of antimonopoly regulation, the Company continuously improves the grid connection business processes by simplifying its internal procedures, reducing the duration of the processes and introducing new forms of customer service. Automation reduces the impact of errors and abuses by personnel. The Company also regularly evaluates customer satisfaction and develops corrective actions based on the assessments.

In the event the Russian Federal Antimonopoly Service rules to impose penalties for violations of applicable law, the Company will challenge their legality in court. In addition, the Company will seek to establish a stable and constructive level of interaction with the Russian Federal Antimonopoly Service as well as its regional branches for Moscow and the Moscow Region in order to promptly consider and respond to the service's requests. Moreover, work will be conducted to align the positions of the Russian Federal Antimonopoly Service and JSC "MOESK" in their approach to determining the commodity market boundaries within the framework of grid connection operations.

#### **FINANCIAL RISKS**

##### **Interest rate risks**

The Company borrows money as part of its planned financial and economic policy. In addition, the bank has the right to unilaterally increase the interest rate on loans. Instability on financial markets could cause such a risk.

Given the stabilized situation on financial markets, the Company regards interest rate risks as average.

In order to reduce interest rate risks, the Company employs the following measures:

- optimizing the structure of its debt portfolio taking into account projections for the cost of long-term and short-term borrowed funds as well as the duration of the debt portfolio;
- selecting financial organizations to provide services through open competitive procedures, making it possible to establish a fixed contract price in the form of an interest rate and reduce the risk of interest rate fluctuations.

#### **Currency risks**

The main electricity transmission customers are residents of the Russian Federation. Customers pay for electricity transportation and grid connections using the currency of the Russian Federation. The Company's assets and obligations are also expressed in the national currency. In addition, JSC "MOESK" is not planning to engage in operations on external markets, therefore the Company regards the impact of exchange rate fluctuations in the national currency on the Company's financial status as insignificant.

#### **Inflation risks**

The negative influence of inflation on the Company's financial and economic activities may be associated with losses in the real value of accounts receivable, an increase in outstanding interest, an increase in costs and a reduction in the real value of investment program funds. The current level of inflation does not have a significant effect on the Company's financial status. Given the plans of the Central Bank of the Russian Federation to contain inflation and its projected levels for the near future, inflation should not have a significant impact on the Company's financial results.

The Company assesses inflation risks as average. The harm caused by inflation risks due to the Company's establishment of long-term tariffs could be substantial.

In the event inflation exceeds the level of 30%, the Company plans to increase the share of borrowed funds in its capital and also implement measures to reduce costs. The Company plans to compensate for shortfalls in revenue with the economic substantiation of the necessary amount of gross revenue in the following tariff period.



## MARKET AND CREDIT RISKS

### Credit risks

The Company views a credit risk as a risk associated with the failure to perform obligations by contractors: the failure to pay for transmission services by a guaranteed supplier as well as non-contractual or unmetered electricity consumption. The causes of this risk may be the inability to pay of consumers, the deliberate failure to pay for consumption by consumers, or unregulated relations concerning the procedure for establishing the productive supply of electricity.

In order to mitigate this risk, negotiations are being held with sales companies and measures are being implemented to establish reliable productive supply. In addition, overdue receivables are being recovered through judicial recourse. Based on the statistics of recent years and due to the regularity of measures to minimize credit risks, such risks may be assessed as insignificant.

## OPERATIONAL AND TECHNOLOGICAL RISKS

### Equipment risks

This risk category is associated with aging equipment, the depreciation of the Company's fixed assets, the disruption of operating conditions and critical changes to the parameters of power grid equipment that could lead to emergency situations. An increase in the accident rate, in turn, will lead not only to direct damage from the failure of power grid facilities, but also a reduction in the reliability of power supplies. The failure to meet the reliability parameters established by the regulator could result in a reduction in the amount of gross revenue required in the following regulation period.

In order to mitigate these risks, the Company is implementing the following measures: insuring property, modernizing and building new power grid facilities, improving the policy for the repair and technical maintenance of equipment, introducing modern diagnostic methods for equipment, and continuous monitoring of the actual power supply reliability indicators established by the regulators.

**The risks of procurement activities are** associated with a potential increase in the cost of services of contractors, equipment and other logistical resources used by the Company in its activities.

These risks are mitigated by creating a competitive environment in the procurement of work and services, the centralization of procurements to save money due to the economies of scale and eliminating cross purchases.

**Personnel risks** are associated with a shortage of qualified professionals, the insufficient qualifications of existing personnel, errors as well as the malicious and corrupt actions of employees.

To minimize these risks, the Company is implementing several programs to train and upgrade the qualifications of personnel as well as measures aimed at reducing staff turnover, introducing modern methods for financial and non-financial incentive, insuring personnel from accidents and diseases as well as providing medical insurance. To prevent and manage the personnel risks associated with the abuse of official positions and corruption, the Company has developed and is implementing a policy to combat corruption.

**IT risks** comprise a risk category that involves the disruption and failure of IT infrastructure.

To minimize these risks, the Company seeks to maximize the fault tolerance of IT infrastructure by modernizing the hardware and software equipment of IT facilities as well as backup equipment, communication lines and data.

## LEGAL RISKS

### **Risks of corporate governance**

With respect to corporate governance, the Company is exposed to the risks of shareholders appealing major transactions as well as transactions in which there is an interest (should such transactions be concluded in violation of the established corporate procedures). In order to minimize such risks, the Company on a mandatory basis conducts a preliminary legal analysis of the transactions it concludes to verify whether there are grounds for implementing the preliminary corporate procedures specified by the applicable laws of the Russian Federation and/or the Company Charter.

In order to minimize risks associated with shareholder relations, the function of maintaining the shareholder register has been transferred to a professional registrar. It should also be noted that the Company systematically implements measures aimed at communication with shareholders and takes measures to comply with the lawful rights and interests of the latter.

**Tax risks**

In order to minimize the risk of the incorrect calculation and/or payment of taxes due to different interpretations of the law, the Company performs constant work to optimize the calculation of the tax base schemes in strict accordance with the applicable laws of the Russian Federation and taking into account all amendments made to such laws.

**Changes to the licensing requirements for core activities**

Changes to the licensing requirements for the Company's core activities may lead to an increase in the document preparation time required for license renewal as well as the need to meet the specified requirements. In general, however, this risk should be regarded as insignificant, except in cases when renewing the license or performing activities subject to licensing involve requirements with which the Company cannot comply or for which compliance would entail excessive costs, which could lead to the discontinuation of this type of activity.

In the event of changes to the licensing requirements for core activities, the Company will take the necessary measures to obtain the appropriate licenses and permits.

**Changes in the judicial practice related to the Company's activities**

The likelihood of changes to the judicial practice on issued associated with the Company's activities is insignificant. The management of legal risks is based on optimizing the process of the legal registration of documents and support for the Company's activities. In order to minimize legal risks, all of the Company's business processes exposed to risk undergo a mandatory level expert examination.

In the event of changes to the judicial practice for matters associated with the Company's activities, the financial and economic activities will be planned taking into account these changes.

**Risks associated with property management**

JSC "MOESK" minimizes risks when exercising its rights to administer, manage and own the property of enterprises by performing work to ensure accounting entries are made on land and property facilities in the Unified State Register for Real Estate Rights and Transactions. This is stipulated by the JSC "MOESK" work program to register ownership rights to real estate property and register/re-register the rights to use land plots for the period of 2011-2014, which was approved by the JSC "MOESK" Board of Directors in November 2010 as a priority of the Company's activities.

# 6.4. Business process management



**CAPTION:**  
JSC "MOESK" grid control center

In order to improve the Company's business efficiency, achieve the best results in the reliability and quality of services, and ensure the maximum satisfaction of the current and future needs of customers, the Company has developed and is introducing a business process management system.

The main objectives of the business process management system are:

- identifying the key processes of the Company;
- regulating the procedure and rules for implementing business processes in the form of models, diagrams and internal regulatory documents;
- continuous improvement of business processes.

In 2011, the following measures were implemented:

- the main regulatory and guideline documentation was developed in matters of process management, including the Provision on the JSC “MOESK” Process Management System and the Regulation on Managing Changes to the Business Process Models;
- a specialized intranet portal of business processes was put into trial operation that publishes the business process models developed by the Company;
- work was performed to optimize the key business processes of the Company;
- a system of continuous improvements to JSC “MOESK” was developed and introduced based on the use of the process management and lean manufacturing methods;
- training sessions were conducted for Company personnel on process management approaches and methods as well as practical skills in the description of business processes with the help of specialized software.

In 2012, the Company plans to implement the following measures in matters of business process management:

- the launch of the commercial operation of an information system to collect and process proposals on improvements to business process, which automates the main procedures for working with proposals on improvements received from Company employees;
- continuing the implementation of measures to describe and optimize the Company’s key business processes;
- introducing a system to control the business processes of JSC “MOESK”.

# 6.5. Information technologies and telecommunications

## Information technologies

In order to ensure reliable IT services for the business processes of power grid facilities, the Company continued work in 2011 to introduce new information systems and develop existing ones.

To improve user efficiency and the reliability of the Company's email system as well as tighten information security measures, the Company used a hardware and software system to filter malicious spam in 2011. The system is integrated with the corporate directory service MS Active Directory with reputation filtering technology in real time, the identification of senders on the basis of a sender database, anti-virus scanning, integrity checking of email messages and context adaptive scanning.

To strengthen information security measures and improve user efficiency, the Company has installed a hardware and software system for user access to the Internet that is integrated with the corporate directory service MS Active Directory. This equipment actively uses mechanisms for the reputational filtering of IP and URL addresses as well as signature and heuristic analysis.

In 2011, work was performed to improve the reliability of engineering systems and data processing centers (DPC) through the reconstruction of the N+1 power supply and backup system as well as to comply with the requirements for the reliability of the DPC. The Company ensured reliable and uninterrupted power supply to the DPC engineering systems, server equipment and computer technology for employees of the JSC "MOESK" executive office as well as the air conditioning systems.

A data storage network was built in the data processing center, including the configuration of a corporate data warehouse for infrastructure objectives. As part of the maintenance of server equipment, the Company replaced defective and obsolete servers, implemented data migration with infrastructure applications and conducted scheduled work to modernize work stations as well as user peripheral and office equipment.

In 2011, design document was prepared on a project to introduce a personal data protection system based on software products certified by the Federal Service for Technical and Export Control (FSTEC) of the Russian Federation.

Scheduled work was performed to license the software products in use, obtain maintenance and technical support as well as update vendors: Microsoft, Smeta, ID Sheer Aris, Oracle, Omni-utilities, Alfa-Center AC\_WEB, Symantec, SAP, Cisco, WinRAR, RastWin and others.

The IT competence center worked to develop and implement measures to reduce maintenance costs by 10% and software costs by 15%. The Company also transferred the function of servicing mobile devices (notebooks) and scanning equipment to its own staff by optimizing and redistributing resources.

#### INFORMATION SYSTEMS AND SOFTWARE USED IN 2011

No.	Name	Platform
1.	Email Microsoft Exchange Server 2003 and spam protection	MS Windows Server 2003 EE
2.	Internet access-scanner proxy server	Linux family
3.	Firewalling Forefront Threat Management Gateway Enterprise Edition - Per Processor	MS Windows Server 2008 SE
4.	Monitoring with the help of software products Microsoft SCCM and SCOM	MS Windows Server 2008 SE Hyper-V
5.	Garant information system	MS Windows Server 2003 EE
6.	Consultant Plus information system	MS Windows Server 2003 EE
7.	Symantec anti-virus protection, user data backup	MS Windows Server 2003 EE
8.	Symantec preventive protection software	MS Windows Server 2003 EE
9.	MS SharePoint Portal Server 2007 corporate portal	MS Windows Server 2003 EE
10.	Codex information system	MS Windows Server 2003 EE
11.	Dispatch requests (ASUREO)	MS Windows Server 2003 EE, MS SQL2005
12.	Microsoft and Citrix XenApp 4 terminal servers	MS Windows Server 2003 EE
13.	Corporate electronic document management system (ASUD)	RedHat5, Windows Server 2003 SE, SUBD Oracle, EMC Documentum, Abbyy Recognition
14.	Alfa Center AC_UE	Windows Server 2003 SE, DB Oracle v.11
15.	Alfa Center AC_SE	Windows Server 2003 SE, DB Oracle v.11
16.	ARIS software product for business process modeling of organizations	Windows Server 2008 SE Hiper V
17.	RastrWin software product to calculate, analyze and optimize the modes of power grids and systems	Windows
18.	Smeta.ru software product to prepare estimates	Windows
19.	Omni-Utilities software product for the information support and automation of business processes as part of the commercial metering of electricity, technical maintenance for metering equipment, forming an electricity balance and analyzing electricity loss indicators	Windows Server 2003 SE



## Main results in the area of information technologies in 2011



### IN 2011, A GRID CONNECTION INFORMATION PORTAL WAS DEVELOPED AND INTRODUCED



Over the last reporting year, the Company implemented the first phase of the automated management system for the financial and economic activities (AMS FEA) of JSC “MOESK” based on the SAP platform, which is intended to improve the management process of JSC “MOESK” by using the best practices for integrating business processes and advanced information technology solutions that provide comprehensive and integrated support to the activities of structural divisions and ensure the transparency of JSC “MOESK” activities for management, shareholders and the Company as a whole due to the construction of a unified corporate information system. The AMS FEA consists of the following subsystems: financial management (Accounting Department, Tax Department, Financial and Economic Department), accounting (Controlling, Expense Accounting), materials management, sales management, technical equipment maintenance and repair management, analytical reporting, grid connection management and reference data.

In 2011, an information system was established for the management of investment activities and capital construction (MIDaCC) in 1 and 2 stages.

Improvements were made to the corporate information intranet portal in order to improve enterprise manageability and ensure standardization and unification processes at JSC “MOESK” by building efficient links for the daily exchange of information between Company divisions and provide high-quality information services to JSC “MOESK” employees.

In addition, a software system has been developed and introduced for the early warning of incidents on JSC “MOESK” power grids, including a subsystem to monitor emergency outages.

In 2011, a grid connection information portal was developed and introduced that includes:

- an interactive map of Moscow and the Moscow Region indicating the location of supply centers, the CSC and electricity transport divisions. The Company provided the ability to obtain graphical information on the administrative boundaries of districts, REC boundaries, etc.,
- the ability to track the status of applications for grid connection;
- interactive instructions (video clip) on the procedure for applying for grid connection;
- the “Energy Facility Designer” calculator, which determines demand for a customer in the maximum capacity;
- the Personal Office service, which enables customers to appeal to the CSC with questions, schedule consultations with experts and leave feedback on the portal;
- the mechanism to exchange information in the format of the inter-agency electronic interaction system (IEIS);
- a functionality making it possible to integrate with the Government Services portal and the JSC “MOESK” portal.

In order to jointly implement a plan with JSC “IDGC Holding” on priority projects in the development of information technologies, JSC “MOESK” has conducted a survey

of the current condition of the corporate information management system (CIMS) of JSC “MOESK.” the measures resulted in:

- the development of an IT strategy for JSC “MOESK”;
- a plan of action to implement the IT strategy of JSC “MOESK”;
- the identification of priority projects for the IT development of JSC “MOESK” in 2012.

JSC “MOESK” will develop its information technologies in accordance with the JSC “MOESK” strategy for information technologies, automation and telecommunications for the period until 2016. The main areas of IT activities for JSC “MOESK” in 2012 are:

- standardizing and unifying software and hardware as well as equipment maintenance;
- centralizing IT services;
- reducing the level of obsolete equipment by replacing work stations older than five years and replacing the automated work stations of employees of branches and the REC;
- consolidating the data storage network (DSN) at the level of the executive office and branches to improve the efficiency of resource usage;
- developing a unified catalogue of ITT services;
- ensuring the reliable operation of infrastructure services and the engineering systems DPC, BDPC and the server facilities of branches;
- developing an automated analytical reporting system at JSC “MOESK” for document management statistics;
- implementing the second phase of the AMS FEA of JSC “MOESK”:
  - Managing business planning and budgeting;
  - Managing the treasury;
  - Accounting under International Financial Reporting Standards (IFRS);
  - Managing procurement activities;
  - Managing contracts;
  - Managing investment activities and capital construction (3 releases, development);
  - Managing metrological support;
  - Managing reference data;
  - Establishing operational and analytical reporting (development);
- developing a concept for the use of smart grid technologies at JSC “MOESK.” the goal of the project is to identify a set of applicable smart grid technologies and determine the principles for their joint operations to achieve synergetic effects on the territory of JSC “MOESK” operating activities.
- developing and introducing smart power grid distribution technologies in the Shcherbinka pilot energy district in Moscow. The goal of the project is to develop and introduce integrated solutions to create smart distribution networks with capacity of 0.4-35 kV. The project involves the testing not only of modern equipment and software/hardware from leading global manufacturers, but also the development of innovative business processes and organizational solutions under the conditions of the complex MCN distribution network.



**CAPTION:**  
The testing and measurement service of JSC “MOESK” branch – Moscow Cable Networks checking the operation of cable equipment

- preparing a concept for the integration of the IT system based on a network model in order to develop a standard integrated solution aimed at improving the quality and efficiency of information support for the Company's business processes by creating a single information space as well as adapting the standard integrated solution to the specifics of JSC "MOESK" for its subsequent implementation;
- developing and introducing an information system to manage mobile teams in order to improve the level of information certainty and also to enhance the efficiency and reduce the time of scheduled and emergency work at power grid facilities through the optimal distribution of mobile teams at facilities taking into account the criteria specified in the decision-making support model;
- developing a software system for the early warning of incidents with regard to implementing the OMS subsystem, which ensures the registration of outages, maintains the life cycle of technological disruptions, creates lists of consumers affected by the technological disruptions as well as solves analytical problems associated with the disconnection of consumers – the electricity curtailment index, the CAIDI, SAIDI, CAIFI, SAIFI and other indices, the notification of JSC "MOESK" and JSC "IDGC Holding" management as well as the Company's operational headquarters on the situation with technological disruptions indicating the current statuses of the technological disruptions.
- Introducing a software system to plan the development of JSC "MOESK" power grids that is intended for the following purposes:
  - planning the development of power grids with voltage of 6-220 kV;
  - optimizing the configuration and parameters of existing and future power grids;
  - analyzing the reliability of existing and future power grids;
  - selecting the best options for connecting consumers;
  - modeling the effects of power grid equipment failure and simulating the potential effects of control room switching;
- developing and further centralizing IT infrastructure:
  - commencing work to build IT service infrastructure;
  - commencing work to introduce an IT infrastructure monitoring system;
- developing and introducing an information portal to monitor capital construction projects.

## Automated dispatch control system (ADCS)

In order to improve the observation and manageability of the energy system, the Company continued work in 2011 to develop the industrial and technological communications network based on modern digital technologies and fiber optics.

The Company implemented the following measures in 2011 to fulfill Order No. 3.1/201-09 of the Federal Service for Environmental, Technological and Nuclear Supervision dated December 10, 2009:

- organized round-the-clock service at the communications center of the branch Eastern Electricity Networks and the communications center of the branch Northern Electricity Networks;

- established 11 dispatch communication channels and 14 interconnecting channels from JSC “MOESK” energy facilities to the Moscow Regional Dispatch Office.

The Company put into operation 170 kilometers of fiber optic cables (104 kilometers in 2010), 212 communication channels (82 channels in 2010) and 39 FOX-515 and OME-6130 digital equipment sets (30 sets in 2010).

In order to align the boundaries of the operational zones with the zones of operational responsibility of the branches, the Company diverted: dispatch communication channels and interconnecting channels from 24 substations of the Eastern operational zone of Central Electricity Networks to the regional dispatch point of Eastern Electricity Networks (Noginsk operational zone) and from 30 substations (Southern operational zone – 23 substations, Western operational zone – 5 substations, Shatura operational zone – 2 substations) to the regional dispatch point of Southern Electricity Networks (Podolsk operational zone).



The Board of Directors prepared and approved (Minutes No. 149 dated October 6, 2011) an integrated program for the development and improved reliability of the operational and technological management system of the JSC “MOESK” power grid complex.

During the reporting period, the Company continued to develop the automated dispatch control system (ADCS) on the basis of ENMAC unified hardware and software (a power distribution management system that provides the ability for the operational control and management of the grid condition and modes as well as interaction with consumers).

The Company introduced ATPCS at five substations in 2011, transitioned from the fourth to the fifth version of the PowerON (ENMAC) hardware/software for the JSC “MOESK” automated process management system (APMS), performed work to establish centers to collect and transmit APMS technological information in operational zones (12 centers) in order to improve the observation and manageability of the energy system as well as the efficiency of the operational and technological management system and reduce the time required to restore power supplies to consumers. The Company arranged the relay of telemetric information from the inherited operational measurement systems of 13 branch operational zones to the APMS hardware/software of JSC “MOESK,” conducted standalone, integrated and acceptance testing of hardware, software and the system-wide functions performed by the ENMAC APMS hardware/software, conducted standalone, integrated and acceptance testing of the dedicated technological network equipment used to transmit APMS data, inspected the completeness, timeliness and accuracy of graphical information (single-line diagrams of substations, the diagram of the Moscow Region power grid with capacity of 110-500 kV, diagrams of power grid with capacity of 110-220 kV for branches, the diagram of power grids with capacity of 35 kV) and the reliability of the real time information (telecommunications) of the PowerOn APMS hardware/software.

In order to replace obsolete equipment and ensure the teleautomation of substations previously lacking teleautomation, the Company introduced new teleautomation systems at 29 substations in 2011.

To improve the efficiency of the communications system, the Company developed and approved the fundamental documents for organizing the operation of dispatch and process management equipment:

- the regulation on operational interaction between the Moscow Regional Dispatch Office branch of JSC “SO UES” and JSC “MOESK” in the operation of dispatch and process management equipment;
- the regulation on interaction between JSC “MOESK” divisions in the operation of dispatch and process management equipment.

In addition, the following JSC “MOESK” standards were developed and introduced in the reporting year:

- Company Standard 47-02-2011 “Communications installation of cable fiber optic transmission lines at JSC “MOESK.” Rules for scheduled preventive maintenance and emergency repair work”;
- Company Standard 47-03-2011 “Procedure for organizing and employing radio communication equipment at JSC “MOESK” branches and structural divisions” (entered into force based on a JSC “MOESK” Order and sent to the branches for implementation).

Expenses on technical maintenance and communications services under 562 contracts totaled 742 million rubles in 2011.

## Main objectives for the development of ADCS in 2012

In 2012, the Company plans to further develop the industrial and technological communications network in order to improve the observation and manageability of the Moscow area energy system.

One of the top objectives is to implement orders from the Federal Service for Environmental, Technological and Nuclear Supervision on the organization of 27 dispatch telecommunications and teleautomation channels from the JSC “MOESK” energy facilities to the Moscow Regional Dispatch Office and the organization of round-the-clock service at the communications centers of the branches Southern and Northern Electricity Networks.

As part of measures to align the boundaries of the operational zones with the zones of operational responsibility of the branches, the Company plans to set up dispatch telecommunications and teleautomation channels for substations to transmit information to the operational and process department from the Northern and Oktyabrsky operational zones of Northern Electricity Networks to the Eastern operational zone of Central Electricity Networks (37 substations).

As part of the development of the data transmission technological network (DTTN), the Company plans to implement a project to establish a DTTN support ring consisting of 25 hubs as well as build 66 access points at substations.

In terms of the APMS, the Company plans to integrate a system for collecting and transmitting technological information on operational zones into the hardware/software system of the JSC “MOESK” APMS to ensure the functions of remote control and distance control, establish dedicated information transmission channels, connect TICTS centers (technological information collection and transmission systems) to the APMS of the Noginsk, Kolomna, Shatura, Mozhaysk, Volokolamsk and Kashir operational zones.

To improve the sustainability of the APMS, the Company is setting up an APMS information security system and ensuring the hot standby of a telecommunication archival system (ENMAC PI).

In 2012, the Company plans to put into operation new teleautomation systems at 70 substations.

In order to unify the approaches to the operation of the teleautomation systems, the Company plans to develop a regulation on the operation of teleautomation systems at JSC “MOESK” substations in accordance with the requirements of Federal Law No. 184-FZ “On Technical Regulation” dated December 27, 2002.

The Company will continue work in 2012 to implement the integrated program to develop and improve the reliability of the operational and technological control system of the JSC “MOESK” power grid complex as well as work on the program to modernize and expand the information collection and transmission systems at JSC “MOESK” substations.

From 2006-2010, automated data metrical systems for the commercial metering of electric power (ADEC CMEP) were established at 303 JSC “MOESK” supply centers on the basis of Alfa-Center software.

In 2011, 30 JSC “MOESK” supply centers were equipped with ADEC CMEP systems. In 2012, the Company plans to equip 28 JSC “MOESK” supply centers with ADEC CMEP systems.

The technological equipment of JSC “MOESK” communications control centers includes:

1. The PowerOn (ENMAC) operational and information complex;
2. A set of programs for the operational planning of the power grids of energy systems and power pools (B-2000);
3. Software for the calculation of the installed ENMAC/DPA mode;
4. Software for the calculation of short circuit currents of the automated work stations of relay protection and automation service;
5. Software package to handle tasks involving the calculation, analysis and optimization of the installed RastrWin power grid modes and systems;
6. A fault location system on the Bresler PTL;
7. Dispatch panel;
8. Uninterruptible power supply system.



**CAPTION:**  
Working on improvements to the power grid control system

# 7. Human capital and social responsibility

200 7.1. Human resource management

208 7.2. Social policy

211 7.3. Environmental policy

15.2

thousands people  
Average staff number

16.9 %

Growth in average salary in 2011  
as a whole for the Company

102

mln rubles  
Environmental expenses  
in 2011







# 7.1. Human resource management

The key objectives of the Company's personnel policy are:

- establishing a candidate pool as a vital intellectual and professional resource to ensure the Company's efficient operation and development;
- ensuring work safety for personnel;
- creating a highly skilled management team;
- building an employee incentive system based on performance that aims to improve productivity.

To achieve its goals, the Company is implementing a range of measures in the following areas:

- optimizing the organizational and functional structure of the Company's executive office and branches, identifying contingency provisions for headcount optimization;
- optimizing personnel expenses;
- developing a remuneration system that complies with the basic payment trends on the labor market and establishes a transparent incentive system for all employees;
- establishing a list of occupations that are vital to preserve and retain;
- improving the employee incentive system, developing the social partnership;
- boosting cooperation with specialized institutions of higher, secondary and continuing professional education;
- ensuring the reliability of the professional activities and performance of personnel.

## HEADCOUNT DYNAMICS



The main personnel management activities are detailed in the JSC "MOESK" program on human resource management approved by the Company's Board of Directors (Minutes No. 122 dated December 27, 2010).

The reduction in the average staff headcount in 2011 compared to 2010 was the result of measures to optimize the headcount of the Company's administrative and management personnel as part of the JSC "MOESK" efficiency improvement program.

The Company's staff availability level is 97%.

Workers make up the foundation of the Company’s candidate pool, accounting for 48.2% of overall personnel.

Age distribution trends indicate the Company’s personnel are becoming younger as the “under 35 age” group is growing and accounted for 31.2% of total personnel at the end of 2011.

In order to maintain the positive trend of a growing number of personnel under the age of 35, the Company is implementing a range of specialized measures aimed at attracting and retaining young people at the Company: JSC “MOESK” has established a council of young professionals, created a candidate pool comprised of young people, developed a mentorship system and conducted career guidance for students of specialized educational institutions as well as high school students.

The young professionals of JSC “MOESK” have the following opportunities:

- systematic advancement up the career ladder;
- the first degree of higher education as well as advanced training at the Company’s expense;
- concurrent paid annual leave (for families of young professionals working at the Company);
- participation in cultural and sporting events, scientific and technical conferences, “Best in the Profession” competitions, etc.

The qualifications of personnel meet the Company’s demands. There has been an increase in the number of professionally educated employees, who accounted for 61.2% of the Company’s total staff as of the end of 2011.

Mention should be made of the growth in the number of employees with two higher educations or advanced degrees from 3% in 2009 to 5.2% in 2011.

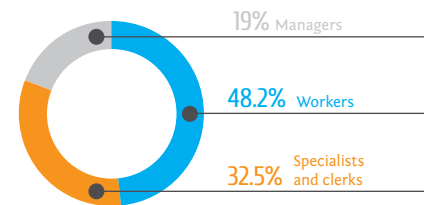
The improvements in the educational background of the staff are the result of a policy aimed at hiring highly qualified personnel as well as the Company’s existing system for the training, re-training and advanced training of employees.

Company employees were trained in 2011 in accordance with the Plan for the professional training, re-training and advanced training of employees of the executive office and branches, which was approved by the Management Board.

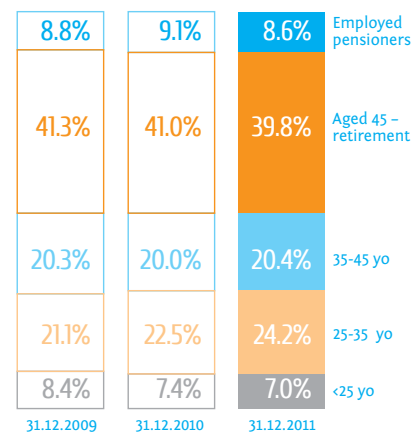
A total of 19,715 training sessions were held over the reporting period for JSC “MOESK” employees as part of programs for professional training, re-training and advanced training, including 11,912 sessions with leave from production.

## Age distribution of The Company

### STRUCTURE OF COMPANY PERSONNEL

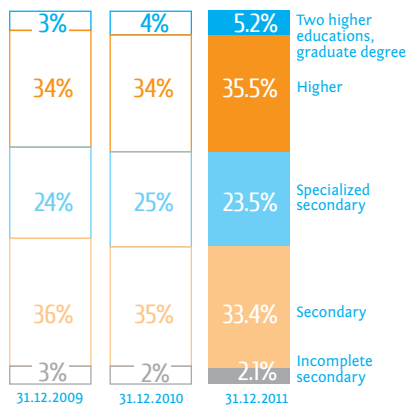


### AGE DISTRIBUTION OF THE COMPANY



## Personnel development

### STRUCTURE OF PERSONNEL BY EDUCATION LEVEL



### IN 2011, 126 EMPLOYEES OF JSC "MOESK" STUDIED BY CORRESPONDENCE AT UNIVERSITIES AND COLLEGES



The Company devotes much attention to internal staff training. Specifically, training continued in 2011 for manufacturer foremen under the 72-hour training program "Advanced training of foremen for the maintenance of overhead lines and transformer substations." In addition, the Company implemented a 40-hour program "Organization and procedure for live-line work on OL with capacity of 0.4 kV with SIC and live-line work." In 2011-2012, the Company plans to train the core members of the operational and repair personnel at JSC "MOESK" branches.

In matters concerning the training, re-training and advanced training of personnel, the Company cooperates with the MEI National Research University, Moscow State Open University, Bauman Moscow State Technical University, the State University of Management, the Academy of National Economy under the Government of the Russian Federation, the UES Corporate Educational Research Center, the Mosenergo Personnel Training Center non-governmental educational institution, the Public Administration Advanced Training Institute, Mosenergo College non-governmental educational institution, Moscow Institute of Energy Security and Conservation non-governmental educational institution of higher vocational education, Energy Personnel Training Center non-governmental educational institution in St. Petersburg, the St. Petersburg Energy Institute of Advanced Training (SPEIAT), the Institute of Economics and Management in Industry, the Balashkha Training Center non-governmental educational institution of higher vocational education and many others.

In 2011, 126 employees of JSC "MOESK" studied by correspondence at universities and colleges:

- under secondary technical training programs – 80 people,
- under higher education programs – 35 people,
- under professional re-training programs – 11 people.

The training of Company employees continued under targeted programs being implemented on the core of the specialized JSC "IDGC Holding" department Economics and Management in the Electricity Industry at the International Institute of Energy Policy and Diplomacy of MGIMO University under the Russian Ministry of Foreign Affairs. JSC "MOESK" employees undergo training under the MBA program "Management and regulation of economic activities in the electricity industry" and under the master's program "International economic cooperation in the electricity industry" in Economics with a specialization in the International Electricity Industry.

In addition, the managers of specialized departments underwent training in late 2011 on energy efficiency and energy conservation programs developed by JSC "IDGC Holding" jointly with the German Energy Agency GmbH (DENA).

JSC “MOESK” holds professional skills competitions each year – a form of professional staff training used to evaluate the knowledge and practical skills of employees in performing specific assignments in accordance with the requirements, improve the operational response to emergency situations and exchange best practices.

In 2011, the Company conducted the third comprehensive competitions for the operational and repair personnel of JSC “MOESK” distribution power grids and the second competition for the professional skills of JSC “MOESK” drivers.

In addition, a JSC “MOESK” team comprised of five people participated in the all-Russian professional skills competitions for operational and repair personnel of JSC “IDGC Holding” distribution power grids. The JSC “MOESK” team placed fifth at the competitions among 12 teams from interregional grid companies, thereby reinforcing the results achieved in 2010.

One of the Company’s main objectives in human resource management is to establish and train a candidate pool.

## Establishing a candidate pool

Due to the optimization of the Company’s organizational structure in 2011, the establishment of a management candidate pool was postponed until 2012.

To involve young employees in the solution of pressing problems in the power grid sector, enhance their professional competence and provide assistance in their career growth, the Company performed work in 2011 to establish a candidate pool of young specialists.

All candidates underwent a rigorous selection process. At the Company’s branches, 5,465 employees took part in the competitive selection, including employees of the EGPZ. The assessment resulted in the inclusion of 229 employees in the candidate pools of young specialists at the branches.

A total of 769 employees from JSC “MOESK” branches and the executive office took part in the competition for inclusion in the candidate pool of young professionals with 95 of the employees being enrolled in the pool.

The list of the candidate pool of young professionals were reviewed by the Human Resources and Compensation Committee under the Board of Directors and approved by the Company’s Management Board.

The Company and its branches will conduct work in 2012 to develop the members of the candidate pool of young professionals. Targeted positions have been approved

## Remuneration system

and mentors have been identified for each member of the candidate pool of young professionals. In April 2012, individual plans will be formed to train succession candidates under which measures to develop the members of candidate pools will be clarified.

The policy employed by JSC “MOESK” for the remuneration and motivation of personnel aims to:

- achieve unity in the interests of all employees to ensure positive final results in the Company’s financial and business activities based on recognition and incentive for the contribution of each division and individual employees;
- create conditions for the increased productivity, effective self-realization and professional growth of each employee.

All of the Company’s structural divisions employ a unified remuneration system that complies with the following principles:

- conformity with the Company’s long-term development plans;
- objectivity;
- fairness;
- competitiveness;
- transparency and targeting;
- incentive for results.



**THE UNIFIED WAGE SCALE PROVIDES FOR 28 LEVELS OF WAGES AND EQUAL GROWTH IN WAGE INCREASES FROM LEVEL TO LEVEL**



The Company’s existing remuneration system complies with the main wage trends on the labor market and provides a transparent incentive system for all employees (a unified wage scale, bonus system, benefits and compensation) and an equal basic rate for work of equal value as determined by the complexity of the work performed as well as the volume and quality of the expended labor.

The unified wage scale provides for 28 levels of wages and equal growth in wage increases from level to level.

Employees are assigned to wage levels in accordance with the occupation classifier for JSC “MOESK” workers and the positions of managers, specialists and clerks. The remuneration system makes it possible to establish an employee’s salary within the range of wage levels specified by the classifier taking into account the conditions in the workplace and the importance of a particular type of work for the Company as well as the requirements for the scope of the work, the knowledge and skill levels of employees depending on the complexity of the work performed, the position or the qualification level.

**CAPTION:**

The signing of the collective bargaining agreement between JSC "MOESK," the "Elektroprofsoyuz" Moscow City Union Organization and "Elektroprofsoyuz" Moscow Region Union Organization

In accordance with the terms of the existing collective bargaining agreement and provision on the remuneration of employees at the Company's branches, the minimum wage scale of a first category employee was set 37% higher than the level established in the Sectoral Wage Agreement in the Electricity Industry of the Russian Federation due to a similar-sized reduction in the variable component, which includes bonuses and additional payments. The increase in the constant component (the monthly wage rate/salary) had a positive impact on the loyalty of personnel towards the Company, reduced the employee turnover, made it possible to retain highly qualified personnel and hire young professionals, enhanced the Company's appeal as an employer and strengthened stability at the Company.

The current remuneration system includes the following types of payment:

- allowances of a compensatory nature associated with working hours and conditions;
- incentive-based allowances related to an employee's personal performance results;
- a transparent system of incentive for all categories of Company employees that envisions a correlation between corporate and individual goals.



**THE MINIMUM WAGE SCALE OF A FIRST CATEGORY EMPLOYEE WAS SET 37% HIGHER THAN THE LEVEL ESTABLISHED IN THE SECTORAL WAGE AGREEMENT IN THE ELECTRICITY INDUSTRY OF THE RUSSIAN FEDERATION**





## THE GROWTH IN AVERAGE WAGES THROUGHOUT THE COMPANY TOTALED 16.9% IN 2011



In addition, in accordance with the approved program for supporting and developing the Company's human resources, the Company performs continuous work to increase salary levels to employees of certain occupations and positions whose hiring and retention is of special importance. The current remuneration system provides for the following opportunities for salary increases:

- establishing allowances for employees working in occupations that are in short supply, allowances (additional payment) of a compensatory nature associated with working hours and conditions, and allowances (additional payment) related to an employee's personal performance results;
- establishing increased bonuses for the core results of activities;
- lump sum bonuses and remuneration payment.

The Company's implementation of measures aimed at increasing the salary levels of core production personnel, including an increase in salary for employees working in occupations that are in short supply in order to retain experienced and highly qualified specialists, helped to reduce the outflow of personnel in 2011.

The growth in average wages throughout the Company totaled 16.9% in 2011.

The growth in average wages by personnel category in 2011 as compared to 2010 was due to the following factors (common factors resulting in a salary increase for all categories):

- the indexation of wages<sup>1</sup> – 7.6%;
- compensatory payments for emergency restoration work connected with the cleanup of the aftermath of abnormal natural events (freezing rain) – 4.5%;
- an increase in salary for employees working in occupations that are in short supply in order to retain experienced and highly qualified specialists and reduce the outflow of personnel – 1%;
- headcount optimization measures (the release of employees with lower income levels) – 3.8%.

<sup>1</sup> Wages are indexed based on the official letters of the All-Russian Industry Association of Electricity Sector Employers (RAeL) "On establishing a minimum monthly wage for first category industrial and production personnel."

The average salary at the Company's branches in the regions where it maintains a presence remains at a competitive level due to the work conducted by the Company to motivate personnel in order to retain experienced and highly qualified specialists whose work contributes to the implementation of the goals set by JSC "MOESK" to perform measures aimed at providing high-quality and reliable electricity supplies to consumers in Moscow and the Moscow Region.

The average monthly salary at the Company's branches in Moscow totaled 57,598.42 rubles in 2011, which is 47.63% higher than the average salary for Moscow according to the Federal State Statistics Service<sup>2</sup>.

The average monthly salary at the Company's branches in the Moscow Region totaled 50,503.38 rubles in 2011, which is 94.47% higher than the average salary for the Moscow Region<sup>3</sup>.

<sup>2</sup> According to the Federal State Statistics Service, the average salary in Moscow was 39,016.3 rubles in the first half of 2011.

<sup>3</sup> According to the Federal State Statistics Service, the average salary in the Moscow Region was 25,969.3 rubles in the first half of 2011.



## 7.2. Social policy



**CAPTION:**  
Sport – the favorite form of recreation for power industry workers

The social policy of JSC “MOESK” aims to improve the social protection of employees as well as create conditions for the comprehensive development and corporate solidarity of employees.

The collective bargaining agreement is the main regulatory document that governs social and labor relations between JSC “MOESK” and its employees. The primary purpose of the collective bargaining agreement is to provide additional guarantees and compensation to the Company’s workers beyond the standards specified by the laws of the Russian Federation.

In 2011, the Company fulfilled all its obligations to employees under the existing collective bargaining agreement.

The Company has contracts on voluntary health insurance and employee accident and health insurance with JSC "SOGAZ." the insurance programs provided all the Company's insured employees with timely and high-quality medical, therapeutic and preventive care, which helped to lower the sickness rate of personnel in 2011.

The Company is implementing a program for non-governmental pension provisions to employees (NPP). In 2011, the NPP included the following pension programs: Support, Manager, Professional, Veteran, Parity Plan, Secure Tomorrow, Native People and Co-financing.

Active work is under way to organize health resort, rest and recuperation treatment for veterans, employees and children of employees. In 2011, Company employees, their family members and retired pensioners were provided with 2,121 subsidized health treatment vouchers, including 526 free vouchers to sanatoriums, vacation homes and children's health camps for certain categories of employees and retired pensioners.

Each year, the Company plans, organizes and holds sports competitions among power industry workers. In 2011, the annual Spartakiad contest was held among teams from the Company's branches. Following the competition, a combined team of JSC "MOESK" employees was formed and took part in the third all-Russian winter and summer Spartakiads for distribution power grid workers that are traditionally held by JSC "IDGC Holding."

The Company organizes corporate events to mark celebrations for Defender of the Fatherland Day, International Women's Day, Victory Day, International Day of Older Persons and Power Engineers Day.

Guided by the principle of corporate social responsibility, the Company has developed corporate charitable programs which, along with traditional forms of targeted philanthropy, involve charity and social investment programs that offer a connection between the solution of social problems and the Company's strategic goals.



**IN ACCORDANCE WITH THE EXISTING JSC "MOESK" PROVISIONS ON BENEFITS AND COMPENSATION FOR VETERANS, THE COMPANY PROVIDED MATERIAL AID TO MORE THAN 3,000 PENSIONERS IN 2011**



Since 2008, the Company has employed a council of JSC "MOESK" war and labor veterans that interacts with the coordinating council of veterans of the power grid distribution complex on organizational and methodological matters.

Within the veterans council there are commissions working in the following areas:

- "Mercy" (social and domestic issues, healthcare);
- issues concerning veterans of the Great Patriotic War of 1941-1945 and veterans of labor during the years of the Great Patriotic War;
- on work with young people;
- social and economic issues;
- scientific and technical issues;
- the history of the development of the energy system.

JSC "MOESK" held activities in 2011 to celebrate the 66th anniversary of Victory Day in the Great Patriotic War in close collaboration and under the guidance of the coordinating council of veterans of the power grid distribution complex. A book of memoirs of JSC "MOESK" veterans called A Dream Come True has been published. The Company held the second JSC "MOESK" youth forum, which was attended by members of the council of veterans who instructed the young professionals during their initiation into the power section.

In accordance with the existing JSC "MOESK" provisions on benefits and compensation for veterans, the Company provided material aid to more than 3,000 pensioners in 2011. Regular healthcare was provided to 156 retired pensioners.

## 7.3. Environmental policy

The Company has an environmental policy that defines the Company's principles, goals, objectives and main areas of activity in environmental protection and long-term environmental safety. The environmental policy has been approved by the JSC "MOESK" Board of Directors (Minutes No. 75 dated December 3, 2008).

The range of measures implemented under the environmental policy includes:

- the scheduled modernization and replacement of technological equipment;
- the introduction of new wastewater treatment technologies;
- the disposal of industrial waste;
- the organization of environmental education for employees.

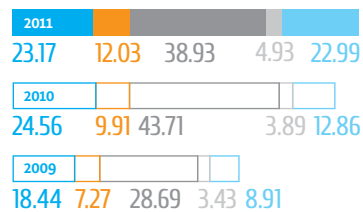
In accordance with its environmental policy, the Company is making improvements to the management system in matters of environmental protection and natural resource usage based on an environmental management system. In 2011, the JSC "MOESK" integrated system for environmental management as well as occupational health and safety underwent a re-certification audit. The audit inspected the executive office and three of the Company's branches: Moscow Cable Networks, High Voltage Cable Networks and Northern Electricity Networks. No observations or discrepancies with respect to environmental protection at JSC "MOESK" or the operation of the environmental management system were identified during the audit. Following the audit, the Company received a new certificate certifying that the environmental management system has been inspected and found to be in compliance with the requirements of the international standard ISO 14001:2004.

The Company's environmental expenses totaled 102 million rubles in 2011.



## Water pollution control

### THE COMPANY'S ENVIRONMENTAL EXPENSES IN 2011



- Protection and rational use of water resources
- Protection of the atmosphere
- Protection of land resources from production and consumption waste
- Fee for negative impact
- Major repairs

## Air pollution control

## Protection of land resources

In 2011, total water consumption by JSC “MOESK” amounted to 489,880 m<sup>3</sup>, including 412,550 m<sup>3</sup> for drinking needs and 77,330 m<sup>3</sup> for industrial purposes. In 2010, water consumption totaled 482,230 m<sup>3</sup>, including 372,610 m<sup>3</sup> for drinking needs and 109,620 m<sup>3</sup> for industrial purposes.

To improve the quality of wastewater and increase the efficiency of treatment facilities, JSC “MOESK” branches implemented the following measures:

- constructing a storm water sewerage system with treatment facilities on the core of Southern Electricity Networks;
- laboratory analyses of the quality of surface and melt water from production facilities;
- monitoring of the treatment facilities for vehicle washing;
- work to rebuild the treatment facilities for vehicle washing with recycled water supply;
- the installation of new filters and chemicals at car washes with the closed water recycling cycle;
- the sanitation of treatment facilities, vehicle washing stations and the storm water sewerage system;
- the periodic inspection of treatment facilities;
- the timely renewal of permits for the discharge of pollutants.

Total air pollutant emissions amounted to 44.5 tons in 2011, down 13.1% from 2010 (or by 6.71 tons). Vehicles accounted for the bulk of emissions.

The following measures affected the reduction in the volume of air pollutant emissions in 2011:

- sensor monitoring of air pollutant emissions into the atmosphere from stationary sources;
- inspecting the toxicity of cars with gasoline engines and diesel vehicles in terms of their smoke levels;
- inspecting the efficiency of dust and gas treatment equipment and cyclone treatment;
- work to rebuild the hydro filters of repair bays for convoy vehicles;
- the timely preparation of maximum permissible emission (MPE) volumes and the renewal of permits for pollutant emissions into the atmosphere.

For the protection and rational use of land resources, the following measures were implemented in 2010:

- the construction of oil suction pipes, oil collectors and oil storage facilities as well as repairs to the oil sump system;
- the installation of equipment at production sites in places for the temporary storage of production and consumption waste as well as the timely removal and disposal of this waste by specialized organizations;



CAPTION:  
Tree planting

- the timely cleaning of territories and the removal of construction and everyday garbage;
- the timely development of draft standards for waste generation and extending the waste disposal limits.

Law hazard and non-hazardous waste – hazard class 4-5 – continue to constitute the bulk of waste from JSC “MOESK.”

The Company has a license to perform activities involving the collection, use, decontamination and disposal of waste of hazard class 1-4 series 077 No. 00470 dated December 26, 2011.

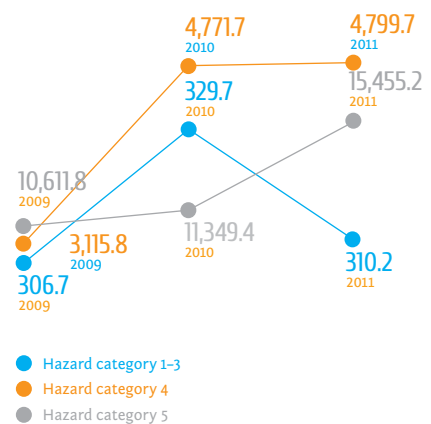
Solid waste is sent for disposal exclusively at landfills that have a license for this type of activity and the approved limits for waste disposal. Category 1-3 waste is transferred to special treatment plants for disposal or processing for reuse.

A 5.9% reduction was seen in category 1-3 waste in 2011 compared to 2010.

The generation of production and consumption waste totaled 20,565 tons in 2011, up 25% from 2010 (by 4.114 tons). The increase in the volume of waste generated in comparison with 2010 is connected with growth in the volume of the repair and investment program as well as work to clear firebreaks for power lines.

## Production and consumption waste

GENERATION OF PRODUCTION AND CONSUMPTION WASTE, tons





## Noise control

All newly constructed or reconstructed substations in Moscow and the Moscow Region located in direct proximity to residential sectors are required to be equipped with noise control devices during the design and construction stages. The total noise levels are determined using calculation methods based on which measures are planned to reduce and optimize the noise impact of JSC “MOESK” facilities in accordance with sanitary standards.

In 2011, JSC “MOESK” implemented the following measures to control the noise impact of the Company’s facilities on the environment:

- measurements of noise levels from substations;
- sensor monitoring of air conditions and noise pollution on the boundaries of the sanitary protection zones (SPZ) of the Company’s facilities.



One of the key conditions for implementing effective environmental protection activities is the advanced training of JSC “MOESK” managers and specialists in matters of environmental protection.

The Company’s personnel improve their skills in environmental education on a regular basis. In 2011, employees of the Company’s branches underwent training on the following programs:

- “Environmental protection, rational natural resources usage and environmental safety” at federal unitary enterprise “Center for Environmental Work and Services”;
- “Environmental management system” at LLC “Ecocertificate” research and development center;
- advanced training for the right to work with hazardous waste at federal unitary enterprise “Center for Environmental Work and Services” and LLC “Advanced Training Institute.”

## Environmental education



**CAPTION:**  
Company personnel improving their environmental education skills



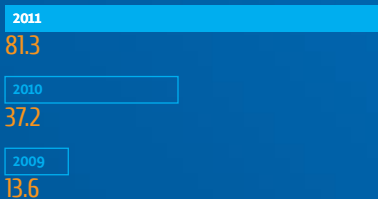
# 8. Procurement activity

218 8.1. Procurement policy

220 8.2. Results of procurement activity

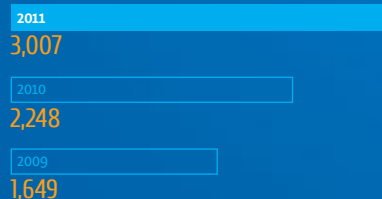
81.3

bln rubles  
Total value of procurements in 2011



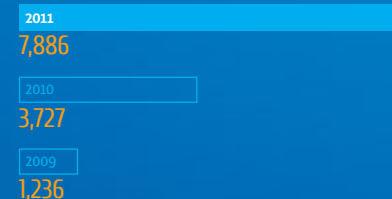
3,007

Number of procurements



7,886

mln rubles  
Economic effect





# 8.1. Procurement policy

The JSC “MOESK” policy in conducting and organizing competitive and regulated non-competitive procurements of goods, work and services for the Company’s own needs is consistent with the general development trends of the procurement system in the electricity industry, the government’s policy with respect to monitoring the activities of natural monopolies and the overall development trends in market relations.



**CAPTION:**  
The presentation of special machinery

Within the framework of this policy, the Company has built a procurement system based on the principles of openness and transparency, the priority of competitive methods for procurements, careful planning of the need for products as well as the honest and reasonable selection of the most preferable offers during the comprehensive analysis of costs and benefits (above all the price and quality of the products).

The procurement activities of JSC “MOESK” are regulated by the following documents:

- Federal Law No. 184-FZ “On Technical Regulation” dated December 27, 2002;
- Federal Law No. 94-FZ “On Placing Orders for the Supply of Goods, Performing Work and Rendering Services for State and Municipal Needs” dated July 21, 2005;
- Federal Law No. 223-FZ “On the Procurements of Goods, Work and Services by Certain Types of Legal Entities” dated July 18, 2011;
- the Provision on the procedure for conducting regulated procurements of goods, work and services for the Company’s needs, which was approved by the Board of Directors (Minutes No. 58 dated April 14, 2008). Starting from January 1, 2012, the Company’s procurement activities are regulated by the new edition of the Provision approved by the Board of Directors (Minutes No. 155 dated December 30, 2011);
- international standards: ISO 9000 – for the quality management system, 14000 – for environmental management, OHSAS 18001 – for the occupational health and safety management system;
- the Company’s policies in matters of quality, occupational health and safety as well as the environment.

In 2011, the Permanent Tender Commission (PTC), which was approved by Order No. 409-210 dated October 19, 2005, and the Central Tender Commission (CTC), which was approved by the Board of Directors (Minutes No. 8 dated August 25, 2005), continued their work.

The CTC handles the coordination, regulatory and methodological support as well as monitoring of the procurement of goods, work and services for the Company's needs.

The main objectives of the PTC are to consider, evaluate and rank the relevant conditions of the competitive tendering procedures by preference and select the winner(s) in accordance with the conditions of these procedures.

At JSC "MOESK," the regulatory procedures are overseen by employees of the Tender Organization Directorate, which is part of the Logistics and Logistical Support Department. In addition, a small part of the procurement of materials and equipment was centralized by the employees of JSC "IDGC Holding" for the needs of all subsidiaries and affiliates, including JSC "MOESK."

In order to ensure the targeted and effective spending of the Company's funds as well as economically justified expenses, the procurements were implemented in strict compliance with the annual comprehensive procurement program (ACPP), which is approved by the Board of Directors on an annual basis. The program will be posted on the [www.moesk.ru](http://www.moesk.ru) website in the Procurements section within 7 calendar days after being approved. This section also contains information on regulatory procedures (in the form of a copy of the notice) and information on the results of procurements. The compilation and coordination of the ACPP is conducted with the help of the automated system of financial and economic management – Procurement Management.

The ACPP is based on the following programs that determine the Company's production activities:

- the production program;
- the repair program;
- the investment program.

The ACPP is implemented by conducting procurement procedures in a timely manner. Adjustments may be made during the implementation of the ACPP due to:

- the results of tariff protection for electricity at government regulatory bodies;
- adjustments to the parameters of the Company's business plan;
- the Company's need for products for the following year requiring that competitive procedures be held in the third or fourth quarter of the current year;
- other reasons related to the previously unforeseen need to change the ACPP.

The General Director provides the Board of Directors with a report on the implementation of the ACPP on a quarterly basis in the form determined by the Board of Directors.

## 8.2. Results of procurement activity

In 2011, 3,007 procurements were made for a total of 81,278 million rubles including VAT.

### STRUCTURE OF PROCUREMENTS IN 2011 BY ACTIVITY

Activity type	Number of procurements, pcs	Total amount, mln rubles including VAT	% of total procurement amount
New construction and the expansion of power grid facilities	374	11,590	14
Reconstruction and modernization of power grid facilities	1,285	31,956	39
Energy repair (repair) work, technical maintenance	797	7,168	9
IT procurements	29	874	1
Research and development	3	120	less than 1
Consulting services	20	149	less than 1
Appraiser services	2	2	less than 1
Other procurements	497	29,420	37
<b>Total</b>	<b>3,007</b>	<b>81,278</b>	<b>100</b>

### STRUCTURE OF PROCUREMENTS IN 2011 BY PROCUREMENT PROCEDURE METHOD

Procurement method	Number of procurements, pcs	Total amount, mln rubles including VAT	% of total procurement amount
Procurement from a single source	1,037	33,065	41
Closed request for quotations based on open competitive negotiations	765	18,662	23
Open competition/auction	474	18,466	23
Open request for quotations	690	6,020	7
Open competitive negotiations	28	3,661	5
Procurement via participation in procedures organized by product sellers	1	673	less than 1
Closed tender/request for quotations	6	542	less than 1
Open request for quotations	6	188	less than 1
<b>Total</b>	<b>3,007</b>	<b>81,278</b>	<b>100</b>

The prevalence of open procurement procedures ensured transparency and the formation of an optimal market procurement price.

The use of electronic trading floors plays a fundamental role in improving the efficiency of procurement activities and ensuring a competitive procurement environment. The Company used the electronic trading floor [b2b-energo.ru](http://b2b-energo.ru) as a means of ecommerce for implementing procurement procedures (approved by the Board of Directors, Minutes No. 97 dated November 27, 2009).

A total of 1,958 procurements were made in 2011 with the use of the electronic trading floor for a total of 46,556 million rubles including VAT, or 65% of the overall number of procurements. Non-electronic procurements accounted for the remaining 35% and included procurements for insurance services, utility services, additional agreements to existing contracts and the lease of facilities via procurement from a single source.

As a result of the measures to improve the efficiency of procurement activities, the difference between the declared and actual cost of the procurements following the procurement procedures (economic benefit) totaled 7,886 million rubles in 2011 including VAT, or 8.8% of the total planned procurement amount (89,165 million rubles including VAT).

Name	2009	2010	2011	2011/2010, %
Number of procurements held	1,649	2,248	3,007	33.8
Total amount of procurements, mln rubles, including VAT	13,596	37,193	81,278	118.5
Economic benefit, mln rubles, including VAT	1,236	3,727	7,886	111.6
Economic benefit, %	8.3	9.1	8.8	-0.3 pp

The reduction in the economic benefit from 9.1% in 2010 to 8.8% in 2011 was due to the fact that the tender prices are closing in on market prices.

The number of procurements has grown steadily over the last three years mainly because of growth in the Company's investment program. The economic benefit from conducting procurement procedures is stable and remains at the level of 8.3%-9.1%.



**A TOTAL OF 1,958  
PROCUREMENTS WERE MADE  
IN 2011 WITH THE USE OF  
THE ELECTRONIC TRADING  
FLOOR FOR A TOTAL OF  
46,556 MILLION RUBLES  
INCLUDING VAT, OR 65%  
OF THE OVERALL NUMBER  
OF PROCUREMENTS**



# 9. Public relations, relations with the authorities, convention and exhibition activities

225 9.1. Media relations

227 9.2. Public relations

228 9.3. Relations with the government authorities and public organizations

230 9.4. Convention and exhibition activities and international cooperation

**18,775**

references to the Company  
in the media

**3,166**

requests sent to the General  
Director's reception webpage

**17**

international meetings  
and exhibitions







An integral part of JSC "MOESK" strategic management is the control of communicative processes as part of the unified internal and external information policy of JSC "IDGC Holding" and its subsidiaries and affiliates.

Integrated communications aim to improve the Company's business reputation and establish a supportive social environment relative to its statutory activities. All categories of personnel and public structures (councils of young people and veterans, union activists and deputies) are responsible for the Company's reputation.

Establishing effective interaction with the public, the media and the government authorities is a key activity for enhancing the Company's publicity (image capital). JSC "MOESK" devotes considerable attention to advertising, charitable, convention and exhibition activities as well as international cooperation.

# 9.1. Media relations

In order to create a positive reputation and the image of a Company that is open with its information as well as to expand the audience impacted by such information, JSC “MOESK” has established cooperation with the leading central, sectoral and regional media outlets.

Accessibility and openness are the main principles of work with the media for JSC “MOESK.” In a rating of the transparency of Russian fuel and energy sector companies compiled in 2011 by the Political and Economic Communications Agency (PECA), JSC “MOESK” ranked 17th out of 75 places and was included in the section “high level of transparency.”

In 2011, the Company saw an increase in its average information transparency index. This figure has demonstrated progressive growth over the last few years: JSC “MOESK” was mentioned in the media 6,800 times in 2009 (including 15 times in television reports), 9,756 times in 2010 (248 times on television) and 18,775 times in 2011 (341 times on television). The launch of the Electricity Transmission program on the Podmoskovye television channel in February 2011 significantly expanded the Company’s communication capabilities.

Over the course of 2011, 29 press tours of JSC “MOESK” facilities were organized for journalists. The press tours were followed by 446 publications by external media outlets.

JSC “MOESK” carries out systemic and consistent work to create a positive image of the Company. Public media events involving the General Director aim to strengthen the business reputation and form a positive and integral image of the Company. In January 2011, the JSC “MOESK” General Director attended a press conference at the Moskovsky Komsomolets publishing house on the subject: “The Energy Security of the Moscow Area. Lessons Learned from the New Year’s Holidays.” The press conference focused on the results of JSC “MOESK” activities in the extreme conditions of freezing rain in late 2010 and early 2011. The General Director’s personal involvement in this and other events contributed to the formation of a positive public opinion concerning the Company’s activities in emergency restoration operations.



**IN A RATING OF THE TRANSPARENCY OF RUSSIAN FUEL AND ENERGY SECTOR COMPANIES COMPILED IN 2011, JSC “MOESK” RANKED 17TH OUT OF 75 PLACES AND WAS INCLUDED IN THE SECTION ‘HIGH LEVEL OF TRANSPARENCY’**





**CAPTION:**  
The media devotes much attention to the activities of JSC "MOESK"

In addition, the Company conducted a large-scale campaign to increase public awareness in the Moscow Region about the measures being implemented to prevent emergency situations and ensure uninterrupted power supplies. Following the abnormal weather in late 2010 and early 2011, JSC "MOESK" launched a public relations campaign to restore consumer confidence in the Moscow Region.

The campaign, which was carried out over a period of seven months from the start of 2011, ensured effective information support for the measures being implemented as part of the program to prevent emergency situations and lobby for JSC "MOESK" communications in the information field.

## 9.2. Public relations

The General Director's reception webpage on the Company's official website works to establish effective feedback between JSC "MOESK" consumers and management. Customers may appeal to the General Director with a question, a proposal on ways to improve operations or a complaint. The reception webpage has gained credence among the Company's customers and also acquired the status of a reliable and valuable communications channel. In 2011, the General Director received a total of 3,166 key requests, which were professionally handled and resolved appropriately on behalf of the applicants. Not a single appeal was left unanswered: the messages were processed and sent to the corresponding services of JSC "MOESK." Consumers of the Company's services were mainly interested in issues concerning connection to the power grid. The Company received 2,327 such requests in 2011, including 405 related to power outages and disruptions as well as power surges.

Last year the General Director also received 36 letters in which customers expressed gratitude for the high quality and timeliness of services and promptness in resolving problems.

Given the Company's experience in dealing with the aftermath of natural disasters, JSC "MOESK" has established temporary information centers (TIC). These centers are being deployed at JSC "MOESK" branches and electric power grid zones in the event of mass disruptions to power supplies caused by natural or manmade emergencies in the Company's grids. The main objective of the TIC is to promptly and objectively inform the public, the government authorities, other officials and the media about the status of emergency restoration work. The temporary information centers serve as the Company's anti-crisis communications channel with consumers in the event of mass power outages caused by emergency situations.

In 2011, temporary information centers were established in 39 JSC "MOESK" power grid zones and a regulatory framework was set up based on their activities. Measures were implemented to train TIC employees over the reporting period. For example, the branch Northern Electric Networks conducted demonstrational training for the public relations divisions of JSC "IDGC Holding," subsidiaries and affiliates with the deployment of the temporary information center in the Company's Dmitrovsky electric power grid zone.



**CAPTION:**  
JSC "MOESK" temporary information center

## 9.3. Relations with the government authorities and public organizations

Over the last year, the Company implemented several major initiatives, including charitable, social and educational programs.

The specialized charity event sponsored by JSC “MOESK” called “Kind Electricity for Children” gained a favorable public response. It was approved by the Moscow Mayor and the Moscow Region Governor. The main goal of the event is to prevent electricity-related injuries among children and teenagers by improving the quality of public awareness. In 2011, specialists from JSC “MOESK” occupational safety divisions held more than 140 open lessons on the subject of power safety at schools and kindergartens in Moscow and the Moscow area as well as summer health camps with the use of illustrative materials and handouts for more than 7,500 children. Regional and municipal media outlets also published materials on rules for safe conduct near power generation facilities.

As part of the national campaign “Power Grid Distribution Complex for Environmental Protection,” which was initiated and organized by JSC “IDGC Holding,” JSC “MOESK” employees planted almost 55,000 trees, five alleys and two “Power Worker Alleys” in order to compensate for felling and restore the natural balance of trees. The campaign was launched at the federal historical and cultural preserve in the city of Sergiev Posad, the location of the famous estate museum of the prominent Russian businessman and philanthropist S.I. Mamontov. Compensatory tree planting was carried out on the territories of socially significant facilities, forest districts and populated areas. These environmental events involved officials from municipal government and administrative bodies, representatives of public, youth and environmental organizations, the clergy as well as students from schools, universities and other institutions of higher education. The Mestniye movement of political environmentalists from the Moscow area served as a partner for the event.

The Company is conducting the “Honest Kilowatt” program with the approval of the Moscow Region Government and the support of the Moscow area municipal administrations and law enforcement agencies. There have been 15 television reports and 136 advisories in print and electronic media on the theme of combating the theft of energy resources.

The Company performed considerable work to prepare and sign agreements on cooperation with several public organizations. In particular, JSC “MOESK” established constructive cooperation with the Moscow regional branch of the national public organization “Business Russia.” As part of the implementation of this partnership agreement and also in an effort to continue constructive cooperation, the Company held a roundtable with LLC “Business Russia” on the theme “MOESK and Business Russia: the Path towards Partnership” and a roundtable involving LLC “Business Russia” and JSC “Mosenergosbyt” on the theme “The Problem of Obtaining Confirmation of the Allotment of Electrical Capacity to Consumer Market Enterprises and Ways to Solve it” as well as two working meetings at the level of the deputy directors of LLC “Business Russia” and JSC “MOESK.” A trilateral agreement was prepared and signed on cooperation between JSC “MOESK,” the Moscow Federation of Unions and the public organization Moscow City Union Organization “Elektroprofsoyuz.” The Company signed an agreement on cooperation with the non-governmental educational institution of higher vocational education Moscow Energy Institute (Technical University) for the vocational guidance and training of personnel for JSC “MOESK.”

In 2011, the Company implemented a program of events to mark the 66<sup>th</sup> anniversary of victory in World War II. These events included the Company’s participation in the organization and implementation of targeted communications programs initiated by JSC “IDGC Holding”: the international historical and memorial relay “Homeland of Heroics – Homeland of Heroes” and the event “Relay of the Victory Banner.” During the “Relay of the Victory Banner” historical and memorial event, a ceremony was organized to present a replica of the Victory Banner to teams from all the Company’s branches with the participation of the councils of veterans and young professionals. In addition, the Company performed work to preserve the history of the energy industry’s development. A book of memoirs of JSC “MOESK” power industry veterans called A Dream Come True was published. On the Day of Remembrance and Sorrow in June and on the 70<sup>th</sup> anniversary of the start of the Soviet counter-offensive outside Moscow in December, the JSC “MOESK” Public Relations Department along with the Company’s councils of veterans and young professionals and the administrations of the Moscow Region and the Krasnogorsk District held a patriotic event by the memorial complex “On the Defensive Line of Moscow” in the village of Nefedyevo in the Krasnogorsk District.



**CAPTION:**  
"Relay of the Victory Banner"

# 9.4. Convention and exhibition activities and international cooperation



**CAPTION:**  
Visit to a JSC "MOESK" facility by a Japanese delegation

In order to strengthen its image and boost awareness of JSC "MOESK" on the national and global energy markets, the Company stepped up convention and exhibition work as well as international communications considerably during the reporting period within the framework of the unified standards of JSC "IDGC Holding" and its subsidiaries and affiliates. In 2011, the Company either presented its own booth or was involved in a joint exposition at eight major international exhibitions, such as "CABEX-2011" – the tenth anniversary International Exhibition for Cables, Wires, Fastening Hardware and Installation Technologies, the Moscow international energy forum "Russian Fuel and Energy Sector in the 21st Century" (MIEF), "WasteTek 2011" (a major exhibition for waste management and environmental technologies in Russia as well as the CIS and Baltic countries), "SAPE 2011" (2nd International Exhibition for Occupational Health and Safety in the Power Industry), the 15th St. Petersburg International Economic Forum, "Podmoskovye 2011," "Electric Networks of Russia 2011" and "Occupational Safety in Moscow."





In order to expand cooperation and exchange experience with colleagues from prominent specialized Russian enterprises, JSC “MOESK” in 2011 took part in major convention events on matters of ecology and environmental protection: “The State Regulation of Environmental Protection and Ensuring Environmental Security 2011” and “Global Experience and the Russian Economy in Matters of Environmental Protection.” Following the events, JSC “MOESK” was awarded a participant’s certificate and a medal of honor for environmental safety. The Company held 17 international meetings with representatives of energy companies from Belarus, Germany, Croatia, Ukraine and China.

**CAPTION:**  
JSC “MOESK” exhibition stand at the “Russian Fuel and Energy Sector in the 21st Century” exhibition



# Glossary of key terms and abbreviations

## Abbreviations used in the text

**ACPP**

annual comprehensive procurement program

**ADMC CMEP**

automated data metrical systems for the commercial metering of electric power

**AS FBM**

automated system of financial and business management

**AS FEM**

automated system of financial and economic management

**ATPCS**

automated technology process control systems

**AWS**

automated work station

**CHP**

combined heat and power plant

**CL**

cable line

**CSC**

customer service center

**CP**

crossover point

**CPI**

consumer price index

**DPC**

data processing center

**EPGZ**

electric power grid zone

**FCSM**

Federal Commission for the Securities Market (transformed into the FSFM of Russia in August 2004)

**FEC**

Fuel and Energy Committee

**FFMS**

Federal Financial Markets Service

**FGC UES of Russia**

Federal Grid Company of Unified Energy System of Russia

**FTS**

Federal Tariff Service

**GIMCS**

gas insulated metal-clad switchgear

**HPP**

hydroelectric power plant

**IFRS**

international financial reporting standards

**IS**

indoor switchgear

**KPI**

key performance indicators

**MEC**

mobile emergency crew

**MICEX**

Moscow Interbank Currency Exchange

**MM**

mass media

**Moscow RDO**

Regional Dispatching Office of the Power System for the City of Moscow and Moscow Region – branch of JSC “SO-CDO UES”

**OCL**

overhead cable line

**ODS**

on-line dispatcher service

**OL**

overhead line

**OS**

outdoor switchgear

**PTL**

power transmission line

**RAB (Regulatory Asset Base)**

method of ensuring a return on invested capital

**RAS**

Russian Accounting Standards

**REC**

Regional Energy Committee

**RTS**

Russian Trading System

**R&D**

research and development

**SAC**

subsidiaries and associated companies

**SDPP**

state district power plant (historical name)

**SIC**

self-supported insulated conductor

**SO-CDO UES**

System Operator – Central Dispatching Office of Unified Energy System of Russia

**SS**

substation with voltage of 35 kV or higher

**TBSD**

tariff and balance sheet decision

**TGO**

territorial grid organization

**TS**

transformer substation 6-10/0.4 kV

**TUR**

technical upgrading and reconstruction

**WGC**

wholesale generation company

**kV**

kilovolt as a voltage measurement unit

**kVA**

kilovolt-ampere as a full transforming power measurement unit

**kWh**

kilowatt-hour as an electric power measurement unit

**MVA**

megavolt-ampere as a full transforming power measurement unit

**MW**

megawatt as a power measurement unit

**MWh**

megawatt-hour as an electric power measurement unit

## Measurement units

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# Appendix 1

## The Company's statement for 2011 prepared in accordance with Russian Accounting Standards (RAS)

Balance sheet as of Dec 31, 2011		Appendix 1		
		Codes		
	OKUD form	0710001		
	Date (day, month, year)	31	12	2011
Organization	JSC Moscow United Electric Grid Company	for OKPO	75273098	
Taxpayer identification number		INN	5036065113	
Tape of economic activity	transmission of electricity	for OKVED	40.10.2	
Form of incorporation/form of ownership	Open joint-stock company/ Mixed Russian ownership with share of ownership by the constituent regions of the Russian Federation	for OKOPF/OKFS	47	16
Measurement unit	'000 rubles	for OKEI	384	
Location (address): 115114, Moscow, 2nd Paveletsky proezd, dom 3, str. 2				

Key	Indicator	Line code	As of Dec 31, 2011 (1)	As of Dec 31, 2010 (2)	As of Dec 31, 2009(3)
<b>ASSETS</b>					
<b>I. NON-CURRENT ASSETS</b>					
5.1.1.-5.2.2.	Intangible assets	1110	1,258		
5.2.2.	including pending transactions to acquire intangible assets	1111			
5.2.1.-5.2.2	Research and development results	1120			
5.2.2.	including expenses on pending research and development	1121			
5.3.1.-5.3.6.	Fixed assets	1130	197,449,310	183,471,081	173,693,552
	land plots and natural resource sites	1131	72,341	11,821	9,331
	buildings, machines and equipment, facilities	1132	167,450,143	153,227,620	132,706,337
	other types of fixed assets	1133	1,444,321	810,597	461,303
5.3.5.	construction in progress	1134	27,306,005	27,894,491	36,678,074
5.3.6.	advances issued for capital construction and the acquisition of fixed assets	1135	1,176,500	1,526,552	3,838,507
5.3.1.	Profitable investments in tangible assets	1140	0	0	0
	property for lease	1141			
	property provided under lease agreement	1142			

Key	Indicator	Line code	As of Dec 31, 2011 (1)	As of Dec 31, 2010 (2)	As of Dec 31, 2009(3)
5.4.1.-5.4.3.	Financial investments	1150	4,300,597	4,186,186	3,685,697
	investments in subsidiaries	1151	2,956,879	2,910,512	2,925,588
	investments in affiliates	1152	874,971	806,927	760,109
	investments in other organizations	1153			
	loans issued to organizations for more than 12 months	1154			
	other long-term financial investments	1155	468,747	468,747	
5.7.2.	Deferred tax assets	1160	1,264,585	790,446	583,386
	Other non-current assets	1170	507,139	236,116	143,768
	<b>Total for section I</b>	<b>1100</b>	<b>203,522,889</b>	<b>188,683,829</b>	<b>178,106,403</b>
<b>II. CURRENT ASSETS</b>					
5.5.1-5.5.2.	Inventory	1210	4,613,592	4,487,004	5,210,767
	raw materials, supplies and other similar assets	1211	2,563,517	2,098,537	2,416,466
	expenses on construction in progress	1212	1,854,750	2,239,948	2,551,474
	finished products and goods for resale	1213	3,502	5,728	2,640
	shipped goods	1214			
	other stocks and expenses	1215	191,823	142,791	240,187
	Valued added tax on acquired assets	1220	129,041	61,114	307,796
5.6.1.-5.6.4.	Accounts receivable	1230	46,607,413	46,600,248	49,247,703
	Payments due more than 12 months after the reporting date	1231	29,781,349	33,034,733	29,159,381
	customers and clients	123101	13,034	106,913	
	notes receivable	123102			
	advances issued	123103	29,768,315	32,927,820	29,159,381
	other accounts receivable	123104			
	Payments due within 12 months after the reporting date	1232	16,826,064	13,565,515	20,088,322
	customers and clients	123201	9,920,844	9,245,200	6,573,051
	notes receivable	123202			
	debt of subsidiaries and affiliates on dividends	123203			
	debt of participants (founders) on charter capital payments	123204			
	advances issued	123205	1,112,925	220,253	481,756
	other accounts receivable	123206	5,792,295	4,100,062	13,033,515

Key	Indicator	Line code	As of Dec 31, 2011 (1)	As of Dec 31, 2010 (2)	As of Dec 31, 2009(3)
5.4.1-5.4.3.	Financial investments (except cash equivalents)	1240	0	0	2,968,747
	loans provided to organizations for less than 12 months	1241			
	other short-term financial investments	1242			2,968,747
f.4	Cash and cash equivalents	1250	3,143,960	1,108,030	4,844,580
	cash	1251	3,259	396	553
	settlement accounts		2,297,542	1,104,664	4,841,338
	currency accounts	1253		14	27
	other funds	1254	843,159	2,956	2,662
	Total current assets	1260	7,558,230	8,769,937	9,947,664
	<b>Total for section II</b>	<b>1200</b>	<b>62,052,236</b>	<b>61,026,333</b>	<b>72,527,257</b>
	<b>BALANCE</b>	<b>1600</b>	<b>265,575,125</b>	<b>249,710,162</b>	<b>250,633,660</b>
<b>LIABILITIES</b>					
<b>III. CAPITAL AND RESERVES</b>					
3.1.	Charter capital (share capital, authorized capital, contributions of partners)	1310	24,353,546	24,353,546	24,353,546
3.1.	Treasury shares	1320	( )	( )	( )
5.3.1.,5.1.1.	Revaluation of non-current assets	1340	47,590,515	47,634,306	42,039,547
3.1.	Additional paid-in capital (excluding revaluation)	1350	21,680,990	21,680,990	21,680,990
3.1.	Reserve capital	1360	1,217,678	1,126,439	810,513
3.1.	Retained earnings (retained loss)	1370	60,334,946	45,656,522	31,267,626
	of previous years	1371	43,281,976	45,656,522	31,267,626
	of reporting period	1372	17,052,970		
	<b>Total for section III</b>	<b>1300</b>	<b>155,177,675</b>	<b>140,451,803</b>	<b>120,152,222</b>
<b>IV. LONG-TERM LIABILITIES</b>					
5.6.7.-5.6.8.	Borrowed funds	1410	39,105,723	26,724,540	13,962,190
	bank loans due more than 12 months after the reporting date				
	the reporting date	1411	39,105,723	25,514,123	11,605,683
	borrowings due more than 12 months after the reporting date	1412		1,210,417	2,356,507
5.7.2.	Deferred tax liabilities	1420	3,376,358	2,593,010	1,675,709
5.7.1.	Estimated liabilities	1430			
5.6.5.-5.6.6.	Other liabilities	1450	9,278,038	10,672,309	21,786,335
	<b>Total for section IV</b>	<b>1400</b>	<b>51,760,119</b>	<b>39,989,859</b>	<b>37,424,234</b>

Key	Indicator	Line code	As of Dec 31, 2011 (1)	As of Dec 31, 2010 (2)	As of Dec 31, 2009(3)
<b>V. SHORT-TERM LIABILITIES</b>					
5.6.7.-5.6.8.	Borrowed funds	1510	1,320,668	4,603,031	26,797,543
	bank loans due within 12 months after the reporting date	1511	25,036	4,543,261	26,738,292
	borrowings due within 12 months after the reporting date	1512	1,295,632	59,770	59,251
5.6.5.-5.6.6.	Accounts payable	1520	53,654,092	61,024,298	63,426,334
	suppliers and contractors	1521	12,898,452	12,269,634	10,997,114
	notes payable	1522			
	salaries payable to personnel	1523	5,275	9,202	1,621
	payables to state extra-budgetary funds	1524	2,253	3,527	115
	taxes and fees payable	1525	65,146	601,880	261,951
	advances received	1526	40,677,065	47,979,234	38,923,965
	ayables to participants (founders) for income payments	1527			2,483
	other accounts payable	1528	5,901	160,821	13,239,085
	Deferred income	1530			
5.7.1.	Estimated liabilities	1540	2,079,262	2,042,010	1,975,373
	Other liabilities	1550	1,583,309	1,599,161	857,954
	<b>Total for section V</b>	<b>1500</b>	<b>58,637,331</b>	<b>69,268,500</b>	<b>93,057,204</b>
	<b>BALANCE</b>	<b>1700</b>	<b>265,575,125</b>	<b>249,710,162</b>	<b>250,633,660</b>

Director  A.P. Konovalov

Chief accountant  / L.A. Sklyarova

24 February 2012

(1) - indicates the reporting date of the reporting period  
 (2) - indicates for the previous year  
 (3) - indicates for the year preceding the previous year



**Profit and loss statement  
for the 12 months of 2011**

Appendix 2

	Codes		
OKUD form	0710001		
Date (day, month, year)	31	12	2011
Organization <b>JSC Moscow United Electric Grid Company</b>	for OKPO		
Taxpayer identification number	75273098		
Tape of economic activity <b>transmission of electricity</b>	INN		
Form of incorporation/form of ownership <b>Open joint-stock company/ Mixed Russian ownership</b>	5036065113		
<b>with share of ownership by the constituent regions of the Russian Federation</b>	for OKVED		
Measurement unit <b>'000 rubles</b>	40.10.2		
	for OKOPF/OKFS		16
	for OKEI		384

Key	Indicator	Line code	For 2011 (1)	For 2010 (2)
	Revenue	2110	126,546,066	110,634,049
	including			
	revenue from electricity transmission	2111	106,993,823	91,238,959
	revenue from grid connections	2112	18,859,542	18,944,958
	revenue from UES of Russia operating and development organizations with respect to the power grid distribution complex	2113		
	revenue from the resale of electricity and capacity	2114		
	income from participation in other organizations	2115		
	income from leases	2116	37,181	39,634
	revenue from the sale of other products, goods, work and services of an industrial nature	2117	655,520	410,498
	revenue from the sale of other products, goods, work and services of a non-industrial nature	2118		
2.1.	Cost of sales	2120	(101,101,995)	(85,240,359)
	including:			
	cost of electricity transmission	2121	(96,905,789)	(80,487,524)
	cost of grid connections	2122	(3,720,468)	(4,466,762)
	cost of UES of Russia operating and development organizations with respect to the power grid distribution complex	2123	( )	( )
	cost of the resale of electricity and capacity	2124	( )	( )
	cost of participation in other organizations	2125	( )	( )
	cost of lease services	2126	(1,714)	(9,393)
	cost of the sale of other products, goods, work and services of an industrial nature	2127	(474,024)	(276,680)
	cost of the sale of other products, goods, work and services of a non-industrial nature	2128	( )	( )

Key	Indicator	Line code	For	
			31 Dec 2011 (1)	31 Dec 2010 (2)
	Gross profit (loss)	2100	25,444,071	25,393,690
2.1.	Selling expenses	2210 ( ) ( )		
2.1.	Management expenses	2220 ( ) ( )		
	Sales profit (loss)	2200	25,444,071	25,393,690
	Income from participation in other organizations	2310		
	Interest receivable	2320	106,496	200,787
	Interest payable	2330	(2,580,638)	(2,696,074)
5.11.	Other income	2340	6,740,173	5,580,774
5.11.	Other expenses	2350	(7,802,312)	(7,085,520)
	Pre-tax profit (loss)	2300	21,907,790	21,393,657
2.3.	Current income tax	2410	(5,785,725)	(5,062,219)
2.3.	including permanent tax liabilities (assets)	2421	1,713,376	1,493,729
2.3.	Changes to deferred tax liabilities	2430	-783,348	-917,300
2.3.	Changes to deferred tax assets	2450	474,139	207,059
2.3.	Other	2460	1,240,114	328
	Net profit (loss)	2400	17,052,970	15,621,525
<b>FOR REFERENCE</b>				
5.1.1.,5.3.1.	Result of the revaluation of non-current assets not included in net profit (loss) for the period	2510		4,473,950
3.2.	Result of other transactions not included in net profit (loss) for the period	2520		
	Total financial result for the period	2500	17,052,970	20,095,475
2.2.	Basic earnings (loss) per share (rubles)	2900	0.3501	0.32
2.2.	Diluted earnings (loss) per share (rubles)	2910		

Director  A.P. Konovalov

Chief accountant  / L.A. Sklyarova

24 February 2012

(1) - indicates the reporting date of the reporting period  
 (2) - indicates the period of the previous year similar to the reporting period

## 2.1. COST OF SOLD PRODUCTS, WORK AND SERVICES BY COST ELEMENT

Indicator	Line code	For 2011 (1)	For 2010 (2)
Cost of sales	6510	(101,101,995)	(85,240,359)
including:			
material expenses	6511	14,930,085	15,349,797
labor costs	6512	11,170,787	8,725,905
fringe benefit expenses	6513	2,428,448	1,487,773
depreciation	6514	15,196,204	12,160,210
other costs	6515	57,376,471	47,516,674
Reference: Change in inventories and reserves (increase [+], decrease [-]):	6520		
including:			
work in progress	6521	-385,198	-311,526
finished products	6522		
purchased goods	6523	-2,226	3,088
goods shipped	6524		
auxiliary raw materials	6525		
<b>Total cost of sold products (goods, work, services)</b>	<b>6500</b>	<b>(101,101,995)</b>	<b>(85,240,359)</b>
including:			
cost of sold goods	6530		
management services on the side	6540		
Selling expenses	6550	( 0 )	( 0 )
including:			
material expenses	6551		
labor costs	6552		
fringe benefit expenses	6553		
depreciation	6554		
other costs	6555		
Management expenses	6560	( 0 )	( 0 )
including:			
material expenses	6561		
labor costs	6562		
fringe benefit expenses	6563		
depreciation	6564		
other costs	6565		

Director  A.P. KononovChief accountant  / L.A. Sklyarova

24 February 2012

(1) - indicates the reporting date of the reporting period  
(2) - indicates the period of the previous year similar to the reporting period

## 2.2. EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

Indicator	Line code	For 2011 (1)	For 2010 (2)
<b>Net profit (retained loss) for the reporting period</b>	<b>6610</b>	<b>17,052,970</b>	<b>15,621,525</b>
Dividends on preferred shares (3)	6611 ( ) ( )		
Basic earnings (loss) for the reporting period	6612	17,052,970	15,621,525
Weighted average number of common shares outstanding during the reporting period	<b>6613</b>	<b>48,707,091,574</b>	<b>48,707,091,574</b>
<b>Basic earnings (loss) per share (rubles)</b>	<b>6620</b>	<b>0.3501</b>	<b>0.32</b>
Weighted average market value of one common share	6621		
<b>Potential increase in profit and weighted average number of outstanding shares</b>	<b>6630</b>	<b>X</b>	<b>X</b>
As a result of the conversion of preferred shares into common shares	6631	X	X
possible growth in earnings	66311		
additional number of shares	66312		
<b>As a result of the conversion of bonds into common shares</b>	<b>6632</b>	<b>X</b>	<b>X</b>
possible growth in earnings	66321		
additional number of shares	66322		
As a result of the implementation of purchase/sale agreements for shares at a price below market value	6633	X	X
contractual acquisition price	66331		
possible growth in earnings	66332		
additional number of shares	66333		
<b>Diluted earnings per share (rubles)</b>	<b>6640</b>	<b>0.0000</b>	<b>0.0000</b>
adjusted basic earnings value	6641		
adjusted weighted average value of number of outstanding shares	6642		

Director  A.P. Kopyalov

Chief accountant  L.A. Sklyarova

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- (2) - indicates for the previous year
- (3) - this indicator includes dividends on cumulative shares for the previous reporting periods that were paid or announced during the reporting year

## 2.3. PROFIT TAXATION

Indicator	Line code	For 2011 (1)	For 2010 (2)
<b>Pre-tax profit (loss)</b>	<b>6710</b>	<b>21,907,790</b>	<b>21,393,657</b>
including taxable at the rate of: 20%	67101	21,907,790	21,393,657
other rates	67102		
untaxed	67103		
Permanent differences	6711	8,566,880	7,468,644
Reference: permanent differences corresponding with temporary differences	67111		
Change in temporary deductible differences	6712	2,370,695	1,035,294
Change in temporary taxable differences	6713	-3,916,740	-4,586,500
Tax base	6714	28,928,625	25,311,095
<b>Profit tax expenses (income)</b>	<b>6720</b>	<b>3,141,421</b>	<b>4,278,731</b>
Conditional profit tax expenses (income)	6721	4,381,558	4,278,731
Permanent tax liabilities (assets)	6722	1,713,376	1,493,729
Reference: change in deferred taxes classified as profit and losses	67221		
Deferred tax expenses (income)	6723	-309,209	-710,241
including:			
change in deferred tax asset	67231	474,139	207,059
change in deferred tax liability	67232	-783,348	-917,300
Current profit tax	6724	( 5,785,725)	(5,062,219)
Update of tax payable for previous tax periods	6725	-1,240,137	
<b>Other tax payments and penalties from profit</b>	<b>6730</b>	<b>(-23)</b>	<b>(328)</b>
including on essential items	6731	(-23)	(328)
<b>Profit (loss) from ordinary activities</b>	<b>6740</b>	<b>17,052,970</b>	<b>15,621,525</b>

Director  A.P. KonovalovChief accountant  L.A. Sklyarova

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(2) - indicates the period of the previous year similar to the reporting period

**Statement of changes in equity  
for 2011**

Appendix 3

	Codes		
Organization JSC Moscow United Electric Grid Company	OKUD form	0710001	
Taxpayer identification number	Date (day, month, year)	31	12 2011
Tape of economic activity transmission of electricity	for OKPO	75273098	
Form of incorporation/form of ownership Open joint-stock company/ Mixed Russian ownership with share of ownership by the constituent regions of the Russian Federation	INN	5036065113	
Measurement unit '000 rubles	for OKVED	40.10.2	
	for OKOPF/OKFS	47	16
	for OKEI	384	

**3.1. MOVEMENT OF CAPITAL**

Indicator	Code	Charter capital	Treasury shares	Additional paid-in capital	Reserve capital	Retained earnings (retained loss)	Total
Capital value as of Dec 31, 2009 (1)	3100	24,353,546	( 0 )	63,720,537	810,513	31,267,626	120,152,222
For 2010 (2)				5,644,318		16,273,327	21,917,645
Increase in capital – total:	3210						
including:							
net profit	3211	x	x	x	x	15,621,525	15,621,525
revaluation of property	3212	x	x	5,644,318	x		5,644,318
income directly attributable to the increase in capital	3213	x	x		x	651,802	651,802
additional issue of shares	3214				x	x	0
increase in nominal value of shares	3215		x	x	x		x
reorganization of legal entity	3216						0
Reduction in capital – total:	3220	( )	( )	( )	( )	(1,618,064)	(1,618,064)
including:							
losses	3221	x	x	x	x	( )	( 0 )
revaluation of property	3222	x	x	( )	x	(1,170,368)	(1,170,368)
expenses directly attributable to the decrease in capital	3223	x	x	( )	x	( )	( 0 )
decrease in nominal value of shares	3224	( )		x	( )		( 0 )
decrease in the number of shares	3225	( )	( )	x	x	-2,304	(2,304)
reorganization of legal entity	3226	( )				( 0 )	( 0 )
dividends	3227	x	x	x	x	(450,000)	(450,000)

## 3.1. MOVEMENT OF CAPITAL (continuation)

Indicator	Code	Charter capital	Treasury shares	Additional paid-in capital	Reserve capital	Retained earnings (retained loss)	Total
Change in additional paid-in capital	3230	x	x	-49,559	x	49,559	x
Change in reserve capital	3240	x	x	x	315,926	(315,926)	x
Capital value as of Dec 31, 2010 (2)	3200	24,353,546	( 0 )	69,315,296	1,126,439	45,656,522	140,451,803
For 2011 (3)							
Increase in capital - total:	3310					17,052,970	17,052,970
including:							
net profit	3311	x	x	x	x	17,052,970	17,052,970
revaluation of property	3312	x	x				
income directly attributable to the increase in capital	3313	x	x		x		0
additional issue of shares	3314				x	x	0
increase in nominal value of shares	3315		x	x	x		x
reorganization of legal entity	3316						0
Reduction in capital - total:	3320	( )	( )	( )	( )	(2,327,098)	(2,327,098)
including:							
losses	3321	x	x	x	x	( )	( 0 )
revaluation of property	3322	x	x	( )	x	( )	( 0 )
expenses directly attributable to the decrease in capital	3323	x	x	( )	x	(1,127,097)	(1,127,097)
decrease in nominal value of shares	3324	( )	x	x	x	( 0 )	( 0 )
decrease in the number of shares	3325	( )	( )	x	x	( 0 )	( 0 )
reorganization of legal entity	3326					( 0 )	( 0 )
dividends	3327	x	x	x	x	(1,200,001)	(1,200,001)
Change in additional paid-in capital	3330	x	x	-43,791	x	43,791	x
Change in reserve capital	3340	x	x	x	91,239	(91,239)	x
Capital value as of Dec 31, 2011 (3)	3300	24,353,546	( 0 )	69,271,505	1,217,678	60,334,946	155,177,675

### 3.2. ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

Indicator	Code	As of Dec 31, 2009 (1)	As of Dec 31, 2010 (2)		As of Dec 31, 2011 (2)
			due to net profit (loss)	due to other factors	
<b>Capital – total</b>					
prior to adjustments	3400	119,676,927	14,003,461	5,644,318	139,324,706
adjustments due to:					
changes in accounting policies	3410	475,295	651,802	0	1,127,097
the correction of errors	3420	0	0	0	0
after adjustments	3500	120,152,222	14,655,263	5,644,318	140,451,803
including:					
retained earnings (retained loss):					
prior to adjustments	3401	30,792,331	13,737,094		44,529,425
adjustments due to:					
changes in accounting policies	3411	475,295	651,802		1,127,097
the correction of errors	3421				0
after adjustments	3501	31,267,626	14,388,896	0	45,656,522
other adjusted capital items:					
(by item)					
prior to adjustments	3402	88,884,596	266,367	5,644,318	94,795,281
Charter capital	3402	24,353,546			24,353,546
Treasury shares	3402				0
Additional paid-in capital	3402	63,720,537	-49,559	5,644,318	69,315,296
Reserve capital	3402	810,513	315,926		1,126,439
adjustments due to:					
changes in accounting policies	3412				0
the correction of errors	3422				0
after adjustments	3502	88,884,596	266,367	5,644,318	94,795,281

### 3.3. NET ASSETS

Indicator	Code	As of Dec 31, 2011 (3)	As of Dec 31, 2010 (2)	As of Dec 31, 2009 (1)
Net assets	3600	155,177,675	140,451,803	120,152,222

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(1) – indicates the year preceding the previous year  
 (2) – indicates the previous year  
 (3) – indicates the reporting year



## 3.4. ESTIMATED VALUE OF THE JOINT-STOCK COMPANY'S NET ASSETS

Indicator	Balance sheet line code	As of Dec 31, 2011 (7)	As of Dec 31, 2010 (7)	As of Dec 31, 2009 (6)
<b>I Assets</b>				
1 Intangible assets	1110	1,258	0	0
2 Results of research and development	1120	0	0	0
3 Fixed assets	1130	197,449,310	183,471,081	173,693,552
4 Profitable investments in tangible assets	1140	0	0	0
5 Long-term and short-term financial investments	1150+1240	4,300,597	4,186,186	6,654,444
6 Other non-current assets (2)	1160+1170	1,771,724	1,026,562	727,154
7 Inventory	1210	4,613,592	4,487,004	5,210,767
8 Valued added tax on acquired assets	1220	129,041	61,114	307,796
9 Accounts receivable (3)	1230	46,607,413	46,600,248	49,247,703
10 Cash and cash equivalents	1250	3,143,960	1,108,030	4,844,580
11 Other current assets (1)	1260	7,558,230	8,769,937	9,947,664
12 Total assets included in estimate (sum of items 1-11)		265,575,125	249,710,162	250,633,660
<b>II Liabilities</b>				
13 Long-term borrowed funds	1410	39,105,723	26,724,540	13,962,190
14 Deferred tax liabilities	1420	3,376,358	2,593,010	1,675,709
15 Estimated liabilities	1430+1540	2,079,262	2,042,010	1,975,373
16 Other long-term liabilities	1450	9,278,038	10,672,309	21,786,335
17 Short-term borrowed funds	1510	1,320,668	4,603,031	26,797,543
18 Accounts payable (4)	1520	53,654,092	61,024,298	63,426,334
19 Other short-term liabilities (5)	1550	1,583,309	1,599,161	857,954
20 Total liabilities included in estimate (sum of items 13-19)		110,397,450	109,258,359	130,481,438
21 Value of joint-stock company's net assets (total assets included in estimate (line 12) minus total liabilities included in estimate (line 20))		155,177,675	140,451,803	120,152,222

Director  A.P. KopyalovChief accountant  L.A. Sklyarova

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(1) – Except for actual expenses on repurchasing shares from shareholders

(2) – Including deferred tax assets

(3) – Except for debt of participants (founders) on charter capital payments

(4) – Including debt to participants for dividend payments

(5) – the data on other long-term and short-term liabilities are presented as the sum of the reserves established in the prescribed manner due to contingencies and the termination of activities

(6) – Indicates the year preceding the previous year

(7) – Indicates the previous year

(8) – Indicates the reporting date of the reporting period

**Cash flow statement  
for the 12 months of 2011**

Appendix 4

	Codes		
Organization <b>JSC Moscow United Electric Grid Company</b>	OKUD form	0710001	
Taxpayer identification number	Date (day, month, year)	31	12 2011
Tape of economic activity <b>transmission of electricity</b>	for OKPO	75273098	
Form of incorporation/form of ownership <b>Open joint-stock company/ Mixed Russian ownership with share of ownership by the constituent regions of the Russian Federation</b>	INN	5036065113	
Measurement unit <b>'000 rubles</b>	for OKVED	40.10.2	
	for OKOPF/OKFS	47	42
	for OKEI	384	

Indicator	Code	For 12 mon 2011 (1)	For 12 mon 2010 (2)
<b>CASH FLOW FROM CURRENT OPERATIONS</b>			
Receipts – total	4110	122,887,955	115,650,163
including:			
from the sale of products, goods, work and services	4111	117,668,724	98,916,160
including from the sale of products, goods, work and services to parent, subsidiary and affiliated companies	411101	9,341	25,402
lease payments, license payments, royalties, commissions and other similar payments	4112	1,602	3,724
including from lease payments, license payments, royalties, commissions and other similar payments from parent, subsidiary and affiliated companies	411201		
from the resale of financial investments	4113		
including from the resale of financial investments to parent, subsidiary and affiliated companies	411301		
other receipts	4119	5,217,629	16,730,279
including other receipts from parent, subsidiary and affiliated companies	411901		
Payments – total	4120	(96,203,894)	(87,587,174)
including: to suppliers (contractors) for raw materials, supplies, work and services	4121	(67,855,775)	(53,514,654)
including to suppliers (contractors) for the raw materials, supplies, work and services of parent, subsidiary and affiliated companies	412101	(1,000,353)	(1,561,160)
in connection with the remuneration of employees	4122	(9,648,513)	(8,466,036)
interest on debt obligations	4123	(2,852,340)	(3,165,272)
including interest on debt obligations to parent, subsidiary and affiliated companies	412301	( )	( )
corporate profit tax	4124	(4,616,648)	(4,994,928)
other payments	4129	(11,230,618)	(17,446,284)
including other payments to parent, subsidiary and affiliated companies	412901	( )	( )
Balance of cash flows from current operations	4100	26,684,061	28,062,989

Indicator	Code	For 2011 (1)	For 2010 (2)
<b>CASH FLOW FROM INVESTMENT OPERATIONS</b>			
Receipts – total	4210	2,996	0
including:			
from the sale of non-current assets (except financial investments)	4211	2,996	
including from the sale of non-current assets (except financial investments) to parent, subsidiary and affiliated companies	421101		
from the sale of shares in other organizations (participatory interest)	4212		
including from the sale of shares in other organizations (participatory interest) to parent, subsidiary and affiliated companies	421201		
from the repayment of issued loans and from the sale of debt securities (The right to claim money from other entities)	4213		
including from the repayment of issued loans and from the sale of debt securities (The right to claim money from other entities) of parent, subsidiary and affiliated companies	421301		
dividends and interest on debt financial investments and similar receipts from a participatory interest in other organizations	4214		
including dividends and interest on debt financial investments and similar receipts from a participatory interest in other organizations from parent, subsidiary and affiliated companies	421401		
other receipts	4219		
including other receipts from parent, subsidiary and affiliated companies	421901		
Payments – total	4220	(26,808,140)	(16,562,518)
including:			
in connection with the acquisition, construction, modernization, reconstruction and preparation of non-current assets for use	4221	(26,808,140)	(16,110,111)
including payments to parent, subsidiary and affiliated companies in connection with The acquisition, construction, modernization, reconstruction and preparation of non-current assets for use	422101		
in connection with the acquisition of shares in other organizations (participatory interest)	4222		(452,407)
including payments to parent, subsidiary and affiliated companies in connection with the acquisition of shares in other organizations (participatory interest)	422201	( )	( )
in connection with the acquisition of debt securities (The right to claim money from other entities) and the provision of loans to other entities	4223	( )	
including payments to parent, subsidiary and affiliated companies in connection with the acquisition of debt securities (The right to claim money from other entities) and the provision of loans to other entities	422301	( )	( )
interest on debt obligations included in the cost of the investment asset	4224	( )	( )
including interest on debt obligations included in the cost of the investment asset to parent, subsidiary and affiliated companies	422401	( )	( )
other payments	4229	( )	( )
including other payments to parent, subsidiary and affiliated companies	422901	( )	( )
Balance of cash flows from investment operations	4200	-26,805,144	-16,562,518

Indicator	Code	For 2011 (1)	For 2010 (2)
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>			
Receipts – total	4310	42,596,457	33,943,570
including:			
loans and borrowings received	4311	42,596,457	33,943,570
including loans and borrowings received from parent, subsidiary and affiliated companies	431101		
cash contributions of owners (participants)	4312		
including cash contributions of owners (participants) of parent, subsidiary and affiliated companies	431201		
from the issuance of shares and increase in the participatory interest	4313		
including from the issuance of shares and increase in the participatory interest of parent, subsidiary and affiliated companies	431301		
from the issuance of bonds, promissory notes and other debt securities, etc.	4314		
including from the issuance of bonds, promissory notes and other debt securities, etc. of parent, subsidiary and affiliated companies	431401		
other receipts	4319		
including other receipts from parent, subsidiary and affiliated companies	431901		
Payments – total	4320	(40,439,444)	(49,180,591)
including:			
to owners (participants) due to the redemption of their shares (participatory interest) in the organization or their withdrawal as participants in parent, subsidiary and affiliated companies	4321	( )	( )
including to owners (participants) due to the redemption of their shares (participatory interest) in the organization or their withdrawal as participants of parent, subsidiary and affiliated companies	432101	( )	( )
for the payment of dividends and other payments for the distribution of profit in favor of owners (participants)	4322	(1,164,657)	(434,072)
including for the payment of dividends and other payments for the distribution of profit in favor of owners (participants) of parent, subsidiary and affiliated companies	432201	( )	( )
in connection with the redemption (repurchase) of promissory notes and other debt securities as well as the repayment of loans and borrowings	4323	(33,225,935)	(40,256,484)
including in connection with the redemption (repurchase) of promissory notes and other debt securities as well as the repayment of loans and borrowings to parent, subsidiary and affiliated companies	432301	( )	( )
other payments	4329	(6,048,852)	(8,490,035)
including other payments to parent, subsidiary and affiliated companies	432901	( )	( )
Balance of cash flow from financial operations	4300	2,157,013	-15,237,021
<b>Balance of cash flows for the reporting period</b>	<b>4400</b>	<b>2,035,930</b>	<b>-3,736,550</b>
<b>Balance of cash and cash equivalents at the start of the reporting period</b>	<b>4450</b>	<b>1,108,030</b>	<b>4,844,580</b>
<b>Balance of cash and cash equivalents at the end of the reporting period</b>	<b>4500</b>	<b>3,143,960</b>	<b>1,108,030</b>
Effect of changes in foreign currency exchange rates against	4490		

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5.1. Intangible assets

5.1.1. Availability and movement of intangible assets

Indicator			At start of year				Change over period						At end of period					
Name	Code	Period	Initial/current market value	Accumulated depreciation	Impairment loss	Residual value	Received	Retired			Accumulated depreciation	Impairment loss	Revaluation		Initial/current market value	Accumulated depreciation	Impairment loss	Residual value
								Initial/current market value	Accumulated depreciation	Impairment loss			Initial/current market value	Accumulated depreciation				
1	2	3	4	5	6	7	9	10	11	12	13	14	15	16	17	18	19	20
<b>Intangible assets - total</b>	5100	for 2011 (1)	0	( 0 )	( 0 )	0	1 258	( 0 )	0	0	( 0 )	0	0	0	1 258	( 0 )	( 0 )	1 258
	5110	for 2010 (2)	0	( 0 )	( 0 )	0	0	( 0 )	0	0	( 0 )	0	0	0	0	( 0 )	( 0 )	0
Intellectual property (exclusive right to the results of intellectual property)	5101	for 2011 (1)	0	( 0 )	( 0 )	0	1 258	( 0 )	0	0	( 0 )	0	0	0	1 258	( 0 )	( 0 )	1 258
	5111	for 2010 (2)	0	( 0 )	( 0 )	0	0	( 0 )	0	0	( 0 )	0	0	0	0	( 0 )	( 0 )	0
including:																		
<i>of the patent holder for invention, industrial design or utility model</i>	51011	for 2011 (1)	0	( 0 )	( 0 )	0	( )	( )	( )	( )	( )	( )	( )	( )	0	( 0 )	( 0 )	0
	51111	for 2010 (2)	( )	( )	( )	0	( )	( )	( )	( )	( )	( )	( )	( )	0	( 0 )	( 0 )	0
<i>of the patent holder for computer programs and databases</i>	51012	for 2011 (1)	0	( 0 )	( 0 )	0	( )	( )	( )	( )	( )	( )	( )	( )	0	( 0 )	( 0 )	0
	51112	for 2010 (2)	( )	( )	( )	0	( )	( )	( )	( )	( )	( )	( )	( )	0	( 0 )	( 0 )	0
	51013	for 2011 (1)	0	( 0 )	( 0 )	0	( )	( )	( )	( )	( )	( )	( )	( )	0	( 0 )	( 0 )	0
<i>of the patent holder for integrated circuit layout</i>	51113	for 2010 (2)	( )	( )	( )	0	( )	( )	( )	( )	( )	( )	( )	( )	0	( 0 )	( 0 )	0
	51014	for 2011 (1)	0	( 0 )	( 0 )	0	1 258	( )	( )	( )	( )	( )	( )	( )	1 258	( 0 )	( 0 )	1 258
<i>of the owner for trademark, service mark and the place of origin of the goods</i>	51114	for 2010 (2)	( )	( )	( )	0	( )	( )	( )	( )	( )	( )	( )	( )	0	( 0 )	( 0 )	0
	5102	for 2011 (1)	0	( 0 )	( 0 )	0	( )	( )	( )	( )	( )	( )	( )	( )	0	( 0 )	( 0 )	0
The Company's business reputation	5112	for 2010 (2)	( )	( )	( )	0	( )	( )	( )	( )	( )	( )	( )	( )	0	( 0 )	( 0 )	0
	5103	for 2011 (1)	0	( 0 )	( 0 )	0	( )	( )	( )	( )	( )	( )	( )	( )	0	( 0 )	( 0 )	0
Other	5113	for 2010 (2)	( )	( )	( )	0	( )	( )	( )	( )	( )	( )	( )	( )	0	( 0 )	( 0 )	0

(1) - indicates the reporting year  
(2) - indicates the previous year

5.2. Results of research, development and technological work and intangible assets

5.2.1. Availability and movement of R&D results

Indicator	Code	Period	At start of year		received	Change over period			At end of period	
			initial cost	part of cost written off as expenses		retired	part of cost written off as expenses	initial cost	part of cost written off as expenses	
1	2	3	4	5	6	7	8	9	10	11
<b>R&amp;D - total</b>	5140	for 20 11 -1	0	( 0 )	0	( 0 )	0	( 0 )	0	( 0 )
	5150	for 20 10 -2	0	( 0 )	0	( 0 )	0	( 0 )	0	( 0 )
including:										
Expenses on R&D used for production needs	5141	for 20 11 -1	0	( 0 )	( )	( )	( )	( )	0	( 0 )
	5151	for 20 10 -2	( )	( )	( )	( )	( )	( )	0	( 0 )
Patentable results of R&D	5142	for 20 11 -1	0	( 0 )	( )	( )	( )	( )	0	( 0 )
	5152	for 20 10 -2	( )	( )	( )	( )	( )	( )	0	( 0 )
Expenses on R&D performed in-company	5143	for 20 11 -1	0	( 0 )	( )	( )	( )	( )	0	( 0 )
	5153	for 20 10 -2	( )	( )	( )	( )	( )	( )	0	( 0 )
Expenses on R&D performed by third parties	5144	for 20 11 -1	0	( 0 )	( )	( )	( )	( )	0	( 0 )
	5154	for 20 10 -2	( )	( )	( )	( )	( )	( )	0	( 0 )

(1) - indicates the reporting year  
(2) - indicates the previous year

**5.2.2. Pending and unregistered R&D and pending operations for the acquisition of intangible assets**

Indicator	Code	Period	At start of year	Change over period			At end of period
				expenses over period	expense written off as not yielding positive result	accepted for accounting as non-material asset or R&D	
1	2	3	4	5	6	7	8
Expenses on pending research and development - total	5160	for 20 11 -1	0	0	( 0 )	( 0 )	0
	5170	for 20 10 -2	0	0	( 0 )	( 0 )	0
including:							
Research work	5161	for 20 11 -1	0		( )	( )	0
	5171	for 20 10 -2			( )	( )	0
Development work	5162	for 20 11 -1	0		( )	( )	0
	5172	for 20 10 -2			( )	( )	0
Technological work	5163	for 20 11 -1	0		( )	( )	0
	5173	for 20 10 -2			( )	( )	0
Other	5164	for 20 11 -1	0		( )	( )	0
	5174	for 20 10 -2			( )	( )	0
Pending operations to acquire intangible assets - total	5180	for 20 11 -1	0	0	( 0 )	( 0 )	0
	5190	for 20 10 -2	0	0	( 0 )	( 0 )	0
including:							
of the patent holder for invention, industrial design or utility model	5181	for 20 11 -1	0		( )	( )	0
	5191	for 20 10 -2			( )	( )	0
of the patent holder for computer programs and databases	5182	for 20 11 -1	0		( )	( )	0
	5192	for 20 10 -2			( )	( )	0
of the patent holder for integrated circuit layout	5183	for 20 11 -1	0		( )	( )	0
	5193	for 20 10 -2			( )	( )	0
of the owner for trademark, service mark and the place of origin of the goods	5184	for 20 11 -1	0		( )	( )	0
	5194	for 20 10 -2			( )	( )	0
Other	5185	for 20 11 -1	0		( )	( )	0
	5195	for 20 10 -2			( )	( )	0

(1) - indicates the reporting year

(2) - indicates the previous year

5.3. Fixed assets

5.3.1. Availability and movement of fixed assets

Indicator	Code	Period	At start of year			Change over period						At end of period			
			initial cost	accumulated depreciation	residual value	received	accumulated depreciation on received items	retired items			revaluation		initial cost	accumulated depreciation	residual value
								initial cost	accumulated depreciation	accumulated depreciation	initial cost	accumulated depreciation			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
<b>Fixed assets (excluding profitable investments in tangible assets) - total</b>	5200	for 2011	214 212 365	( 60 162 327 )	154 050 038	30 237 828	( 0 )	( 247 102 )	126 003	( 15 199 962 )	0	0	244 203 091	( 75 236 286 )	168 966 805
	5210	for 2010	175 308 037	( 42 131 066 )	133 176 971	28 704 831	( 0 )	( 209 361 )	67 515	( 12 163 868 )	10 408 858	5 934 908	214 212 365	( 60 162 327 )	154 050 038
including:															
<b>Depreciated fixed assets - total:</b>	5201	for 2011	214 200 544	( 60 162 327 )	154 038 217	30 177 308	( 0 )	( 247 102 )	126 003	( 15 199 962 )	0	0	244 130 750	( 75 236 286 )	168 894 464
	5211	for 2010	175 298 706	( 42 131 066 )	133 167 640	28 702 341	( 0 )	( 209 361 )	67 515	( 12 163 868 )	10 408 858	5 934 908	214 200 544	( 60 162 327 )	154 038 217
including:															
production buildings	52011	for 2011	13 446 215	( 1 416 156 )	12 030 059	1 912 718	( )	( 4 487 )	4 487	( 501 714 )			15 354 446	( 1 913 383 )	13 441 063
	52111	for 2010	11 547 982	( 979 224 )	10 568 758	1 899 809	( )	( 1 576 )	1 576	( 438 508 )			13 446 215	( 1 416 156 )	12 030 059
facilities other than power transmission lines	52012	for 2011	2 471 887	( 360 217 )	2 111 670	644 336	( )	( )		( 164 141 )			3 116 223	( 524 358 )	2 591 865
	52112	for 2010	1 830 612	( 298 515 )	1 532 097	641 295	( )	( 20 )	20	( 61 722 )			2 471 887	( 360 217 )	2 111 670
power transmission lines and equipment	52013	for 2011	61 125 232	( 7 193 496 )	53 931 736	12 912 969	( )	( 94 319 )	45 675	( 3 157 923 )			73 943 882	( 10 305 744 )	63 638 138
	52113	for 2010	50 632 698	( 4 738 792 )	45 893 906	10 555 332	( )	( 62 798 )	27 412	( 2 482 116 )			61 125 232	( 7 193 496 )	53 931 736
electricity production machinery and equipment, substations, electricity conversion equipment	52014	for 2011	135 895 386	( 50 741 231 )	85 154 155	13 960 370	( )	( 144 995 )	72 540	( 11 262 993 )			149 710 761	( 61 931 684 )	87 779 077
	52114	for 2010	110 503 295	( 35 791 719 )	74 711 576	15 125 474	( )	( 142 241 )	35 781	( 9 050 385 )	10 408 858	5 934 908	135 895 386	( 50 741 231 )	85 154 155
production and business inventory	52015	for 2011	188 631	( 70 383 )	118 248	14 252	( )	( 1 083 )	1 083	( 28 957 )			201 800	( 98 257 )	103 543
	52115	for 2010	147 144	( 47 566 )	99 578	41 495	( )	( 8 )	8	( 22 825 )			188 631	( 70 383 )	118 248
other	52016	for 2011	1 073 193	( 380 844 )	692 349	732 663	( )	( 2 218 )	2 218	( 84 234 )			1 803 638	( 462 860 )	1 340 778
	52116	for 2010	636 975	( 275 250 )	361 725	438 936	( )	( 2 718 )	2 718	( 108 312 )			1 073 193	( 380 844 )	692 349
<b>Items with an indefinite useful life and that are not depreciable - total</b>	5202	for 2011	11 821	( 0 )	11 821	60 520	( 0 )	( 0 )	0	( 0 )	0	0	72 341	( 0 )	72 341
	5212	for 2010	9 331	( 0 )	9 331	2 490	( 0 )	( 0 )	0	( 0 )	0	0	11 821	( 0 )	11 821
including:															
land plots	52021	for 2011	11 821	( 0 )	11 821	60 520	( )	( )		( )			72 341	( 0 )	72 341
	52121	for 2010	9 331	( )	9 331	2 490	( )	( )		( )			11 821	( 0 )	11 821
natural resource sites	52022	for 2011	0	( 0 )	0		( )	( )		( )			0	( 0 )	0
	52122	for 2010		( )	0		( )	( )		( )			0	( 0 )	0
<b>Capital investments in land reclamation</b>	5203	for 2011	0	( 0 )	0		( )	( )		( )			0	( 0 )	0
	5213	for 2010		( )	0		( )	( )		( )			0	( 0 )	0
<b>Factored into profitable investments in tangible assets - total</b>	5220	for 2011	0	( 0 )	0		( )	( )		( )			0	( 0 )	0
	5230	for 2010		( )	0		( )	( )		( )			0	( 0 )	0
including:															
property for lease	5221	for 2011	0	( 0 )	0		( )	( )		( )			0	( 0 )	0
	5231	for 2010		( )	0		( )	( )		( )			0	( 0 )	0
property provided under lease agreement	5222	for 2011	0	( 0 )	0		( )	( )		( )			0	( 0 )	0
	5232	for 2010		( )	0		( )	( )		( )			0	( 0 )	0

(1) - indicates the reporting year  
(2) - indicates the previous year

5.3.2. Useful life periods and depreciation methods

Indicator	Code	Established useful life (in months)	Depreciation methods
1	2	3	4
Production buildings	7001	366	straight-line
Facilities other than power transmission lines	7002	290	straight-line
Power transmission lines and equipment	7003	236	straight-line
Electricity production machinery and equipment, substations, electricity conversion equipment	7004	191	straight-line
Production and business inventory	7005	80	straight-line
Other	7006	87	straight-line

**5.3.3. Change in the value of fixed assets as a result of additional construction, refitting, reconstruction and partial liquidation**

Indicator	Code	2011	2010
1	2	3	4
Increase in the value of fixed assets as a result of including:	5260	11 706 010	9 738 113
production buildings	5261	288 312	109 274
facilities other than power transmission lines	5262	157 491	28 903
power transmission lines and equipment	5263	5 807 428	3 530 162
electricity production machinery and equipment, substations, electricity conversion equipment	5264	4 986 089	5 793 278
production and business inventory	5265	2 816	
other	5266	463 874	276 496
Decrease in the value of fixed assets as a result of partial liquidation - total:	5270	109 598	98 062
including:			
production buildings	5271	( )	( 15 )
facilities other than power transmission lines	5272	( )	( )
power transmission lines and equipment	5273	( 69 486 )	( 29 437 )
electricity production machinery and equipment, substations, electricity conversion equipment	5274	( 40 112 )	( 68 610 )
production and business inventory	5275	( )	( )
other	5276	( )	( )

(1) - indicates the reporting year  
(2) - indicates the previous year

**5.3.4. Other use of fixed assets**

Indicator	Code	As of Dec 31, 20 11 (3)	As of Dec 31, 20 10 (2)	As of Dec 31, 20 09 (4)
1	2	3	4	5
Leased fixed assets itemized on balance sheet	5280			
Leased fixed assets itemized outside balance sheet	5281			
Leased fixed assets itemized on balance sheet	5282			
Leased fixed assets itemized outside balance sheet	5283	51 704 564	76 711 715	66 330 563
Property accepted for operation and in actual use that is in	5284	2 129 817	3 057 331	56 910
Fixed assets transferred for conversion	5285			
Other use of fixed assets (pledge, etc.)	5286			

(3) - indicates the reporting date of the reporting period  
(2) - indicates the previous year  
(4) - indicates the year preceding the previous year



## 5.3.5. Pending capital investments

Indicator	Code	Period	At start of year	Change over period			At end of period
				expenses for period	written off	entered in accounting records as fixed asset or value increased	
1	2	3	4	5	6	7	8
Construction in progress and pending transactions to acquire and modernize fixed assets - total including:	5240	for 20 11 (1)	27 894 491	31 627 456	( 32 215 942 )	( 0 )	27 306 005
	5250	for 20 10 (2)	36 678 074	20 353 059	( 29 136 642 )	( 0 )	27 894 491
Industrial purpose	5241	for 20 11 (1)	27 894 491	31 627 456	( 32 215 942 )	( 0 )	27 306 005
	5251	for 20 10 (2)	36 678 074	20 353 059	( 29 136 642 )	( 0 )	27 894 491
construction in progress	52411	for 20 11 (1)	24 421 572	25 857 106	( 26 744 206 )	( )	23 534 472
	52511	for 20 10 (2)	33 592 174	17 933 621	( 27 104 223 )	( )	24 421 572
the acquisition of fixed assets	52412	for 20 11 (1)	0	( )	( )	( )	0
	52512	for 20 10 (2)	0	( )	( )	( )	0
equipment for installation	52413	for 20 11 (1)	3 472 919	5 710 676	( 5 412 062 )	( )	3 771 533
	52513	for 20 10 (2)	3 085 900	2 416 855	( 2 029 836 )	( )	3 472 919
other	52414	for 20 11 (1)	0	59 674	( 59 674 )	( )	0
	52514	for 21 10 (2)	0	2 583	( 2 583 )	( )	0
Non-industrial purpose	5242	for 20 11 (1)	0	0	( 0 )	( 0 )	0
	5252	for 20 10 (2)	0	0	( 0 )	( 0 )	0
construction in progress	52421	for 20 11 (1)	0	( )	( )	( )	0
	52521	for 20 10 (2)	0	( )	( )	( )	0
the acquisition of fixed assets	52422	for 20 11 (1)	0	( )	( )	( )	0
	52522	for 20 10 (2)	0	( )	( )	( )	0
equipment for installation	52423	for 20 11 -1	0	( )	( )	( )	0
	52523	for 20 10 -2	0	( )	( )	( )	0
other	52424	for 20 11 -1	0	( )	( )	( )	0
	52524	for 20 10 -2	0	( )	( )	( )	0

(1) - indicates the reporting year

(2) - indicates the previous year

### 5.3.6. Advances issued for capital construction and the acquisition of fixed assets

Indicator	Code	Period	At start of year		Change over period							At end of period	
			recorded under contract terms	amount of provisions for doubtful debts	received			retired				recorded under contract terms	amount of provisions for doubtful debts
					as a result of business operations (amount of debt for transaction)	other charges	provisions charge	repayment	written off due to previously charged provisions	written off as financial result	recovery of provisions		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Advances issued for capital construction	5291	for 20 11 (1)	1 526 552	( 0 )	2 734 260	0	( 0 )	( 3 084 312 )	( 0 )	( 0 )	0	1 176 500	( 0 )
	5292	for 20 10 (2)	3 838 507	( 0 )	2 637 216	0	( 0 )	( 4 949 171 )	( 0 )	( 0 )	0	1 526 552	( 0 )
including:													
capital construction	52911	for 20 11 (1)	1 426 283	( 0 )	1 639 665		( )	( 2 046 021 )	( )	( )		1 019 927	( 0 )
	52921	for 20 10 (2)	3 751 890	( )	2 174 928		( )	( 4 500 535 )	( )	( )		1 426 283	( 0 )
the acquisition of fixed assets	52912	for 20 11 (1)	100 269	( 0 )	1 094 595		( )	( 1 038 291 )	( )	( )		156 573	( 0 )
	52922	for 20 10 (2)	86 617	( )	462 288		( )	( 448 636 )	( )	( )		100 269	( 0 )
other	52913	for 20 11 (1)	0	( 0 )			( )	( )	( )	( )		0	( 0 )
	52923	for 20 10 (2)		( )			( )	( )	( )	( )		0	( 0 )

(1) - indicates the reporting year  
(2) - indicates the previous year

## 5.4. Financial investments

### 5.4.1. Availability and movement of financial investments

Indicator	Code	Period	At start of year		Change over period					At end of period	
			initial value	cumulative adjustment	received	retired (repaid)		interest charged (including bringing the initial value to nominal value)	current market value (impairment loss)	initial value	cumulative adjustment
						initial value	cumulative adjustment				
1	2	3	4	5	6	7	8	9	10	11	12
<b>Long-term financial investments - total</b>	5301	for 20 11 (1)	4 440 839	-254 653	0	( 0 )	0	0	114 411	4 440 839	-140 242
	5311	for 20 10 (2)	3 972 092	-286 395	468 747	( 0 )	0	0	31 742	4 440 839	-254 653
Payments to charter (share) capital of other companies - total	53021	for 20 11 (1)	3 972 092	-254 653		( )			114 411	3 972 092	-140 242
	53121	for 20 10 (2)	3 972 092	-286 395		( )			31 742	3 972 092	-254 653
including:											
subsidiary companies	530211	for 20 11 (1)	2 972 092	-61 580		( )			46 367	2 972 092	-15 213
	531211	for 20 10 (2)	2 972 092	-46 504		( )			-15 076	2 972 092	-61 580
affiliated companies	530212	for 20 11 (1)	1 000 000	-193 073		( )			68 044	1 000 000	-125 029
	531212	for 20 10 (2)	1 000 000	-239 891		( )			46 818	1 000 000	-193 073
State and municipal securities	53022	for 20 11 (1)	0	0		( )				0	0
	53122	for 20 10 (2)				( )				0	0
Securities of other organizations - total	53023	for 20 11 (1)	468 747	0		( )				468 747	0
	53123	for 20 10 (2)			468 747	( )				468 747	0
including:											
debt securities (bonds, promissory notes)	530231	for 20 11 (1)	468 747	0		( )				468 747	0
	531231	for 20 10 (2)			468 747	( )				468 747	0
Loans provided	53024	for 20 11 (1)	0	0		( )				0	0
	53124	for 20 10 (2)	0			( )				0	0
Deposits	53025	for 20 11 (1)	0	0		( )				0	0
	53125	for 20 10 (2)				( )				0	0
Other	53026	for 20 11 (1)	0	0		( )				0	0
	53126	for 20 10 (2)				( )				0	0
<b>Long-term financial investments with current market value - total</b>	5302	for 20 11 (1)	0	0	0	( 0 )	0	0	0	0	0
	5312	for 20 10 (2)	0	0	0	( 0 )	0	0	0	0	0
Payments to charter (share) capital of other companies - total	53031	for 20 11 (1)	0	0		( )				0	0
	53131	for 20 10 (2)				( )				0	0
including:											
subsidiary companies	530311	for 20 11 (1)	0	0		( )				0	0
	531311	for 20 10 (2)				( )				0	0
affiliated companies	530312	for 20 11 (1)	0	0		( )				0	0
	531312	for 20 10 (2)				( )				0	0
State and municipal securities	53032	for 20 11 (1)	0	0		( )				0	0
	53132	for 20 10 (2)				( )				0	0
Securities of other organizations - total	53033	for 20 11 (1)	0	0		( )				0	0
	53133	for 20 10 (2)				( )				0	0
including:											
debt securities (bonds, promissory notes)	530331	for 20 11 (1)	0	0		( )				0	0
	531331	for 20 10 (2)				( )				0	0
Other	53034	for 20 11 (1)	0	0		( )				0	0
	53134	for 20 10 (2)				( )				0	0
<b>Long-term financial investments on which the current market value is not defined - total</b>	5303	for 20 11 (1)				( )				0	0
	5313	for 20 10 (2)				( )				0	0

(1) - indicates the reporting year  
(2) - indicates the previous year

## 5.4. Financial investments

### 5.4.1. Availability and movement of financial investments (continued)

Indicator	Code	Period	At start of year		Change over period					At end of period	
			initial value	cumulative adjustment	received	retired (repaid)		interest charged (including bringing the initial value to nominal value)	current market value (impairment loss)	initial value	cumulative adjustment
						initial value	cumulative adjustment				
1	2	3	4	5	6	7	8	9	10	11	12
<b>Short-term financial investments - total</b>	5305	for 20 11 -1	0	0	0	( 0 )	0	0	0	0	0
	5315	for 20 10 -2	2 968 747	0	0	( 2 968 747 )	0	0	0	0	0
Payments to charter (share) capital of other companies - total	53061	for 20 11 -1	0	0	0	( )				0	0
	53161	for 20 10 -2				( )				0	0
State and municipal securities	53062	for 20 11 -1	0	0		( )				0	0
	53162	for 20 10 -2				( )				0	0
Securities of other organizations - total	53063	for 20 11 -1	0	0		( )				0	0
	53163	for 20 10 -2	2 968 747			( 2 968 747 )				0	0
including:											
debt securities (bonds, promissory notes)	530631	for 20 11 -1	0	0		( )				0	0
	531631	for 20 10 -2	2 968 747			( 2 968 747 )				0	0
Loans provided	53064	for 20 11 -1	0	0		( )				0	0
	53164	for 20 10 -2	0			( )				0	0
Deposits	53065	for 20 11 -1	0	0		( )				0	0
	53165	for 20 10 -2				( )				0	0
Other	53066	for 20 11 -1	0	0		( )				0	0
	53166	for 20 10 -2				( )				0	0
<b>Short-term financial investments with current market value - total</b>	5306	for 20 11 -1	0	0	0	( 0 )	0	0	0	0	0
	5316	for 20 10 -2	0	0	0	( 0 )	0	0	0	0	0
Payments to charter (share) capital of other companies - total	53071	for 20 11 -1	0	0		( )				0	0
	53171	for 20 10 -2				( )				0	0
Payments to charter (share) capital of other companies - total	53072	for 20 11 -1	0	0		( )				0	0
	53172	for 20 10 -2				( )				0	0
Securities of other organizations - total	53073	for 20 11 -1	0	0		( )				0	0
	53173	for 20 10 -2				( )				0	0
including:											
debt securities (bonds, promissory notes)	530731	for 20 11 -1	0	0		( )				0	0
	531731	for 20 10 -2				( )				0	0
Other	53074	for 20 11 -1	0	0		( )				0	0
	53174	for 20 10 -2				( )				0	0
<b>Short-term financial investments on which the current market value is not defined - total</b>	5307	for 20 11 -1	0	0		( )				0	0
	5317	for 20 10 -2				( )				0	0
<b>Financial investments - total</b>	5300	for 20 11 -1	4 440 839	-254 653	0	( 0 )	0	0	114 411	4 440 839	-140 242
	5310	for 20 10 -2	6 940 839	-286 395	468 747	( 2 968 747 )	0	0	31 742	4 440 839	-254 653

(1) - indicates the reporting year

(2) - indicates the previous year

### 5.4.2. Adjustments to estimates of financial investments

Indicator		At start of year	Change over period			At end of period
Name	Code		Increase	Decrease	Retired in write-off of financial investments	
1	2	3	4	5	6	7
<b>Long-term financial investments</b>	7100	-254 653	0	114 411	0	-140 242
Difference between current market value of financial investments and their previous estimate	7110	0	0	0	0	0
<i>including:</i>						
Payments to charter (share) capital of other companies - total	7111					0
<i>including:</i>						
subsidiary companies	71111					0
affiliated companies	71112					0
State and municipal securities	7112					0
Securities of other organizations - total	7113					0
<i>including:</i>						
debt securities (bonds, promissory notes)	71131					0
Other	7114					0
Difference between current value of debt securities and their initial value	7120	0	0	0	0	0
<i>including:</i>						
Securities of other organizations - total	7121					0
<i>including:</i>						
debt securities (bonds, promissory notes)	71211					0
Other	7122					0
Provisions for the impairment of financial investments on which the market value is not defined	7130	254 653	0	-114 411	0	140 242
<i>including:</i>						
Payments to charter (share) capital of other companies - total	7131	254 653		-114 411		140 242
<i>including:</i>						
subsidiary companies	71311	61 580		-46 367		15 213
affiliated companies	71312	193 073		-68 044		125 029
State and municipal securities	7132					0
Securities of other organizations - total	7133					0
<i>including:</i>						
debt securities (bonds, promissory notes)	71331					0

Loans provided	7134					0
Deposits	7135					0
Other	7136					0
<b>Short-term financial investments</b>	7200	0	0	0	0	0
Difference between current market value of financial investments and their previous estimate under which the value was determined	7210	0	0	0	0	0
<i>including:</i>						
Payments to charter (share) capital of other companies - total	7211					0
<i>including:</i>						
subsidiary companies	72111					0
affiliated companies	72112					0
Securities of other organizations - total	7212					0
<i>including:</i>						
debt securities (bonds, promissory notes)	72121					0
Other	7213					0
Difference between current value of debt securities and their initial value	7220	0	0	0	0	0
<i>including:</i>						
Securities of other organizations - total	7221					0
<i>including:</i>						
debt securities (bonds, promissory notes)	72211					0
Other	7222					0
Provisions for the impairment of financial investments with no market value	7230	0	0	0	0	0
<i>including:</i>						
Payments to charter (share) capital of other companies - total	7231					0
<i>including:</i>						
subsidiary companies	72311					0
affiliated companies	72312					0
State and municipal securities	7232					0
Securities of other organizations - total	7233					0
<i>including:</i>						
debt securities (bonds, promissory notes)	72331					0
Loans provided	7234					0
Deposits	7235					0
Other	7236					0

### 5.4.3. Other use of financial investments

Indicator	Code	As of Dec 31, 20 11 (3)	As of Dec 31, 20 10 (2)	As of Dec 31, 20 09 (4)
1	2	3	4	5
Financial investments pledged as collateral - total	5320	0	0	0
including:				
bonds	5321			
promissory notes	5322			
shares	5323			
Financial investments transferred to third parties (except sales) - total	5325	0	0	0
including:				
bonds	5326			
promissory notes	5327			
shares	5328			
Other use of financial investments	5329			

(3) - indicates the reporting date of the reporting period

(2) - indicates the previous year

(4) - indicates the year preceding the previous year

## 5.5. Inventories

### 5.5.1. Availability and movement of inventories

Indicator	Code	Period	At start of year		Change over period					At end of period	
			cost	amount of provisions for depreciation	receipts and expenses	retired		loss from depreciation	reserve turnover between their groups (types)	cost	amount of provisions for depreciation
						cost	provisions for depreciation				
1	2	3	4	5	6	7	8	9	10	11	12
Reserves - total	5400	for 20 11 (1)	4 487 004	( 0 )	15 586 147	( 15 459 559 )	0	0	x	4 613 592	( 0 )
	5420	for 20 10 (2)	5 210 767	( 0 )	17 092 147	( 17 815 910 )	0	0	x	4 487 004	( 0 )
raw materials and supplies	5401	for 20 11 (1)	2 098 537	( 0 )	14 970 927	( 14 505 800 )			-147	2 563 517	( 0 )
	5421	for 20 10 (2)	2 416 466	( )	15 964 946	( 16 282 821 )			-54	2 098 537	( 0 )
work in progress	5402	for 20 11 (1)	2 239 948	( 0 )		( 385 198 )				1 854 750	( 0 )
	5422	for 20 10 (2)	2 551 474	( )	778 949	( 1 090 475 )				2 239 948	( 0 )
goods shipped	5403	for 20 11 (1)	0	( 0 )		( )				0	( 0 )
	5423	for 20 10 (2)	( )	( )		( )				0	( 0 )
finished products and goods	5404	for 20 11 (1)	5 728	( 0 )	9 641	( 12 014 )			147	3 502	( 0 )
	5424	for 20 10 (2)	2 640	( )	14 859	( 11 825 )			54	5 728	( 0 )
other reserves and expenses	5405	for 20 11 (1)	142 791	( 0 )	605 579	( 556 547 )				191 823	( 0 )
	5425	for 20 10 (2)	240 187	( )	333 393	( 430 789 )				142 791	( 0 )

(1) - indicates the reporting year

(2) - indicates the previous year

### 5.5.2. Pledged inventory

Indicator	Code	As at of Dec 31, 20 11 (3)	As at of Dec 31, 20 10 (2)	As at of Dec 31, 20 09 (4)
1	2	3	4	5
Inventory not paid for as of reporting date - total	5440	0	0	0
including:				
raw materials and supplies	5441			
work in progress	5442			
goods shipped	5443			
finished products and goods	54441			
other reserves and expenses	54442			
Inventory pledged under agreement - total	5445	0	0	0
including:				
raw materials and supplies	5446			
work in progress	5447			
goods shipped	5448			
finished products and goods	5449			
other reserves and expenses				

- (3) - indicates the reporting date of the reporting period  
 (2) - indicates the previous year  
 (4) - indicates year preceding the previous year

### 5.6.1. Availability and movement of accounts receivable

Indicator	Code	Period	At start of year		Change over period							At end of period		
			recorded under contract terms	amount of provisions for doubtful debts	received	retired	transfer from long-term to short-term debt	recorded under contract terms	amount of provisions for doubtful debts					
					as a result of business operations (amount of debt for transaction)	interest, penalties and other charges due	provisions charge	repayment	written off due to previously charged provisions	written off as financial result	recovery of provisions			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Long-term accounts receivable - total</b>	5501	for 20 11 (1)	33 034 733	( 0 )	9 020 239	0	2 989 838	( 9 176 872	( 0 )	( 0 )	0	106 913	32 771 187	( 2 989 838 )
	5521	for 20 10 (2)	29 159 381	( 0 )	11 089 247	0	0	( 7 213 895	( 0 )	( 0 )	0	0	33 034 733	( 0 )
including:														
Settlements with customers and clients	5502	for 20 11 (1)	106 913	( 0 )	22 696	0	0	( 9 662	( 0 )	( 0 )	0	106 913	13 034	( 0 )
	5522	for 20 10 (2)	0	( 0 )	391 220	0	0	( 284 307	( 0 )	( 0 )	0	0	106 913	( 0 )
including:														
for electricity transmission	55021	for 20 11 (1)	0	( 0 )									0	( 0 )
	55221	for 20 10 (2)											0	( 0 )
for grid connection	55022	for 20 11 (1)	106 913	( 0 )	22 557			( 9 588				106 913	12 969	( 0 )
	55222	for 20 10 (2)			391 220			( 284 307					106 913	( 0 )
for UES of Russia operating and development organizations with respect to the power grid distribution complex	55023	for 20 11 (1)	0	( 0 )									0	( 0 )
	55223	for 20 10 (2)											0	( 0 )
for the resale of electricity and capacity	55024	for 20 11 (1)	0	( 0 )									0	( 0 )
	55224	for 20 10 (2)											0	( 0 )
for lease income for lease income	55025	for 20 11 (1)	0	( 0 )	139			( 74					65	( 0 )
	55225	for 20 10 (2)											0	( 0 )
for other	55026	for 20 11 (1)	0	( 0 )									0	( 0 )
	55226	for 20 10 (2)											0	( 0 )
Advances issued	5503	for 20 11 (1)	32 927 820	( 0 )	8 997 543		2 989 838	( 9 167 210					32 758 153	( 2 989 838 )
	5523	for 20 10 (2)	29 159 381	( 0 )	10 698 027			( 6 929 588					32 927 820	( 0 )
Notes receivable	5504	for 20 11 (1)	0	( 0 )									0	( 0 )
	5524	for 20 10 (2)											0	( 0 )
Other accounts receivable	5505	for 20 11 (1)	0	( 0 )	0	0	0	( 0	( 0 )	( 0 )	0	0	0	( 0 )
	5525	for 20 10 (2)	0	( 0 )	0	0	0	( 0	( 0 )	( 0 )	0	0	0	( 0 )
including:														
non-interest bearing notes	55051	for 20 11 (1)	0	( 0 )									0	( 0 )
	55251	for 20 10 (2)											0	( 0 )
other	55052	for 20 11 (1)	0	( 0 )									0	( 0 )
	55252	for 20 10 (2)											0	( 0 )
<b>Of the total amount of long-term accounts receivable:</b>	5506	for 20 11 (1)	0	( 0 )									0	( 0 )
	5526	for 20 10 (2)											0	( 0 )



Indicator	Code	Period	At start of year		Change over period							At end of period		
			recorded under contract terms	amount of provisions for doubtful debts	as a result of business operations (amount of debt for transaction)	received interest, penalties and other charges due	provisions charge	repayment	written off due to previously charged provisions	written off as financial result	recovery of provisions	transfer from long-term to short-term debt	recorded under contract terms	amount of provisions for doubtful debts
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
debt of subsidiaries	55061	for 20 11 (1)	0	( 0 )									0	( 0 )
	55261	for 20 10 (2)											0	( 0 )
debt of affiliates	55062	for 20 11 (1)	0	( 0 )									0	( 0 )
	55262	for 20 10 (2)											0	( 0 )
<b>Short-term accounts receivable - total</b>	5510	for 20 11 (1)	13 905 942	( 340 427 )	180 494 983	28 332	749 033	( 176 948 886 )	( 12 187 )	( 0 )	328 240	106 913	17 575 097	( 749 033 )
	5530	for 20 10 (2)	20 088 322	( 0 )	157 148 840	18 799	340 427	( 163 350 019 )	( 0 )	( 0 )	0	0	13 905 942	( 340 427 )
including:														
Settlements with customers and clients	5511	for 20 11 (1)	9 585 627	( 340 427 )	149 304 662	28 332	748 024	( 148 344 479 )	( 12 187 )	( 0 )	328 240	106 913	10 668 868	( 748 024 )
	5531	for 20 10 (2)	6 573 051	( 0 )	130 476 768	18 799	340 427	( 127 482 991 )	( 0 )	( 0 )	0	0	9 585 627	( 340 427 )
including:														
for electricity transmission	55111	for 20 11 (1)	8 707 841	( 340 427 )	126 252 711	28 332	748 024	( 125 446 388 )	( 12 187 )		328 240		9 530 309	( 748 024 )
	55311	for 20 10 (2)	5 652 793	( 0 )	107 665 002	18 799	340 427	( 104 629 753 )					8 707 841	( 340 427 )
for grid connection	55112	for 20 11 (1)	490 827	( 0 )	22 234 685			( 22 061 203 )				106 913	771 222	( 0 )
	55312	for 20 10 (2)	387 782		22 279 611			( 22 176 566 )					490 827	( 0 )
for UES of Russia operating and development organizations with respect to the power grid distribution complex	55113	for 20 11 (1)	0	( 0 )									0	( 0 )
	55313	for 20 10 (2)											0	( 0 )
for the resale of electricity and capacity	55114	for 20 11 (1)	0	( 0 )									0	( 0 )
	55314	for 20 10 (2)											0	( 0 )
for lease income	55115	for 20 11 (1)	2 361	( 0 )	43 752			( 45 220 )					893	( 0 )
	55315	for 20 10 (2)	2 045		46 768			( 46 452 )					2 361	( 0 )
for other	55116	for 20 11 (1)	384 598	( 0 )	773 514			( 791 656 )					366 444	( 0 )
	55316	for 20 10 (2)	530 431		484 387			( 630 220 )					384 598	( 0 )
Advances issued	5512	for 20 11 (1)	220 253	( 0 )	25 991 293		1 009	( 25 097 612 )					1 113 934	( 1 009 )
	5532	for 20 10 (2)	481 756		18 143 823			( 18 405 326 )					220 253	( 0 )
Notes receivable	5513	for 20 11 (1)	0	( 0 )									0	( 0 )
	5533	for 20 10 (2)											0	( 0 )
debt of participants (founders) for charter capital payments	5514	for 20 11 (1)	0	( 0 )									0	( 0 )
	5534	for 20 10 (2)											0	( 0 )
Debt of subsidiaries and affiliates on dividends	5515	for 20 11 (1)	0	( 0 )									0	( 0 )
	5535	for 20 10 (2)											0	( 0 )
Other accounts receivable	5516	for 20 11 (1)	4 100 062	( 0 )	5 199 028	0	0	( 3 506 795 )	( 0 )	( 0 )	0	0	5 792 295	( 0 )
	5536	for 20 10 (2)	13 033 515	( 0 )	8 528 249	0	0	( 17 461 702 )	( 0 )	( 0 )	0	0	4 100 062	( 0 )
including:														
non-interest bearing notes	55161	for 20 11 (1)	0	( 0 )									0	( 0 )
	55361	for 20 10 (2)											0	( 0 )
overpayment of taxes and fees	55162	for 20 11 (1)	0	( 0 )									0	( 0 )
	55362	for 20 10 (2)											0	( 0 )
sale of property	55163	for 20 11 (1)	0	( 0 )									0	( 0 )
	55363	for 20 10 (2)											0	( 0 )
other	55164	for 20 11 (1)	4 100 062	( 0 )	5 199 028			( 3 506 795 )					5 792 295	( 0 )
	55364	for 20 10 (2)	13 033 515	( 0 )	8 528 249			( 17 461 702 )					4 100 062	( 0 )
	5517	for 20 11 (1)	0	( 0 )									0	( 0 )
	5537	for 20 10 (2)											0	( 0 )
<b>Of the total amount of short-term accounts receivable:</b>														
debt of subsidiaries	55171	for 20 11 (1)	241 914	( 0 )	6 422			( 10 403 )					237 933	( 0 )
	55371	for 20 10 (2)	727 820		13 292			( 499 198 )					241 914	( 0 )
debt of affiliates	55172	for 20 11 (1)	7 175	( 0 )	8 923			( 801 )					15 297	( 0 )
	55372	for 20 10 (2)	10 599		3 108			( 6 532 )					7 175	( 0 )
Total	5500	for 20 11 (1)	46 940 675	( 340 427 )	189 515 222	28 332	3 738 871	( 186 125 758 )	( 12 187 )	( 0 )	328 240	0	50 346 284	( 3 738 871 )
	5520	for 20 10 (2)	49 247 703	( 0 )	168 238 087	18 799	340 427	( 170 563 914 )	( 0 )	( 0 )	0	0	46 940 675	( 340 427 )

(1) - indicates the reporting year  
(2) - indicates the previous year

**5.6.2. Provisions for doubtful debts**

Indicator		At start of year	Change over period		At end of period
Name	Code		Creation of provisions	Writeoff of provisions	
1	2	3	4	5	6
Settlements with customers and clients	7310	340 427	748 024	-340 427	748 024
including:					
<i>for electricity transmission</i>	7311	340 427	748 024	-340 427	748 024
<i>for grid connection</i>	7312				0
<i>for UES of Russia operating and development organizations with respect to the power grid distribution complex</i>	7313				0
<i>for the resale of electricity and capacity</i>	7314				0
<i>for lease income</i>	7315				0
<i>other</i>	7316				0
Advances issued	7330		2990847		2990847
Other accounts receivable	7320				0
<b>Total</b>	<b>7300</b>	<b>340 427</b>	<b>3 738 871</b>	<b>-340 427</b>	<b>3 738 871</b>



5.6.5. Availability and movement of accounts payable

Indicator	Code	Period	Balance at start of year	Change over period					Balance at end of period
				received		retired		transfer from long-term to short-term debt	
				as a result of business operations (amount of debt for transaction)	interest, penalties and other charges due	repayment	written off as financial result		
1	2	3	4	5	6	7	8	9	10
<b>Long-term accounts payable - total</b>	5551	for 20 11 (1)	10 672 309	0	0	( 1 394 271 )	( 0 )	( 0 )	9 278 038
	5571	for 20 10 (2)	21 786 335	0	0	( 11 114 026 )	( 0 )	( 0 )	10 672 309
including:									
accounts payable of suppliers and contractors	5552	for 20 11 (1)	0	0	0	( 0 )	( 0 )	( 0 )	0
	5572	for 20 10 (2)	0	0	0	( 0 )	( 0 )	( 0 )	0
including:									
construction	55521	for 20 11 (1)	0						0
	55721	for 20 10 (2)							0
	55522	for 20 11 (1)	0						0
	55722	for 20 10 (2)							0
other	5553	for 20 11 (1)	10 672 309			( 1 394 271 )			9 278 038
	5573	for 20 10 (2)	21 786 335			( 11 114 026 )			10 672 309
Other accounts receivable	5554	for 20 11 (1)	0						0
	5574	for 20 10 (2)							0
<b>Of the total amount of long-term debt</b>	55541	for 20 11 (1)	0						0
	55741	for 20 10 (2)							0
debt to subsidiaries	55542	for 20 11 (1)	0						0
	55742	for 20 10 (2)							0
debt to affiliates	5560	for 20 11 (1)	61 024 298	179 381 593	211 154	( 186 753 657 )	( 209 296 )	0	53 654 092
	5580	for 20 10 (2)	63 426 334	147 697 797	0	( 150 095 590 )	( 4 243 )	0	61 024 298
including:									
Settlements with suppliers and contractors	5561	for 20 11 (1)	12 269 634	110 998 923	0	( 110 362 595 )	( 7 510 )	0	12 898 452
	5581	for 20 10 (2)	10 997 114	87 399 617	0	( 86 122 854 )	( 4 243 )	0	12 269 634
including:									
construction	55611	for 20 11 (1)	6 664 768	32 993 630		( 32 126 318 )			7 532 080
	55811	for 20 10 (2)	7 643 991	21 205 921		( 22 185 144 )			6 664 768
other	55612	for 20 11 (1)	5 604 866	78 005 293		( 78 236 277 )	( 7 510 )		5 366 372
	55812	for 20 10 (2)	3 353 123	66 193 696		( 63 937 710 )	( 4 243 )		5 604 866
Advances received	5562	for 20 11 (1)	47 979 234	49 130 366	211 154	( 56 441 903 )	( 201 786 )	0	40 677 065
	5582	for 20 10 (2)	38 923 965	43 102 630	0	( 34 047 361 )	( 0 )	0	47 979 234
including:									
for electricity transmission	55621	for 20 11 (1)	0	36 230 419	211 154	( 36 239 787 )	( 201 786 )		0
	55821	for 20 10 (2)	130	30 008 893		( 30 009 023 )			0
for grid connection	55622	for 20 11 (1)	47 836 786	12 664 895		( 19 967 285 )			40 534 396
	55822	for 20 10 (2)	38 205 956	12 914 332		( 3 283 502 )			47 836 786
for OJSCs or Russia operating and development organizations with respect to the power grid distribution complex	55623	for 20 11 (1)	0						0
	55823	for 20 10 (2)							0
from the resale of electricity and capacity	55624	for 20 11 (1)	0						0
	55824	for 20 10 (2)							0
for participation in other organizations	55625	for 20 11 (1)	0						0
	55825	for 20 10 (2)							0
for lease services	55626	for 20 11 (1)	0						0
	55826	for 20 10 (2)							0
for other	55627	for 20 11 (1)	142 448	235 052		( 234 831 )			142 669
	55826	for 20 10 (2)	717 879	179 405		( 754 836 )			142 448
Debt to participants (founders) for dividend payments	5563	for 20 11 (1)	0						0
	5583	for 20 10 (2)	2 483	450 000		( 452 483 )			0
Notes payable	5564	for 20 11 (1)	0						0
	5584	for 20 10 (2)	0						0
Debt to state extra-budgetary funds	5565	for 20 11 (1)	3 527	2 405 904		( 2 407 178 )			2 253
	5585	for 20 10 (2)	115	1 785 559		( 1 782 147 )			3 527
Settlements on taxes and fees	5566	for 20 11 (1)	601 880	6 219 953		( 6 756 687 )			65 146
	5586	for 20 10 (2)	261 951	5 399 726		( 5 059 797 )			601 880
Debt to organization personnel	5567	for 20 11 (1)	9 202	10 357 179		( 10 361 106 )			5 275
	5587	for 20 10 (2)	1 621	8 662 888		( 8 655 307 )			9 202
Other accounts receivable	5568	for 20 11 (1)	160 821	269 268		( 424 188 )			5 901
	5588	for 20 10 (2)	13 239 085	897 377		( 13 975 641 )			160 821
<b>Of the total amount of short-term debt</b>	5569	for 20 11 (1)	0						0
	5589	for 20 10 (2)							0
debt to subsidiaries	55691	for 20 11 (1)	168 330	16 865		( 71 371 )			113 824
	55891	for 20 10 (2)	876 327	45 475		( 753 472 )			168 330
	55692	for 20 11 (1)	45 475	1 126 764		( 1 110 071 )			62 168
debt to affiliates	55892	for 20 10 (2)	0	1 670 849		( 1 625 374 )			45 475
<b>Total</b>	5550	for 20 11 (1)	71 696 607	179 381 593	211 154	( 188 147 928 )	( 209 296 )	0	62 932 130
	5570	for 20 10 (2)	85 212 669	147 697 797	0	( 161 209 616 )	( 4 243 )	0	71 696 607

(1) - indicates the reporting year  
(2) - indicates the previous year

## 5.6.6. Overdue accounts payable

Indicator	Code	As of Dec 31, 20 11 (3)	As of Dec 31, 20 10 (2)	As of Dec 31, 20 09 (4)
1	2	3	4	5
<b>Total</b>	5590	11 256 657	14 194 113	23 533 125
including:				
Settlements with suppliers and contractors	5591	1 350 211	3 706 570	3 428 398
including				
construction	55911	878 615	2 566 165	2 862 370
other	55912	471 596	1 140 405	566 028
Debt to participants (founders) for dividend payments	5592			
Debt to state extra-budgetary funds	5593			
Settlements on taxes and fees	5594			
Debt to organization personnel	5595			
Other accounts receivable	5596	9 906 446	10 487 543	20 104 727

(3) - indicates the reporting date of the reporting period

(2) - indicates the previous year

(4) - indicates year preceding previous year

## 5.6.7. Loans and borrowings

Indicator	Code	Period	At start of year	Change over period					At end of period
				Received	Interest charged	Repayment of principal of debt	Repayment of interest	Transfer from long-term to short-term debt	
1	2	3	4	5	6	7	8	9	10
<b>Long-term borrowed funds - total</b>	7410	for 20 11 (1)	26 724 540	23 664 655	0	( 10 073 055 )	( 0 )	( 1 210 417 )	39 105 723
	7430	for 20 10 (2)	13 962 190	28 341 891	0	( 14 959 774 )	( 0 )	( 619 767 )	26 724 540
including:									
Loans	7411	for 20 11 (1)	25 514 123	23 664 655		( 10 073 055 )	( )	( )	39 105 723
	7431	for 20 10 (2)	11 605 683	28 341 891		( 14 433 451 )	( )	( )	25 514 123
Interest on long-term loans	74111	for 20 11 (1)	0			( )	( )	( )	0
	74311	for 20 10 (2)				( )	( )	( )	0
Borrowings	7412	for 20 11 (1)	1 210 417			( )	( )	( 1 210 417 )	0
	7432	for 20 10 (2)	2 356 507			( )	( )	( 619 767 )	1 210 417
<b>Short-term borrowed funds - total</b>	7420	for 20 11 (1)	4 603 031	18 931 802	2 580 638	( 23 152 880 )	( 2 852 340 )	1 210 417	1 320 668
	7440	for 20 10 (2)	26 797 543	5 601 679	2 696 074	( 27 796 710 )	( 3 315 322 )	619 767	4 603 031
including:									
Loans	7421	for 20 11 (1)	4 543 261	18 931 802		( 23 152 880 )	( 297 147 )		25 036
	7441	for 20 10 (2)	26 738 292	5 601 679		( 27 796 710 )	( )		4 543 261
Interest on short-term loans	74211	for 20 11 (1)	0		2 555 193	( )	( 2 555 193 )		0
	74411	for 20 10 (2)			2 696 074	( )	( 2 696 074 )		0
Borrowings	7422	for 20 11 (1)	59 770		25 445	( )	( )	1 210 417	1 295 632
	7442	for 20 10 (2)	59 251			( )	( 619 248 )	619 767	59 770

(1) - indicates the reporting year

(2) - indicates the previous year

### 5.6.8. Expenses on loans and borrowings

Indicator		On long-term loans and borrowings	On short-term loans and borrowings
Name	Code		
1	2	3	4
Total loan expenses:	7510	0	2 555 193
written off as other expenses	7511		2 555 193
included in value of assets	7512		
Total borrowing expenses:	7520	0	25 445
written off as other expenses	7521		25 445
included in value of assets	7522		
Of overall expenses on borrowings and loans:	7530	0	2 580 638
charged %	7531		2 580 638
other expenses	7532		

### 5.7. Contingent assets and liabilities

#### 5.7.1. Estimated liabilities

Indicator		Balance at start of year	Recognized	Repaid	Written off as excess amount	Balance at end of period
Name	Code					
1	2	3	4	5	6	7
<b>Estimated liabilities - total</b>	5700	2 042 010	2 079 262	-2 042 010	0	2 079 262
including:						
Payment of upcoming vacation time	5701	388 961	472 086	-388 961		472 086
Payment of remuneration for the year	5702	1 011 965	1 126 714	-1 011 965		1 126 714
For the repair of fixed assets	5703					0
For work associated with the seasonal nature of production	5704					0
warranty obligations and reclamation	5705					0
liquidation obligations	5706					0
pending court proceedings as of reporting date	5707	641 084	480 462	-641 084		480 462
claims of tax authorities following tax inspections unresolved as of the reporting date	5708					0
other estimated liabilities	5709					0
<b>Of the total amount of contingent liabilities:</b>						
Established due to expenses on ordinary types of activities	5710		1 505 675			
Established due to other expenses	5720		480 462			
Included in the value of the asset	5730		93 125			

### 5.7.2. Deferred taxes

Name	Code	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities
1	2	3	4	5	6
Balance at start of reporting year	7700		790 446		2 593 010
Income	7710		579 557		815 882
Expenses	7720	( )	( 105 418 )	( )	( 32 534 )
Result of change in tax rates	7730	X		X	
Result of correcting errors of previous years	7740				
Permanent differences in value of assets and liabilities	7750				
Writeoffs not entailing tax implications	7760	( )	( )	( )	( )
Balance at end of reporting period	7800	0	1 264 585	0	3 376 358

### 5.8. Collateral

Indicator		As of Dec 31, 2011 (3)	As of Dec 31, 2010 (2)	As of Dec 31, 2009 (4)
Name	Code	3	4	5
1	2	3	4	5
Received - total	5800	401 474	2 890	5 355
including:				
promissory notes	5801			
property under pledge	5802	0	0	0
of which:				
fixed assets	58021			
securities and other financial investments	58022			
other	58023			
other received	58024	401 474	2 890	5 355
Issued under own obligations - total	5810	0	0	0
including:				
promissory notes	5811			
pledged property	5812	0	0	0
of which:				
fixed assets	58121			
securities and other financial investments	58122			
other	58123			
other issued	58124			

(3) - indicates the reporting date of the reporting period

(2) - indicates the previous year

(4) - indicates year preceding previous year

### 5.9. Government assistance

Indicator	Code	For 2011 (1)				For 2010 (2)			
1	2	3				4			
Budget funds received - total	5900	0				0			
including:									
for current expenses	5901								
compensation for Chernobyl victims	5902								
to perform mobilization training tasks	5903								
to eliminate inter-territorial cross subsidization	5904								
for investment in non-current assets	5905								
other purposes	5906								
Indicator	Code	At start of year	Received over year	Repaid over year	At end of year	At start of year	Received over year	Repaid over year	At end of year
Budget loans - total	5910	0	0	( 0 )	0	0	0	( 0 )	0
including:									
funding for preventive measures to reduce occupational injury and disease	5911			( )	0			( )	0
funding for in-depth medical examinations of employees engaged in work with harmful and/or hazardous production factors	5912			( )	0			( )	0
other	5913			( )	0			( )	0

(1) - indicates the reporting year  
(2) - indicates the previous year

### 5.10. Government assistance for which the conditions of provision were not met

Indicator		For 2011 (1)		For 2010 (2)	
Name	Code	To be repaid	Repaid	To be repaid	Repaid
1	2	3	4	5	6
Budget funds for which the conditions of provision were not met	7910	0	0	0	0
including:					
for current expenses	7911				
compensation for Chernobyl victims	7912				
to perform mobilization training tasks	7913				
to eliminate inter-territorial cross subsidization	7914				
other	7915				
Budget loans for which the conditions of provision were not met	7920	0	0	0	0
including:					
funding for preventive measures to reduce occupational injury and disease	7921				
funding for in-depth medical examinations of employees engaged in work with harmful and/or hazardous production factors	7922				
other	7925				

(1) - indicates the reporting year  
(2) - indicates the previous year



### 5.11. Other income and expenses

Indicator		For 2011 (1)	For 2010 (2)
Name	Code		
1	2	3	4
<b>Total other income</b>	8000	6 740 173	5 580 774
including:			
From the sale of fixed assets, except apartments	8001	18	319
From the sale of apartments	8002	2 996	
From the sale of inventories	8003	10 309	17 315
From the sale of foreign currency	8004	480	
From the sale of intangible assets	8005		
From the sale of securities	8006		3 421 184
From the sale of other assets	8007	50 492	62 914
From joint activities	8008		
2010 profit identified in the reporting period	8009	218 773	
2009 profit identified in the reporting period	8010	38 898	91 020
2008 profit identified in the reporting period	8011	2 676	-108 997
Profit prior to Jan 1, 2008 identified in the reporting period	8012	558	208
Fines, penalties and forfeits recognized or on which court (arbitration court) decisions were obtained on their recovery	8013	40 868	65 472
Accounts payable for which the limitation period expired (more than three years)	8014	56 050	7 385
Exchange rate differences	8015	90	625 004
Surplus property identified based in inventory	8016	122 111	11 493
Donated assets, except fixed assets and intangible assets	8017	6 501	3 970
Income from donated fixed assets as defined in the prescribed manner	8018	4 508 348	143 577
Value of tangible assets not written off as assets that are unrecoverable for further use	8019	40 776	
Revaluation of financial investments based on current market value	8020		
Income from the reduction (write-off) in the provision for doubtful debts	8021	340 427	
Income from the reduction (write-off) in the provision for estimated liabilities	8022		
Income from the reduction (write-off) in the provision for impairment Value of inventory	8023		
Income from right of claim assignment agreements	8024		
Income from the identification of non-contractual electricity consumption	8025	327 540	
Receivable insurance payments	8026	781 036	
Income related to participation in the charter capital of other organizations	8027		
Recovery of previously written off accounts receivable	8028		
Discount on promissory notes	8029		
Compensation for the difference in tariffs (budget funding)	8030		
Income from the reduction (writeoff) of the provision on the impairment of financial investments	8031	114 411	
Other	8032	76 815	1 239 910
<b>Total other expenses</b>	8100	( 7 802 312 )	( 7 085 520 )
including:			
From the sale of fixed assets, except apartments	8101	( )	( 25 )
From the sale of apartments	8102	( 614 )	( )
From the sale of inventories	8103	( 4 463 )	( 11 795 )

From the sale of foreign currency	8104	( 480 )	( )
From the sale of intangible assets	8105	( )	( )
From the sale of securities	8106	( )	( 3 421 184 )
From the sale of other assets	8107	( 54 462 )	( 59 219 )
Other taxes	8108	( 22 )	( 7 666 )
Expenses on bank services	8109	( 7 331 )	( 46 576 )
Expenses on the servicing of financial investments	8110	( )	( 4 177 )
Provision for doubtful debts	8111	( 3 738 871 )	( 340 427 )
Provision for the impairment of financial investments	8112	( )	( -31 742 )
Provision for the impairment of tangible assets	8113	( )	( )
Provision for discontinued operations	8114	( )	( )
Provision for estimated liabilities	8115	( 480 462 )	( )
Retirement of assets with no income	8116	( 122 106 )	( 142 056 )
VAT on donated property	8117	( )	( )
2010 losses identified in the reporting period	8118	( 78 389 )	( )
2009 losses identified in the reporting period	8119	( 706 )	( 45 217 )
2008 losses identified in the reporting period	8120	( 2 502 )	( 9 810 )
Losses prior to Jan 1, 2008 identified in the reporting period	8121	( 302 096 )	( 53 818 )
Fines, penalties and forfeits recognized or on which court (arbitration court) decisions were obtained on their recovery	8122	( 123 764 )	( 20 770 )
State fee for economic agreements	8123	( 4 859 )	( 5 781 )
Revaluation of financial investments based on current market value	8124	( )	( )
Discount on promissory notes	8125	( )	( )
Expenses on right of claim assignment agreements	8126	( )	( )
Non-refundable VAT	8127	( 133 249 )	( )
Expenses on identified non-contractual electricity consumption	8128	( )	( )
Contributions to associations and funds	8129	( )	( )
Accounts receivable for which the limitation period expired (more than three years)	8130	( 15 128 )	( 576 )
Exchange rate differences	8131	( 88 )	( 617 502 )
Court costs	8132	( 355 648 )	( 24 998 )
Theft, shortages	8133	( 39 )	( 224 )
Enforcement proceedings costs	8134	( 2 237 )	( 387 )
Repayment of the cost of employee apartments	8135	( )	( )
Other material (financial) assistance and other payments to employees	8136	( 518 434 )	( )
Financial assistance to pensioners (including non-recurring payments and compensation for utility payments)	8137	( )	( )
Expenses on sporting events	8138	( 5 858 )	( 2 435 )
Expenses on cultural and educational activities	8139	( 52 176 )	( 54 653 )
Charity expenses	8140	( 13 659 )	( 8 456 )
Other	8141	( 1 784 669 )	( 2 239 510 )

Director \_\_\_\_\_  
 (signature) (printed name)

Chief accountant \_\_\_\_\_  
 (signature) (printed name)

24 February 20 12

- (1) - indicates the reporting date of the reporting period
- (2) - indicates the period of the previous year similar to the reporting period

### 5.12. Statement on availability of assets recorded on off balance sheet accounts

Indicator	Code	As of Dec 31, 2011 (1)	As of Dec 31, 2010 (2)	As of Dec 31, 2009 (3)
1	2	3	4	5
Rented fixed assets	8200	51 704 564	76 711 715	66 330 563
including: under leasing	82001	36 182 857	38 660 871	39 135 192
Inventories accepted for safekeeping	8201			
Materials accepted for processing	8202			
Good accepted for commission	8203			
Equipment accepted for installation	8204			
Debt of insolvent debtors written off as loss	8205	33 703	23 703	25 552
Depreciation of land improvement facilities and other similar facilities	8206	499	549	529
Registered high-security forms	8207	718	720	519
Property under federal ownership	8208			
Intangible assets acquired for use	8209			
Property transferred to charter capital as payment for acquired shares	8210			

(1) - indicates the reporting date of the reporting period

(2) - indicates the previous year

(3) - indicates the year preceding the previous year

### 5.13. Information on reportable segments

As of Dec 31, 2011	Code	Reportable segment	Reportable segment	Reportable segment	Reportable segment	Reportable segment	Other segments	Total
1	2	3	4	5	6	7	8	9
Revenue from external customers	8310	71 948 084	54 597 982					126 546 066
Sales revenue between segments	8320	0	0					0
<b>Total segment revenue</b>	8300	<b>71 948 084</b>	<b>54 597 982</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126 546 066</b>
including								0
revenue from electricity transmission	8301	58 194 650	48 799 173					106 993 823
revenue from grid connections	8302	13 133 792	5 725 750					18 859 542
other revenue	8303	619 642	73 059					692 701
Interest receivable	8330	55 213	51 283					106 496
Interest payable	8340	1 285 158	1 295 480					2 580 638
Profit tax expenses	8350	3 525 242	2 260 483					5 785 725
<b>Profit/(loss) of segment</b>	8360	<b>18 108 264</b>	<b>-1 055 294</b>					<b>17 052 970</b>
<b>Segment assets</b>	8370	<b>184 786 464</b>	<b>80 788 661</b>					<b>265 575 125</b>
including non-current assets	8371	133 436 152	70 086 737					203 522 889
<b>Segment liabilities</b>	8380	<b>74 466 840</b>	<b>35 930 611</b>					<b>110 397 451</b>
<b>Depreciation of fixed assets and intangible assets</b>	8390	<b>8 080 965</b>	<b>7 115 239</b>					<b>15 196 204</b>



## Explanatory note to the accounting statement for 2011

### 1. General information

Full name – Open joint-stock company “Moscow United Electric Grid Company.”

Abbreviated name – JSC “MOESK” and JSC “Moscow United Electric Grid Company.”

Legal address – 142100, Russian Federation, Moscow Region, Podolsk, ul. Ordzhonikidze, d. 27. Starting from July 15, 2011, 115114, Russian Federation, Moscow, 2nd Paveletsky proezd, d. 3, str. 2, as confirmed by Excerpt No. 3457 from the Unified State Register of Legal Entities dated July 15, 2011.

State registration date and number – April 1, 2005, No. 1057746555811.

JSC “MOESK” (hereinafter referred to as the Company) was established as a result of the reorganization of JSC “Mosenergo” through a corporate spin-off based on a decision adopted by the annual general meeting of shareholders (Minutes No. 1 dated June 29, 2004). The Company had total personnel of 15,595 people as of December 31, 2011.

The main activities performed by JSC “MOESK” are:

- the provision of electricity transmission and distribution services in Moscow and the Moscow Region;
- the provision of services for the connection of new consumers to the power grid and an increase in existing power grid capacity;
- other activities not prohibited by the laws of the Russian Federation.

As of December 31, 2011, the Company had charter capital of 24,353,545,787 (twenty-four billion three hundred fifty-three million five hundred forty-five thousand seven hundred and eight-seven) rubles and a total of 48,707,091,574 (forty-eight billion seven hundred seven million ninety-one thousand five hundred and seventy-four) shares with par value of 0.5 rubles each.

The annual general meeting of JSC “MOESK” shareholders approved limited liability company “FinExpertiza” as the Company’s auditor on June 20, 2011 (Minutes No. 10 dated June 23, 2011).

On April 4, 2005, the Board of Directors adopted a decision (Minutes No. 1 dated May 4, 2004) to establish the following JSC “MOESK” branches: Southern Electric Net-

works, Eastern Electric Networks, Oktyabrsky Electric Networks, Northern Electric Networks, Noginsk Electric Networks, Podolsk Electric Networks, Kolomna Electric Networks, Shatura Electric Networks, Western Electric Networks, Mozhaysk Electric Networks, Dmitrov Electric Networks, Volokolamsk Electric Networks, Moskabelen-ergoremont (MKER), Electrical Equipment Maintenance Factory (RETO), Moskabeset-montazh (MKSM), High Voltage Cable Networks and Main Electric Networks.

On June 14, 2007, the Board of Directors decided (Minutes No. 45 dated June 19, 2007) to establish the JSC "MOESK" branch Central Electric Networks.

On October 8, 2007, a decision was adopted during a meeting of the Company's Management Board (Minutes No. 13 dated October 8, 2007) to enlarge the Company's branches: Northern Electric Networks (on the core of the branches Oktyabrsky Electric Networks and Dmitrov Electric Networks, Southern Electric Networks (on the core of the branches Podolsk Electric Networks and Kashira Electric Networks), Western Electric Networks (on the core of the branches Mozhaysk Electric Networks and Volokolamsk Electric Networks) and Eastern Electric Networks (on the core of Noginsk Electric Networks, Kolomna Electric Networks and Shatura Electric Networks). The decision of the JSC "MOESK" Board of Directors dated November 2, 2007 (Minutes No. 51 dated November 7, 2007) liquidated the JSC "MOESK" branches on the core of which the Company's branches were enlarged. The decision of the JSC "MOESK" Board of Directors dated February 26, 2008 (Minutes No. 56 dated February 27, 2008) amended the Charter to register the structure of the enlarged JSC "MOESK" branches.

On the basis of a decision adopted by an extraordinary general meeting of JSC "MOESK" shareholders on April 18, 2008 (Minutes No. 6 dated April 28, 2008), the Company was reorganized through a merger with open joint-stock company "Moscow City Power Grid Company" (hereinafter referred to as JSC "MGESK"). In accordance with the transfer deed approved by the extraordinary general meeting of JSC "MOESK" shareholders on April 18, 2008 (Minutes No. 6 dated April 28, 2008), the Company is the legal successor for all the rights and obligations of JSC "MGESK" from the moment the entry was made in the Unified State Register of Legal Entities on the termination of the activities of JSC "MGESK."

In accordance with the decision of the JSC "MOESK" Board of Directors dated April 29, 2008 (Minutes No. 61 dated May 4, 2008) the JSC "MOESK" branch Mos-

cow Cable Networks was established on the core of the Company merged with JSC "MOESK" (JSC "MGESK").

Due to the changes in the JSC "MOESK" structure in 2007-2008, the Company was comprised of 7 branches as of December 31, 2011:

1. Southern Electric Networks;
2. Eastern Electric Networks;
3. Northern Electric Networks;
4. Western Electric Networks;
5. High Voltage Electric Networks;
6. Central Electric Networks;
7. Moscow Cable Networks.

In accordance with the decisions of the Company's Board of Directors dated December 7, 2007 (Minutes No. 53 dated December 7, 2007) and the Management Board dated December 7, 2007 (Minutes No. 19/1 dated December 7, 2007), three subsidiary companies were established on the property core of the Company's repair and service branches: JSC "MKSM," JSC "RETO Plant" and JSC "MKER" with 100% participation by JSC "MOESK" as the shareholder in the charter capital of each company.

On December 29, 2007, Interregional Inspectorate No. 46 of the Federal Tax Service for Moscow made an entry in the Unified State Register of Legal Entities on the establishment of open joint-stock company "Moskabelsetmontazh," open joint-stock company "Electrical Equipment Maintenance Factory" and open joint-stock company "Moskabelenergoremont."

Affiliated open joint-stock company "Energocenter" was established on May 2, 2006 in accordance with the Resolution of the Moscow Region Government dated December 7, 2005 for the purpose of implementing an investment project to build power grid facilities on the territory of the Moscow Region.

As of December 31, 2011, the stake owned by JSC "MOESK" amounts to 50% of the charter capital of JSC "Energocenter."

Due to the reorganization of JSC "MOESK" in the form of a merger with JSC "MGESK," the shareholders of JSC "MOESK" on April 18, 2008 decided to increase the JSC "MOESK" charter capital by placing additional shares through the conversion of JSC "MGESK" share during the merger.

JSC "MOESK" shares are traded on the organized securities market CJSC "MICEX Stock Exchange" and are included in the first tier of the "A" quotation list of CJSC "MICEX Stock Exchange."

As of December 31, 2011, JSC "MOESK" had market capitalization of 85,106 million rubles.

The Company's Board of Directors includes:

No.	Full name	Position on Board of Directors	Place of work	Position as of December 31, 2011
1.	Shvets Nikolai Nikolayevich	Chairman of the Board of Directors	JSC "IDGC Holding"	General Director and Chairman of the Management Board
2.	Guryanov Denis Lvovich	Member of the Board of Directors	JSC "IDGC Holding"	Director of the Corporate Governance and Shareholder Relations Department
3.	Gavrilenko Anatoly Anatolyevich	Member of the Board of Directors	CJSC "Leader" (pension fund asset management company)	General Director
4.	Borisov Yevgeny Ivanovich	Member of the Board of Directors	GPB (JSC)	Advisor to the Chairman of the Management Board
5.	Sklyarov Yevgeny Viktorovich	Member of the Board of Directors	Moscow Government	Director of the Moscow Fuel and Energy Complex Department
6.	Kerber Sergei Mikhailovich	Member of the Board of Directors	CJSC "Leader" (pension fund asset management company)	Director of the Investment Projects and Programs Directorate and Managing Director
7.	Nuzhdov Alexei Viktorovich	Member of the Board of Directors	CJSC "Leader" (pension fund asset management company) of Gazfond non-governmental pension fund	Deputy General Director for Security and Director of the Corporate Security Department
8.	Popov Alexander Albertovich	Member of the Board of Directors	JSC "IDGC Holding"	Deputy General Director and Administration Head
9.	Golubev Pavel Vladilenovich	Member of the Board of Directors	JSC "IDGC Holding"	Director of the Operation, Maintenance and Repair Department
10.	Pavlov Vadim Alexeyevich	Member of the Board of Directors	JSC "IDGC Holding"	Director of the Center of Strategy, Development and Innovation
11.	Skribot Wolfgang	Member of the Board of Directors	Gazprombank (open joint-stock company)	Managing Director and Director of the Electricity and Infrastructure Projects Directorate of the Direct Investments Department
12.	Tikhonova Maria Gennadyevna	Member of the Board of Directors	Russian Ministry of Energy	Director of the Department for Economic Regulation and Property Relations in the Fuel and Energy Complex
13.	Yurchuk Sergei Yevgenyevich	Member of the Board of Directors	JSC "IDGC Holding"	Financial Director

The Company's Management Board includes:

No.	Full name	Place of work	Position as of December 31, 2011
1.	Konovalov Andrei Pavlovich	JSC "MOESK"	Chairman of the Management Board and General Director
2.	Bulanova Olga Leonidovna	JSC "MOESK"	Deputy General Director for Economics and Finances
3.	Krupin Mikhail Lvovich	-	
4.	Kuznetsov David Felixovich	JSC "MOESK"	Deputy General Director for Special Projects
5.	Marakin Yury Vadimovich	JSC "MOESK"	Deputy General Director for Security
6.	Romanovsky Sergei Petrovich	JSC "MOESK"	Deputy General Director for Capital Construction
7.	Chegodayev Anatoly Vasilyevich	JSC "MOESK"	Deputy General Director and Technical Director



The Auditing Commission includes:

No.	Full name	Position on Auditing Commission	Place of work	Position as of December 31, 2011
1.	Alimuradova Izumrud Aligadzhiyevna	Chairman of the Auditing Commission	JSC "IDGC Holding"	Director of Internal Audit and Risk Management (Director of the Internal Audit and Risk Management Department)
2.	Kormushkina Lyudmila Dmitryevna	Member of the Auditing Commission	JSC "IDGC Holding"	Director of the Division for the Internal Audit of Auditing Commissions and Expert Evaluations of the Internal Audit and Risk Management Department
3.	Saukh Maxim Mikhailovich	Member of the Auditing Commission	JSC "IDGC Holding"	Deputy Director of the Corporate Governance and Shareholder Relations Department
4.	Arkhipov Vladimir Nikolayevich	Member of the Auditing Commission	JSC "IDGC Holding"	Director of the Security Department
5.	Filippova Irina Alexandrovna	Member of the Auditing Commission	JSC "IDGC Holding"	Leading Expert of the Internal Audit and Risk Management Department

## 2. Accounting policy

During the reporting period, the Company employed an accounting and tax accounting policy approved by Order No. 982 of the General Director dated December 30, 2010.

The accounting and tax accounting policy for 2012 is attached to the explanatory note.

### 2.1. CHANGES TO THE ACCOUNTING POLICY

In 2011, changes were made to the bookkeeping accounting policy of JSC "MOESK" by Order No. 191 dated March 31, 2011 due to the entry into force of Order No. 167n of the Russian Finance Ministry "On the Approval of the Accounting Provisions 'Estimated Liabilities, Contingent Liabilities and Contingent Assets'" (AR 8/2010) dated December 13, 2010 registered with the Russian Justice Ministry as No. 19691 dated February 3, 2011 and Order No. 186n of dated December 24, 2010 the Russian Finance Ministry "On Amendments to the Regulatory Legal Acts on Accounting Policy and the Invalidation of Order No. 3 of the Russian Finance Ministry dated January 15, 1997."

All amendments to the Company's accounting policy started being applied from April 1, 2011 except amendments to the value of fixed assets from 20,000 rubles to 40,000 rubles. The Company applied this amendment to the accounting policy starting from January 1, 2011.

Due to changes in the accounting policy in 2011, the Company established provisions to pay bonuses as of December 31, 2011. The amendments also made it possible to reflect in the account "Deferred Expenses" for the tech-

nological connection to grids of mixed grid companies as part of the “Single Window” as “Work in Progress” expenses. “Deferred Revenue” in the form of fixed assets received free of charge in previous periods in 2011 in the amount of 2,990 million rubles was written off as other revenue.

## 2.2. REGULATORY AND LEGAL FRAMEWORK

The Company's accounting statement was compiled based on the existing regulations in the Russian Federation for accounting, tax accounting and reporting, in particular:

- Federal Law No. 129-FZ “On Accounting” dated November 21, 1996;
- the regulations for accounting and accounting reporting in the Russian Federation approved by Order No. 34n of the Russian Finance Ministry dated July 29, 1998;
- Accounting Regulation No. 1/2008 “Enterprise Accounting Policy” approved by Order No. 106n of the Russian Finance Ministry dated October 6, 2008;
- Accounting Regulation No. 2/2008 “Accounting of Capital Construction Agreements (Contracts)” approved by Order No. 116n of the Russian Finance Ministry dated October 24, 2008;
- Accounting Regulation No. 3/2006 “Accounting of Assets and Obligations Expressed in Foreign Currency” approved by Order No. 154n of the Russian Finance Ministry dated November 27, 2006;
- Accounting Regulation No. 4/99 “Accounting Reporting of Organizations” approved by Order No. 43n of the Russian Finance Ministry dated July 6, 1999;
- Accounting Regulation No. 5/01 “Inventory Accounting” approved by Order No. 44n of the Russian Finance Ministry dated June 9, 2001;
- Accounting Regulation No. 6/01 “Accounting of Fixed Assets” approved by Order No. 26n of the Russian Finance Ministry dated March 3, 2001;
- Accounting Regulation No. 7/98 “Events After the Reporting Date” approved by Order No. 56n of the Russian Finance Ministry dated November 25, 1998;
- Accounting Regulation No. 8/10 “Estimated Liabilities, Contingent Liabilities and Contingent Assets” approved by Order No. 167n of the Russian Finance Ministry dated December 13, 2010;
- Accounting Regulation No. 9/99 “Revenue of Organizations” approved by Order No. 32n of the Russian Finance Ministry dated May 6, 1999;
- Accounting Regulation No. 10/99 “Expenses of Organizations” approved by Order No. 33n of the Russian Finance Ministry dated May 6, 1999;
- Accounting Regulation No. 11/2008 “Information on Affiliated Entities” approved by Order No. 48n of the Russian Finance Ministry dated April 29, 2008;
- Accounting Regulation No. 12/2010 “Segment Information” approved by Order No. 143n of the Russian Finance Ministry dated November 8, 2010;
- Accounting Regulation No. 13/2000 “Accounting of Government Assistance” approved by Order No. 92n of the Russian Finance Ministry dated October 16, 2000;
- Accounting Regulation No. 14/2007 “Accounting of Intangible Assets” approved

- by Order No. 153n of the Russian Finance Ministry dated December 27, 2007;
- Accounting Regulation No. 15/2008 "Accounting of Borrowings and Loans and the Cost of Servicing them" approved by Order No. 107n of the Russian Finance Ministry dated October 6, 2008;
  - Accounting Regulation No. 16/02 "Information on Discontinued Activities" approved by Order No. 66n of the Russian Finance Ministry dated November 19, 2002;
  - Accounting Regulation No. 17/02 "Accounting of Expenses on Scientific Research, Experimental Design and Technological Work" approved by Order No. 115n of the Russian Finance Ministry dated November 19, 2002;
  - Accounting Regulation No. 18/02 "Accounting of Expenses on Corporate Profit Tax" approved by Order No. 114n of the Russian Finance Ministry dated November 19, 2002;
  - Accounting Regulation No. 19/02 "Accounting of Financial Investments" approved by Order No. 126n of the Russian Finance Ministry dated December 10, 2002;
  - Accounting Regulation No. 20/03 "Information on Participation in Joint Activities" approved by Order No. 105n of the Russian Finance Ministry dated November 24, 2003;
  - Accounting Regulation No. 21/2008 "Amendments to Estimated Values" approved by Order No. 106n of the Russian Finance Ministry dated October 6, 2008;
  - Accounting Regulation No. 22/2010 "Corrections of Errors in Accounting and Reporting" approved by Order No. 63n of the Russian Finance Ministry dated June 28, 2010;
  - Accounting Regulation No. 23/11 "Cash Flow Report" approved by Order No. 11n of the Russian Finance Ministry dated February 2, 2011;
  - other applicable Russian accounting regulations (standards);
  - tax, labor, land and other codes of the Russian Federation.

### 2.3. SHORT-TERM AND LONG-TERM ASSETS

The reporting values the Company's assets and liabilities based on the actual expenses of their acquisition.

The reporting classifies the assets as short-term if the maturity period does not exceed 12 months from the reporting date and classifies all other assets as long-term.

### 2.4. INTANGIBLE ASSETS

As of December 31, 2011, the Company's intangible assets consisted of the JSC "MOESK" trademark. More detailed information is provided in Table No. 5.1.1 of the annual balance sheet.

## 2.5. FIXED ASSETS

As of December 31, 2010, the Company carried out a revaluation of the fixed assets of the "Machinery and Equipment" group. The 4,474-million ruble result of the revaluation was reflected retroactively as of December 31, 2009. More detailed information on the movement of fixed assets is provided in Table No. 5.3.1 of the annual balance sheet for 2011.

As of December 31, 2011, the fixed assets included land plots, buildings, machinery, equipment, vehicles and other relevant facilities with a service life of more than 12 months.

Fixed assets are entered into the accounting records based on actual expenditures on their acquisition, construction and manufacturing. In statements, the fixed assets are reflected according to their book value.

Fixed assets were entered into the accounting records from JSC "Mosenergo" as of April 1, 2005 and from JSC "MGEsk" as of July 1, 2008 based on their book value, which is the original value for JSC "MOESK." Depreciation was calculated based on the linear method by type with the book value of the fixed assets and the remaining useful life. The useful life is presented in Table No. 5.3.2 of the annual balance sheet.

In 2011, no depreciation was accrued for:

### **Land plots**

As of December 31, 2011, the Company owned seven land plots with total area of 51.3 hectares and a total value of 72 million rubles.

### **Housing facilities**

The Company owns two residential buildings with total area of 977 m<sup>2</sup> and total value of 1.3 million rubles.

Income and expenses on the disposal and write-off of fixed assets are reflected in the profit and loss statement as other income and expenses.

## 2.6. CONSTRUCTION IN PROGRESS

JSC "MOESK" performs the new construction, reconstruction, modernization and upgrading of existing facilities. Information on construction in progress is presented in Table No. 5.3.5 of the annual balance sheet for 2011.

## 2.7. INVENTORIES

Inventories are valued as the sum of actual expenditures on acquisition.

The valuation of inventories upon their release into production or other disposal was performed in 2011 based on their average cost.

Deferred expenses with respect to services provided by allied grid companies for capacity connection are recorded starting from January 1, 2011 as "Construction in Progress." Balances for deferred expenses as of December 31, 2011 in the financial statement for 2011 are reflected as other non-current assets and other reserves and expenses. The balances for these items are retroactively increased as of December 31, 2010 and December 31, 2009 in these balance sheet accounts. The availability and movement of inventories are presented in Table No. 5.5.1 of the annual balance sheet.

#### **2.8. LONG-TERM AND SHORT-TERM FINANCIAL INVESTMENTS**

The availability and movement of financial investments are presented in Tables No. 5.4.1 and 5.4.2 of the annual balance sheet for 2011.

#### **2.9. DEBT OF CUSTOMERS AND CLIENTS**

Debt of customers and clients is determined based on the prices established by the agreements the Company concluded with customers and clients. The availability and movement of accounts receivable and payable are presented in Tables No. 5.6.1, 5.6.3, 5.6.5 and 5.6.6 of the annual balance sheet for 2011.

#### **2.10. RECOGNITION OF INCOME**

Revenue from the sale of products and goods as well as the rendering of services were recognized for accounting purposes as products were shipped (or services were provided) to customers and settlement documents were presented to them. Revenue is reflected in the profit and loss statement less value added tax.

For taxation purposes, JSC "MOESK" calculates its income using the accrual method. According to this method, income is recognized in the reporting period in which it actually occurred regardless of the actual receipt of funds.

Income from ordinary activities includes:

- income from the transport of electricity;
- income from providing capacity connection services;
- income from the lease of property;
- income from the performance of construction and installation work.

More detailed information on income from ordinary activities is presented in the profit

and loss statement for 2011.

#### 2.11. RECOGNITION OF EXPENSES

Expenses are recorded in accounting records in the amount calculated in monetary terms equal to the amount of payment in cash form.

Expenses on ordinary activities include:

- expenses on the transport of electricity;
- expenses on providing capacity connection services;
- expenses on the lease of property;
- expenses on the performance of construction and installation work.
- 

More detailed information on income from ordinary activities is presented in the profit and loss statement for 2011 and in Table No. 2.1 of the annual balance sheet for 2011.

#### 2.12. OTHER INCOME AND EXPENSES

Other income includes 781 million rubles received by the Company from an insurance company for emergencies that took place in 2010 and 2011. This amount fully compensated for the 559 million rubles in expenses on mitigating the aftermath of the freezing rain.

More detailed information on other income and expenses is presented in Table No. 5.11 of the annual balance sheet for 2011.

#### 2.13. CHARTER, ADDITIONAL PAID-IN AND RESERVE CAPITAL

Information on charter, additional paid-in and reserve capital is presented in Table No. 3.1 of the annual balance sheet for 2011.

JSC "MOESK" is creating reserve capital intended to cover losses which, while not defined exactly, can still take place in business. Reserve capital is established using the net profit of JSC "MOESK."

#### 2.14. BORROWINGS AND LOANS

In 2011, for the purposes of refinancing existing debt and replenishing working capital as well as financing investment activities and measures to repair energy and electrical equipment, the Company attracted 42,096,458,000 rubles, including:

- under non-revolving lines of credit for debt refinancing – 2,500,000,000 rubles.
- under non-revolving lines of credit to finance the Company's investment program – 13,181,932,000 rubles, of which 10,073,056,000 rubles were repaid in the reporting period.
- under non-revolving lines of credit to finance the Company's investment

activities – 6,935,273,000 rubles.

- under non-revolving lines of credit to finance measures to repair energy and electrical equipment – 1,047,451,000 rubles.
- under non-revolving lines of credit to replenish working capital – 18,431,802,000 rubles, of which 19,176,802,000 rubles were repaid in the reporting period.

In 2011, the Company repaid obligations on promissory notes amounting to 1,119,572,000 rubles and on loans amounting to 31,606,364,000 rubles.

The repaid loan debt includes the repayment of debt on revolving lines of credit as well as the redemption of a bond issue – 2,356,507,000 rubles.

#### LONG-TERM BORROWINGS AND LOANS, '000 rubles

No.	Name	Agreement number	Jan 1, 2011	Dec 31, 2011	Due date
1.	Promissory note of JSC "Bank of Moscow"	22-335-32/10-07	252,176	0	Feb 28, 2012
2.	Promissory note of JSC "Bank of Moscow"	22-335-32/10-07	241,327	0	May 28, 2012
3.	Promissory note of JSC "Bank of Moscow"	22-335-32/10-07	231,587	0	Aug 28, 2012
4.	Promissory note of JSC "Bank of Moscow"	22-335-32/10-07	221,744	0	Nov 28, 2012
5.	Accrued % for promissory notes	22-335-32/10-07	263,583	0	–
6.	Loan of JSC "Sberbank of Russia"	5275	3,000,000	3,000,000	May 15, 2013
7.	Loan of JSC "Sberbank of Russia"	5276	3,000,000	3,000,000	June 15, 2013
8.	Loan of JSC "Sberbank of Russia"	5277	3,000,000	3,000,000	July 15, 2013
9.	Loan of JSC "Sberbank of Russia"	5349	991,932	2,000,000	Sept 27, 2014
10.	Loan of JSC "Sberbank of Russia"	5350	1,399,191	2,000,000	Sept 27, 2014
11.	Loan of JSC "Sberbank of Russia"	5448	0	1,047,451	Aug 18, 2014
12.	Loan of JSC "Sberbank of Russia"	5449	0	2,500,000	Aug 18, 2016
13.	Loan of JSC "Sberbank of Russia"	5460	0	3,000,000	Sept 16, 2015
14.	Loan of JSC "Sberbank of Russia"	5461	0	2,321,836	Sept 16, 2015
15.	Loan of JSC "Sberbank of Russia"	5462	0	1,500,000	Sept 16, 2015
16.	Loan of JSC "ALFA-BANK"	00CS2L	1,500,000	1,500,000	July 23, 2015
17.	Loan of JSC "ALFA-BANK"	00CS3L	3,000,000	3,000,000	Aug 21, 2015
18.	Loan of JSC "ALFA-BANK"	00CS4L	3,000,000	3,000,000	Sept 23, 2015
19.	Loan of JSC "ALFA-BANK"	00CS5L	3,000,000	3,000,000	July 21, 2017
20.	Loan of JSC "ALFA-BANK"	00CS6L	3,000,000	3,000,000	Aug 23, 2017
21.	Loan of JSC "ALFA-BANK"	00CS7L	623,000	623,000	Sept 22, 2017
22.	Loan of JSC Gazprombank	151/11-P	0	1,500,000	June 30, 2016
23.	Loan of Vnesheconombank	110/100/1223	0	113,436	Nov 16, 2019
<b>Total</b>			<b>26,724,540</b>	<b>39,105,723</b>	

## SHORT-TERM BORROWINGS AND LOANS, '000 rubles

No.	Name	Agreement number	Jan 1, 2011	Dec 31, 2011	Due date
1.	Promissory note of JSC "Bank of Moscow"	-	297,803	0	Feb 28, 2012
2.	Promissory note of JSC "Bank of Moscow"	-	284,369	0	May 28, 2011
3.	Promissory note of JSC "Bank of Moscow"	-	274,318	0	Aug 28, 2011
4.	Promissory note of JSC "Bank of Moscow"	-	263,082	0	Nov 28, 2011
5.	Promissory note of JSC "Bank of Moscow"	-	0	252,176	Feb 28, 2012
6.	Promissory note of JSC "Bank of Moscow"	-	0	241,327	May 28, 2012
7.	Promissory note of JSC "Bank of Moscow"	-	0	231,587	Aug 28, 2012
8.	Promissory note of JSC "Bank of Moscow"	22-335-32/10-07	0	221,744	Nov 28, 2012
9.	Promissory note of JSC "Bank of Moscow" (interest)	22-335-32/10-07	311,670	348,799	-
10.	Bond issue		2,356,507	0	Sept 6, 2011
11.	Coupon yield on bond issue		59,770	0	Sept 6, 2011
12.	Loan of JSC "Sberbank" (interest)	5275	2,548	2,548	-
13.	Loan of JSC "Sberbank" (interest)	5276	2,571	2,571	-
14.	Loan of JSC "Sberbank" (interest)	5277	2,574	2,574	-
15.	Loan of JSC "Sberbank" (interest)	5349	1,272	2,564	-
16.	Loan of JSC "Sberbank" (interest)	5350	1,247	2,564	-
17.	Loan of JSC "Sberbank"	5330	745,000	0	Jan 21 2011,
18.	Loan of JSC "Sberbank" (interest)	5330	300	0	-
19.	Loan of JSC "Sberbank" (interest)	5448	0	4,334	-
20.	Loan of JSC "Sberbank" (interest)	5449	0	2,044	-
21.	Loan of JSC "Sberbank" (interest)	5460	0	2,539	-
22.	Loan of JSC "Sberbank" (interest)	5461	0	1,965	-
23.	Loan of JSC "Sberbank" (interest)	5462	0	1,269	-
24.	Loan of Vnesheconombank (interest)	110/100/1223	0	63	-
	<b>Total</b>	-	<b>4,603,031</b>	<b>1,320,668</b>	-

### 2.15. CONTINGENCIES

In 2011, JSC "MOESK" established provisions in accounting for doubtful debts. More detailed information is presented in Table No. 5.6.2 of the annual balance sheet for 2011. The Company also established provisions for future expenses on unused vacation as of December 31, 2011, annual bonuses, and payments to extra-budgetary funds and for lawsuits which the Company has a high probability of losing. Contingencies are presented retroactively for 2009-2010. More detailed information on provisions is presented in Table No. 5.7.1 of the annual balance sheet for 2011.



**2.16. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY**

As of December 31, 2011, the Company had no assets or liabilities denominated in foreign currency.

**2.17. GOVERNMENT ASSISTANCE**

JSC "MOESK" has not received any subventions from the federal budget.

**2.18. Accounting for payment of profit tax (AR 18/02), mln rubles**

<b>Provisional profit tax expenses (provisional income)</b>	<b>4,382</b>
<b>Permanent tax liabilities (PTL)</b>	<b>-</b>
1. Profit of previous years	-51
2. Fixed assets depreciation	1,158
3. Losses of previous years	16
4. Cultural, educational and sporting events	
5. Employee benefits and cultural and educational events	185
6. Payments to JSC "IDGC Holding"	101
7. Other expenses	304
<b>Total permanent tax liabilities</b>	<b>1,713</b>
<b>Deferred tax assets (DTA)</b>	
1. Deferred income – donated fixed assets	-634
2. Deferred expenses – software, consulting services	-9
3. Expenses on land lease contracts	73
4. Provisions	1,044
<b>Total deferred tax assets</b>	<b>474</b>
<b>Deferred tax liabilities (DTL)</b>	
1. Fixed assets depreciation, bonus depreciation	-800
2. Provision for doubtful debts	19
3. Materials (special clothing, special equipment)	-2
<b>Total deferred tax liabilities</b>	<b>-783</b>
<b>Revised declaration for profit tax of past periods</b>	<b>-1,240</b>

The DTA and DTL are presented in detail in the balance sheet.

**2.19. EARNINGS PER SHARE**

Information on earnings per share is presented in Table No. 2.2 of the annual balance sheet for 2011.

## 2.20. DISCONTINUED OPERATIONS

JSC "MOESK" did not discontinue any operations in 2011.

## 2.21. RELATED PARTIES

As of December 31, 2011, the list of JSC "MOESK" related parties included:

- Members of the JSC "MOESK" Board of Directors (Section 1 of the Explanatory Note);
- Members of the JSC "MOESK" Management Board (Section 1 of the Explanatory Note);
- the JSC "MOESK" General Director;
- JSC "IDGC Holding" (owns 50.9% of the JSC "MOESK" common shares);
- JSC "Energocenter" (50% of shares owned by JSC "MOESK");
- JSC "Moskabelsetmontazh" (100% of shares owned by JSC "MOESK");
- JSC "Electrical Equipment Maintenance Factory" (100% of shares owned by JSC "MOESK");
- JSC "Moskabelenergoemont" (100% of shares owned by JSC "MOESK");
- Entities included in the JSC "IDGC Holding" group.

The list of the Company's affiliates is posted online at the address:

[http://www.moesk.ru/invest\\_news/Informatsiya%20podlezhashchaya%20raskrytiyu/list\\_affiliates/index.php](http://www.moesk.ru/invest_news/Informatsiya%20podlezhashchaya%20raskrytiyu/list_affiliates/index.php)

During the period examined, the Company conducted business transactions:

- with affiliates and subsidiaries related to production activities (acquiring goods, work and services) for a total of 969 million rubles;
- with the controlling organization JSC "IDGC Holding" related to services for the Company to organize the functioning and development of the UES for a total of 507 million rubles including VAT (430 million rubles excluding VAT).

Remuneration to members of the Board of Directors and Committees.

In 2011, total remuneration paid to members of the Company's Board of Directors and Committees amounted to:

- for participating in meetings of the Board of Directors – 12,324,116.5 rubles.
- for participating in Committees under the Board of Directors – 2,831,993 rubles.
- for the Company's net profit according to the annual accounting statement for 2010 approved by the general meeting of the Company's shareholders in the amount of 20,509,635 rubles including personal income tax (17,843,384 rubles excluding personal income tax).
- for market capitalization – 0 rubles.

Starting from September 1, 2008, the amount and procedure for paying remuneration and compensation to members of the Board of Directors are established by the Provision on the Payment of Remuneration and Compensation to Members of the Board of Directors approved by the annual general meeting of the Company's shareholders on May 28, 2008.

#### Remuneration to members of the Auditing Commission

In 2011, the total amount of remuneration paid to members of the Company's Auditing Commission for inspections of the Company's financial and business activities following audits for the period from January 1, 2010 to October 1, 2010 and for 2010 amounted to 1,165,175 rubles.

#### Remuneration to senior executives

Payments to the Company's senior management personnel totaled 227,796,716 rubles in 2011.

### 2.22. SEGMENT INFORMATION

Segment information is presented in Table No. 5.13 of the annual balance sheet for 2011.

### 2.23. INFORMATION IN ACCORDANCE WITH FEDERAL LAW NO. 261-FZ "ON ENERGY CONSERVATION AND IMPROVED ENERGY EFFICIENCY AND AMENDMENTS TO CERTAIN LEGISLATIVE ACTS OF THE RUSSIAN FEDERATION" DATED NOVEMBER 23, 2009

As of December 31, 2011, the Company used the following energy resources when performing business activities:

Name	Measurement unit	Quantity	Amount, '000 rubles
Total electricity,	'000 kW/h	8,745,671	13,266,599
including:			
- for business needs	'000 kW/h	50,081	228,200
- to compensate for losses in grids	'000 kW/h	8,695,590	13,038,399
Heat power	Gcal	54,614	64,758

### 2.24. ASSETS RECORDED ON OFF BALANCE SHEET ACCOUNTS

Information on assets recorded on off balance sheet accounts is presented in Table No. 5.12 of the annual balance sheet for 2011.

## 2.25. EVENTS OCCURRING AFTER THE REPORTING DATE

In December 2011, JSC "MOESK" concluded a contract with Vinspec Limited for the purchase of 9,999 shares in JSC "Energocenter" for a total of 51 million rubles. According to the contract terms, amendments on the new owner will be entered into the shareholder register within 15 days after full settlement. Final settlement will be made in 2012.

In 2011, JSC "MOESK" concluded contracts with Vinspec Limited and Starberry Limited for the purchase of securities – non-convertible interest-bearing certificated bonds of JSC "Energocenter" for a total of 840 million rubles. According to the contract terms, JSC "MOESK" will assume the rights to the bonds after the Arbitration Court of the Moscow Region approves a settlement agreement, which will take place and enter into force in 2012.

## 2.26. CASH FLOW STATEMENT

Information on cash flow is presented in the Cash Flow Statement to the annual balance sheet for 2011. Below are the receipts and payments listed in the statement as "Other":

Year	2011	2010
<b>Total other receipts,</b>	<b>5,187,361</b>	<b>16,670,918</b>
including:		
- receipts from SWAP operations	0	10,834,749
- other receipts	5,187,361	5,836,169

Year	2011	2010
<b>Total other payments,</b>	<b>11,230,618</b>	<b>17,446,284</b>
including:		
- VAT	4,902,295	3,820,565
- insurance premiums	2,231,181	1,518,724
- personal income tax	1,442,860	1,257,395
- property tax	241,732	286,386
- paid on insurance agreements	419,952	181,208
- paid on claims	602,860	28,579
- wage deductions	259,835	227,470
- land lease	157,514	138,542
- other payments	972,389	948,420
- repayment of SWAP operations	0	9,038,995

## 2.27. CONTINGENT LIABILITIES

As of December 31, 2011, a lawsuit had been filed against JSC "MOESK" with a court of the first instance by the company LLC "SMP BoguchanGEstroy." The claim is for 507,903 rubles. The JSC "MOESK" Legal Department assesses the probability of JSC "MOESK" having to pay this sum to the company LLC "SMP BoguchanGEstroy" as "average".

## 2.28. ANALYSIS OF FINANCIAL RATIOS

The Company's financial status in terms of liquidity, financial stability, profitability and business activity is characterized as follows:

		Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
Absolute liquidity ratio	0.15-0.5	0.08	0.02	0.05
Quick liquidity ratio	0.3-0.7	0.4	0.3	0.5
Current liquidity ratio	>=2	0.5	0.4	0.6
Equity ratio	>=0.5	0.5	0.6	0.6
Return on sales (ROS), %	>0	18.60	22.95	20.11
Return on equity, %	>0	5.26	11.12	10.99
Return on assets, %	>0	2.52	6.26	6.42
Accounts receivable dynamics (growth rate), %	<0	-	-5	0.02
Accounts payable dynamics (growth rate), %	<0	-	-4	-12
Accounts receivable/accounts payable ratio	>1	0.78	0.76	0.87

\* calculated based on new form of balance sheet.

### Assessment of the Company's liquidity

The absolute liquidity ratio describes the Company's capability to repay short-term liabilities with cash and short-term financial investments, and stood at 0.05 as of December 31, 2011.

The quick liquidity ratio reflects the ratio of the most liquid part of working capital against short-term liabilities, and stood at 0.5 as of December 31, 2011. The current liquidity ratio indicates the adequacy of the Company's funds that may be used to repay short-term liabilities, and this ratio stood at 0.6 as of December 31, 2011.

### Assessment of the Company's financial stability

The equity ratio describes the ownership interest of an enterprise's owners in its total assets. The higher the ratio, the more financially stable the enterprise is and the less dependent it is on outside loans. This ratio stood at 0.6 as of December 31, 2011.

### Assessment of profitability

In 2011, the Company achieved a return on sales of 20.11%, i.e. sales profit of 0.20 rubles was generated for each ruble of revenue.

The return on equity indicator describes the efficiency of the use of capital and totaled 10.99% at the end of 2011.

The return on assets indicator describes the efficiency of the use of the Company's assets for the purpose of generating profit and totaled 6.42% at the end of 2011.

In general, the Company's activities were profitable in 2011.

### Assessment of business activities

In 2011, there were no significant changes to the amount of accounts receivable (growth rate of 0.02%).

Accounts payable dynamics were -12%, indicating a reduction in short-term accounts payable.

The accounts receivable/accounts payable ratio stood at 0.87 as of December 31, 2011.

If short-term accounts payable on advances received for grid connections are excluded from the calculation, the analysis of financial ratios as of December 31, 2011 is as follows.

The Company's financial status in terms of liquidity, financial stability, profitability and business activity is characterized as follows:

		Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
Absolute liquidity ratio	0.15-0.5	0.1	0.1	0.2
Quick liquidity ratio	0.3-0.7	0.7	1.1	1.5
Current liquidity ratio	>=2	0.8	1.3	1.8
Equity ratio	>=0.5	0.5	0.6	0.6
Product (sales) profitability, %	>0	18.60	22.95	20.11
Return on equity, %	>0	5.26	11.12	10.99
Return on assets, %	>0	2.52	6.26	6.42
Accounts receivable dynamics (growth rate), %	<0	-	-5	0.02
Accounts payable dynamics (growth rate), %	<0	-	-4	-12
Accounts receivable/accounts payable ratio	>1	0.78	0.76	0.87

\* short-term accounts payable on advances received for grid connections excluded from the denominator.

**Assessment of the Company's liquidity**

The absolute liquidity ratio describes the Company's capability to repay short-term liabilities with cash and short-term financial investments, and stood at 0.2 as of December 31, 2011.

The quick liquidity ratio reflects the ratio of the most liquid part of working capital against short-term liabilities, and stood at 1.5 as of December 31, 2011. The current liquidity ratio indicates the adequacy of the Company's funds that may be used to repay short-term liabilities, and this ratio stood at 1.8 as of December 31, 2011.

**Assessment of the Company's financial stability**

The equity ratio describes the ownership interest of an enterprise's owners in its total assets. The higher the ratio, the more financially stable the enterprise is and the less dependent it is on outside loans. This ratio stood at 0.6 as of December 31, 2011.

**Assessment of profitability**

In 2011, the Company achieved a return on sales of 20.11%, i.e. sales profit of 0.20 rubles was generated for each ruble of revenue.

The return on equity indicator describes the efficiency of the use of capital and totaled 10.99% at the end of 2011.

The return on assets indicator describes the efficiency of the use of the Company's assets for the purpose of generating profit and totaled 6.42% at the end of 2011.

In general, the Company's activities were profitable in 2011.

**Assessment of business activities**

In 2011, there were no significant changes to the amount of accounts receivable (growth rate of 0.02%).

Accounts payable dynamics were -12%, indicating a reduction in short-term accounts payable.

The accounts receivable/accounts payable ratio stood at 0.87 as of December 31, 2011.

# Appendix 2

## Auditor's report on the accounting (financial) statement of joint-stock Company "Moscow United Electric Grid Company" for 2011

### TO SHAREHOLDERS

**Name:** Joint-stock company "Moscow United Electric Grid Company" (hereinafter referred to as the "Company")

**State registration number:** 1057746555811

**Location:** 115114, Moscow, 2nd Paveletsky proezd, d. 3, str. 2

**Name:** Limited liability company "FinExpertiza" (LLC "FinExpertiza")

**State registration number:** 1027739127734

**Location:** 129110, Russian Federation, Moscow, prospekt Mira, d. 69, str. 1

**Name of self-regulatory organization of auditors:** Non-commercial partnership "Audit Chamber of Russia" (Certificate No. 4209 dated December 28, 2009)

**Number in register of auditors and auditor organizations at self-regulatory organization of auditors:** 10201028038

The provision of auditing services for the accounting (financial) statement of JSC "Moscow United Electric Grid Company" for 2011 was performed in accordance with Agreement No. 480-08-a dated August 23, 2011.

We conducted the audit of the accompanying accounting statement of JSC "Moscow United Electric Grid Company" consisting of:

- the balance sheet as of December 31, 2011;
- the profit and loss statement for 2011;
- the statement of changes in equity for 2011;
- the statement of cash flows for 2011;
- other appendices to the balance sheet and profit and loss statement;
- the explanatory note.

### INFORMATION ON The AUDITED ENTITY

### INFORMATION ON AUDITOR



Auditor's report on the accounting statement of  
JSC "Moscow United Electric Grid Company"  
for 2011



## RESPONSIBILITY OF The AUDITED ENTITY FOR the ACCOUNTING STATEMENT

The management of JSC "Moscow United Electric Grid Company" is responsible for the preparation and accuracy of the accounting statement in accordance with the established rules for compiling accounting statements and also for the system of internal control that is necessary to prepare accounting statements that are free of material misstatement due to fraud or error.

## RESPONSIBILITY OF The AUDITOR

Our responsibility is to express an opinion on the accuracy of the accounting statement based on our audit.

We conducted the audit in accordance with the federal auditing standards. These standards require compliance with relevant ethical requirements as well as the planning and implementation of the audit to obtain reasonable assurance that the accounting statement is free of material misstatement.

The audit involved the performance of audit procedures aimed at obtaining audit evidence supporting the amounts in the accounting report and the information disclosed therein. The selection of the audit procedures is a matter of our judgment, which is based on the assessment of the risk of material misstatement, whether due to fraud or error. In the process of assessing this risk, we reviewed the internal control system, which ensures the preparation and accuracy of the accounting statement, in order to select the appropriate audit procedure, but not for the purpose of expressing an opinion on the effectiveness of the internal control system.

The audit also included an assessment of the appropriateness of the accounting policies used and the validity of the estimates obtained by the management of the audited entity as well as an evaluation of the overall presentation of the accounting statement.

We believe that the audit evidence obtained during the audit provides sufficient grounds to express an opinion on the accuracy of the accounting statement.

## OPINION

In our opinion, the accounting statement accurately reflects in all material respects the financial position of JSC "Moscow United Electric Grid Company" as of December 31, 2011, the results of its financial and business activities, and the cash flows for 2011 in accordance with the established regulations for preparing accounting statements.

General Director of LLC "FinExpertiza"

I.A. Kozlova  
Auditor Qualification Certificate No. 01-000543  
Principal Registration Entry Number  
in the Auditors Register No. 20001037555  
March 1, 2012



I.A. Kozlova

# Appendix 3

## Report of the auditing commission

Based on the results of an audit of the financial and business activities of  
Joint-stock company "Moscow United Electric Grid Company" for 2011

Full name	Joint-stock company "Moscow United Electric Grid Company"
Legal address	Moscow Region, Podolsk, ul. Ordzhonikidze, d. 27
Mailing address	115114, Moscow, 2 <sup>nd</sup> Paveletsky proezd, d. 3, str. 2
Contact information	<a href="http://www.moesk.ru">www.moesk.ru</a> telephone: (495) 982-35-74
Principle state registration number (OGRN, date)	No. 1057746555811 dated April 1, 2005
Tax referebce number (INN)	5036065113
Branches and standalone divisions with separate balance sheets	The Company includes 7 branches: Southern Electric Networks; Eastern Electric Networks; Northern Electric Networks; Western Electric Networks; High-Voltage Cable Networks; Central Electric Networks; Moscow Cable Networks.
Sole executive body	General Director A.P. Konovalov, took office on March 12, 2010
Chief accountant	L.A. Sklyarova

## Company information

Chairman of Auditing Commission	Alimuradova Izumrud Aligadzhiyevna
Secretary of Auditing Commission	Kormushkina Lyudmila Dmitryevna
Members of Auditing Commission	Arkhipov Vladimir Nikolayevich Saukh Maxim Mikhailovich Filippova Irina Alexandrovna

## Auditing commission information

## Auditor information

Full name of organization	Limited liability company "FinExpertiza"
Legal address (location)	129110, Moscow, pr. Mira, d. 69, str. 1
Mailing address	129110, Moscow, pr. Mira, d. 69, str. 1
Principle state registration number (OGRN, date)	1027739127734
Membership in SRA (self-regulatory association), name of self-regulatory auditor association	Non-Profit Partnership "Audit Chamber of Russia"
Auditor's report	unmodified
Minutes of the annual general meeting of shareholders (approving the auditor and confirming the accounting (financial) statement)	Minutes No. 01/10 dated June 21, 2011

## I. Analytical part

The inspection by the Auditing Commission (hereinafter referred to as the audit) of JSC "MOESK" was conducted in accordance with:

- The Federal Law "On Joint-Stock Companies";
- The Charter of JSC "MOESK";
- The Provision on the JSC "MOESK" Auditing Commission;
- The decision of the annual general meeting of the Company's shareholders on the election of the Auditing Commission (Minutes No. 11 dated November 29, 2011);
- The decision of the Auditing Commission of JSC "MOESK" (hereinafter referred to as the Company) on the audit of the Company's financial and business activities for 2011 (Minutes No. 2 dated March 1, 2012);
- Other regulatory documents.

Purpose of the audit: to confirm the reliability of the Company's accounting (financial) statement and annual report for 2011, hereinafter referred to as the statement. Reliability is understood in all material respects as the degree of accuracy of the data in the statement, which enables users of this statement to reach the proper conclusions concerning the results of the Company's business activities, financial and property status, and make informed decisions based on these conclusions.

Subject: accounting (financial) statement, annual report, compliance of the Company's financial and business activities with applicable laws and its own internal regulations.

This report is officially a publicly available document and is intended for shareholders, investors and other interested parties.

We conducted the audit in accordance with:

- Federal Law No. 129-FZ “On Accounting” dated November 21, 1996;
- Order No. 34n of the Russian Finance Ministry “On the Approval of the Provision on Accounting Reporting in the Russian Federation” dated July 29, 1998;
- The provisions (standards) on accounting;
- Order No. 66n of the Russian Finance Ministry “On the Forms of Accounting for an Organization” dated July 2, 2010;
- Other legislative acts and the Company’s internal regulations.

The Company’s sole executive body is responsible for compliance with the laws of the Russian Federation when conducting financial and business operations.

We planned and conducted the audit in such a way so as to obtain reasonable assurance that the statement for 2011 is free of any material misstatements.

The audit was planned on a sample basis and involved a study based on the testing of the evidence confirming the amount and the disclosure of information in the statement on the Company’s financial and business activities, an assessment of the accounting principles and methods, the regulations for preparing the statement and the determination of the significant accounting estimates.

When conducting the audit, we reviewed the Company’s compliance with the laws of the Russian Federation and its own internal regulations. We verified the compliance of several of the financial and business transactions concluded by the Company with the law solely for the purpose of obtaining reasonable and sufficient assurance that the statement is free of any material misstatements.

During the audit, we determined the materiality level (The level of total permissible error and omissions in the statement figures). We understand materiality as the ability of the information disclosed in the statement to influence the decisions made by users of this statement. The level of permissible error is the criterion we use to confirm the reliability of the Company’s statement.

We determined the materiality level to be 6,736.6 million rubles.

#### Audited period:

We conducted the audit of the statement attached to the report for the period:

1) reporting from January 1, 2011 until December 31, 2011 for financial and business activities in 2011

2) Events occurring after the reporting date: from January 1, 2012 until February 29, 2012

The statement is prepared in accordance with the legislative and regulatory acts of the Russian Federation (RAS) and the Company's internal regulations

#### Contents of the Company's statement confirmed by the Auditing Commission:

No.	Forms	Type of reporting	Date of signing by management	Number of pages in document
1.	Nº 1	Balance sheet (consolidated for all The standalone divisions of the Company)	Feb 24, 2012	2
2.	Nº 2	Profit and loss statement (consolidated for all the standalone divisions of The Company)	Feb 29, 2012	4
3.	Nº 3	Statement of change in equity	Feb 29, 2012	5
4.	Nº 4	Statement of cash flow	Feb 29, 2012	2
5.		Other appendices (explanations) to the balance sheet and profit and loss statement	Feb 29, 2012	42
6.	–	Explanatory note (consolidated for all The standalone divisions of the Company)	no date	20
7.	–	Auditor's report on the accounting (financial) statement of JSC "MOESK" for 2011	March 11, 2012	3
8.		Annual report (consolidated for all The standalone divisions of the Company with information reflected for subsidiaries and affiliates)	no date	199

We believe our audit provides sufficient grounds to express our opinion on the reliability of the Company's statement.

In our opinion, the Company's statement for 2011 in all material respects accurately reflects the financial position of JSC "MOESK" as of December 31, 2011 as well as the results of its financial and business activities and cash flows for 2011 in accordance with the established regulations for preparing accounting statements and the internal regulations for compiling the Company's annual report.

There is no dissenting opinion among the members of the Auditing Commission differing from that specified in the summary of the report.

Approved by Minutes of the Auditing Commission No. 3 dated April 12, 2012

Chairman of the Auditing  
Commission



I.A. Alimuradova

April 12, 2012  
Moscow

## II. Summary

### Dissenting opinion

# Appendix 4

## **OJSC MOESK**

### **Consolidated Financial Statements for the year ended 31 December 2011**

*OJSC MOESK*

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## Independent Auditors' Report

To the Board of Directors of OJSC MOESK

We have audited the accompanying consolidated financial statements of OJSC MOESK (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG  
6 April 2012

**OJSC MOESK**  
*Consolidated Statement of Financial Position as at 31 December 2011*

	Note	31 December 2011 '000 RUB	31 December 2010 '000 RUB
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	205 734 239	190 225 639
Intangible assets	13	472 638	85 535
Long-term investments	14	560 737	624 800
Other non-current assets	15	14 008 820	13 680 640
<b>Total non-current assets</b>		<b>220 776 434</b>	<b>204 616 614</b>
<b>Current assets</b>			
Inventories	17	2 100 004	1 674 664
Income tax receivable		460 565	631 841
Trade and other receivables	18	22 101 928	23 973 028
Short-term investments	14	175 000	1 187
Cash and cash equivalents	19	3 944 875	2 931 237
<b>Total current assets</b>		<b>28 782 372</b>	<b>29 211 957</b>
<b>Total assets</b>		<b>249 558 806</b>	<b>233 828 571</b>

**OJSC MOESK**  
*Consolidated Statement of Financial Position as at 31 December 2011*

	Note	31 December 2011 '000 RUB	31 December 2010 '000 RUB
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	20	24 353 546	24 353 546
Additional paid in capital		18 580 888	18 580 888
Retained earnings		79 494 344	62 746 579
<b>Total equity attributable to the shareholders of OJSC MOESK</b>		<b>122 428 778</b>	<b>105 681 013</b>
Non-controlling interest		484 455	389 661
<b>Total equity</b>		<b>122 913 233</b>	<b>106 070 674</b>
<b>Non-current liabilities</b>			
Loans and borrowings	22	39 966 562	29 472 416
Employee benefits	23	1 356 652	1 649 275
Deferred tax liabilities	16	7 782 408	6 943 138
Trade and other payables	25	22 470 975	10 893 132
<b>Total non-current liabilities</b>		<b>71 576 597</b>	<b>48 957 961</b>
<b>Current liabilities</b>			
Loans and borrowings	22	6 509 086	10 631 321
Other taxes payable	26	113 090	763 382
Trade and other payables	25	47 458 435	66 764 149
Provisions	24	988 365	641 084
<b>Total current liabilities</b>		<b>55 068 976</b>	<b>78 799 936</b>
<b>Total equity and liabilities</b>		<b>249 558 806</b>	<b>233 828 571</b>

These consolidated financial statements were approved by management on 6 April 2012 and were signed on its behalf by:

Deputy Director General  
on Economics and Finance

O. L. Bulanova

Head of Department  
on Economics and Finance

V.V. Bragova

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

**OJSC MOESK**  
*Consolidated Statement of Comprehensive Income for the year ended 31 December 2011*

	Note	2011 '000 RUB	2010 '000 RUB
<b>Revenue</b>	6	129 365 994	111 731 578
Operating expenses	7	(105 633 604)	(89 358 961)
Other operating income	9	1 377 347	1 454 203
<b>Results from operating activities</b>		<b>25 109 737</b>	<b>23 826 820</b>
Finance income	10	124 081	253 957
Finance costs	10	(1 789 226)	(2 490 394)
<b>Profit before income tax</b>		<b>23 444 592</b>	<b>21 590 383</b>
Income tax expense	11	(5 402 032)	(4 426 923)
<b>Profit for the year</b>		<b>18 042 560</b>	<b>17 163 460</b>
<b>Total comprehensive income for the year</b>		<b>18 042 560</b>	<b>17 163 460</b>
<b>Total profit and comprehensive income attributable to:</b>			
Shareholders of OJSC MOESK		17 947 766	17 170 787
Non-controlling interest		94 794	(7 327)
<b>Basic and diluted earnings per ordinary share (in Russian Roubles)</b>	21	<b>RUB 0.3685</b>	<b>RUB 0.3525</b>

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

**OJSC MOESK**  
*Consolidated Statement of Changes in Equity for the year ended 31 December 2011*

'000 RUB	Attributable to shareholders of the Group				Non-controlling interest	Total equity
	Share capital	Additional paid in capital	Retained earnings	Total		
<b>Balance at 1 January 2010</b>	<b>24 353 546</b>	<b>18 580 888</b>	<b>46 025 792</b>	<b>88 960 226</b>	<b>396 988</b>	<b>89 357 214</b>
Profit for the year	-	-	17 170 787	17 170 787	(7 327)	17 163 460
Total comprehensive income for the year	-	-	17 170 787	17 170 787	(7 327)	17 163 460
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Dividends to shareholders	-	-	(450 000)	(450 000)	-	(450 000)
Total contributions by and distributions to owners	-	-	(450 000)	(450 000)	-	(450 000)
<b>Balance at 31 December 2010</b>	<b>24 353 546</b>	<b>18 580 888</b>	<b>62 746 579</b>	<b>105 681 013</b>	<b>389 661</b>	<b>106 070 674</b>
<b>Balance at 1 January 2011</b>	<b>24 353 546</b>	<b>18 580 888</b>	<b>62 746 579</b>	<b>105 681 013</b>	<b>389 661</b>	<b>106 070 674</b>
Profit for the year	-	-	17 947 766	17 947 766	94 794	18 042 560
Total comprehensive income for the year	-	-	17 947 766	17 947 766	94 794	18 042 560
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Dividends to shareholders	-	-	(1 200 001)	(1 200 001)	-	(1 200 001)
Total contributions by and distributions to owners	-	-	(1 200 001)	(1 200 001)	-	(1 200 001)
<b>Balance at 31 December 2011</b>	<b>24 353 546</b>	<b>18 580 888</b>	<b>79 494 344</b>	<b>122 428 778</b>	<b>484 455</b>	<b>122 913 233</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

**OJSC MOESK**  
Consolidated Statement of Cash Flows for the year ended 31 December 2011

	2011 '000 RUB	2010 '000 RUB
<b>Cash flows from operating activities</b>		
<b>Profit before income tax</b>	<b>23 444 592</b>	<b>21 590 383</b>
<i>Adjustments for:</i>		
Depreciation and amortisation	16 538 863	13 339 559
(Gain)/loss on disposal of property, plant and equipment	(122 266)	4 153
Impairment losses on property, plant and equipment	4 780	34 574
Provisions for legal claims	347 281	533 437
Finance income	(124 081)	(253 957)
Finance costs	1 789 226	2 490 394
Allowance for impairment of accounts receivable	3 637 112	268 967
Allowance for impairment of non-current assets	-	4 993
Gain on disposal of inventory	(73 643)	-
Other non-cash items	(60 453)	(548 294)
<b>Cash from operating activities before changes in working capital</b>	<b>45 381 411</b>	<b>37 464 209</b>
Change in inventories	(356 795)	535 023
Change in trade and other receivables, non-current advances given for connection services	(1 807 859)	(2 027 906)
Change in retirement benefit obligations and related assets	(350 253)	791 529
Change in trade and other payables	(8 400 100)	(1 773 222)
Change in taxes payable, other than income tax	(650 291)	476 026
<b>Cash flows from operations before income taxes</b>	<b>33 816 113</b>	<b>35 465 658</b>
Income taxes paid	(4 391 486)	(5 015 516)
<b>Net cash from operating activities</b>	<b>29 424 627</b>	<b>30 450 142</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	5 608	1 417
Proceeds from disposal of short-term investments	1 187	452 407
Acquisition of property plant and equipment	(29 322 009)	(18 925 850)
Acquisition of intangible assets	(447 640)	(49 553)
Acquisition of short-term investments	-	(578 594)
Interest received	37 086	60 587
Bank deposits	(50 000)	-
<b>Net cash used in investing activities</b>	<b>(29 775 768)</b>	<b>(19 039 586)</b>

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

**OJSC MOESK**  
*Consolidated Statement of Cash Flows for the year ended 31 December 2011*

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	42 596 456	33 839 085
Repayment of borrowings	(33 091 329)	(37 561 065)
Payment of finance lease liabilities	(4 025 077)	(5 818 938)
Dividends paid	(1 200 001)	(450 000)
Interest paid	(2 915 270)	(3 590 286)
<b>Net cash from/(used in) financing activities</b>	<b>1 364 779</b>	<b>(13 581 204)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1 013 638</b>	<b>(2 170 648)</b>
Cash and cash equivalents at beginning of year	2 931 237	5 094 383
Effect of exchange rate fluctuations on cash and cash equivalents	-	7 502
<b>Cash and cash equivalents at end of year (Note 19)</b>	<b>3 944 875</b>	<b>2 931 237</b>

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 55.

**OJSC MOESK**

*Notes to the Consolidated Financial Statements for the year ended 31 December 2011*

<b>Note</b>		<b>Page</b>	<b>Note</b>		<b>Page</b>
<b>1</b>	<b>Background</b>	<b>11</b>	<b>17</b>	<b>Inventories</b>	<b>39</b>
<b>2</b>	<b>Basis of preparation</b>	<b>11</b>	<b>18</b>	<b>Trade and other receivables</b>	<b>39</b>
<b>3</b>	<b>Significant accounting policies</b>	<b>12</b>	<b>19</b>	<b>Cash and cash equivalents</b>	<b>39</b>
<b>4</b>	<b>Determination of fair values</b>	<b>23</b>	<b>20</b>	<b>Equity</b>	<b>40</b>
<b>5</b>	<b>Operating segments</b>	<b>24</b>	<b>21</b>	<b>Earnings per share</b>	<b>40</b>
<b>6</b>	<b>Revenue</b>	<b>29</b>	<b>22</b>	<b>Loans and borrowings</b>	<b>41</b>
<b>7</b>	<b>Operating expenses</b>	<b>30</b>	<b>23</b>	<b>Employee benefits</b>	<b>44</b>
<b>8</b>	<b>Personnel costs</b>	<b>30</b>	<b>24</b>	<b>Provisions</b>	<b>46</b>
<b>9</b>	<b>Other operating income</b>	<b>31</b>	<b>25</b>	<b>Trade and other payables</b>	<b>46</b>
<b>10</b>	<b>Finance income and costs</b>	<b>31</b>	<b>26</b>	<b>Other taxes payable</b>	<b>47</b>
<b>11</b>	<b>Income tax expense</b>	<b>32</b>	<b>27</b>	<b>Financial risk management</b>	<b>47</b>
<b>12</b>	<b>Property, plant and equipment</b>	<b>33</b>	<b>28</b>	<b>Operating leases</b>	<b>53</b>
<b>13</b>	<b>Intangible assets</b>	<b>35</b>	<b>29</b>	<b>Commitments</b>	<b>53</b>
<b>14</b>	<b>Investments</b>	<b>36</b>	<b>30</b>	<b>Contingencies</b>	<b>53</b>
<b>15</b>	<b>Other non-current assets</b>	<b>36</b>	<b>31</b>	<b>Related party transactions</b>	<b>54</b>
<b>16</b>	<b>Deferred tax assets and liabilities</b>	<b>37</b>	<b>32</b>	<b>Events subsequent to the reporting date</b>	<b>55</b>



## 1 Background

### (a) Organisation and operations

Open Joint-Stock Company Moskovskaya Ob'edinennaya Electrosetevaya Kompaniya (OJSC MOESK or the "Company") was established on 1 April 2005 by transference of assets and activities related to the electricity transmission of OJSC Mosenergo, a subsidiary of RAO UES of Russia, within the framework of Russian electricity sector restructuring in accordance with Resolution No. 1 adopted by shareholders of OJSC Mosenergo on 29 June 2004.

The Group's consolidated financial statements include the following subsidiaries:

- OJSC Moskabel'set'montaj (MKSM);
- OJSC Moskabel'energoremont (MKER);
- OJSC Repair of Electrical and Technical Equipment Plant (RETEP);
- OJSC Energocentr.

As at 31 December 2011 the Russian Federation owned 53.7% of OJSC MRSK Holding, which in turn owned 50.9% of OJSC MOESK.

On 16 June 2011 OJSC MRSK Holding and OJSC Gazprombank signed the agreement for transfer of 50.9% shares of OJSC MOESK to OJSC Gazprombank for the purpose of trust management for the period of 3.5 years. The agreement is subject to further approval of the Federal Antimonopoly Service.

The Company's registered office is at 3/2, 2nd Paveletsky pr-d, Moscow, 115114, Russian Federation. The actual address is 3/2, 2nd Paveletskiy proezd, Moscow, 115114, Russian Federation.

The Group's principal activity is electricity transmission by means of electrical networks located in Moscow and the Moscow Region. The Group also provides connection services as part of its core operations.

### (b) Russian business environment

The Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

## 2 Basis of preparation

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

**OJSC MOESK**

*Notes to the Consolidated Financial Statements for the year ended 31 December 2011*

**(b) Basis of measurement**

The consolidated financial statements are prepared on the historical cost basis except that financial investments classified as available-for-sale are stated at fair value.

**(c) Functional and presentation currency**

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

**(d) Use of judgments, estimates and assumptions**

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

Information about critical judgments in applying accounting policies and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 18 – Allowance for trade and other receivables;
- Note 23 – Employee benefits;
- Note 24 – Provisions;
- Note 27 – Financial risk management;
- Note 30 – Contingencies.

**(e) Changes in accounting policies**

There were no significant changes in accounting policies for 2011.

**3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in Note 2 (e), which addresses changes in accounting policies.

**(a) Basis of consolidation**

**(i) Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

**OJSC MOESK**

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

**(ii) Accounting for acquisitions of non-controlling interests**

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

**(iii) Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**(iv) Acquisitions from entities under common control**

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

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**(v) Loss of control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**(vi) Transactions eliminated on consolidation**

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

**(b) Foreign currency**

**(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

**(c) Financial instruments**

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

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

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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The Group has the following non-derivative financial assets: held-to-maturity financial investments, loans and receivables, available-for-sale financial assets and cash and cash equivalents.

*Held-to-maturity investments*

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

*Loans and receivables*

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities at initial recognition of three months or less.

**(ii) *Non-derivative financial liabilities***

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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**(d) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at the date of transition to IFRSs, was determined by reference to its fair value at that date.

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/expenses in profit or loss.

**(ii) Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 20 to 40 years
- Transmission networks 18 years
- Transformers and transformer substations 13 to 16 years
- Other 4 to 8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**(e) Intangible assets**

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are 2 to 5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**(f) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

**(g) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(h) Impairment**

**(i) *Non-derivative financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

**(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or a CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or a CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

**(i) Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

**(ii) Defined benefit post-employment plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their



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service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past services are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses in profit or loss for the reporting period under the 10% corridor of the post-employment benefit obligation.

**(iii) Other non-current employee benefits**

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

**(iv) Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(j) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(k) Revenue**

**(i) Electricity transmission**

Revenue from electricity transmission is recognised in the statement of comprehensive income when the customer's acceptance of the volume of electricity transmitted is received. The tariffs for energy transmission are approved by Federal Tariff Agency and Regional Energy Commission of Moscow and the Energy Committee of Moscow Region.

**(ii) Connection services**

Revenue from connection services represents a non-refundable fee for connecting the customer to the electricity grid network. The terms, conditions and amounts of these fees are negotiated separately and are independent from fees generated by electricity transmission services.

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Revenue is recognized when electricity is activated and the customer is connected to the grid network, or, for contracts where connection services are performed in stages, revenue is recognized in proportion to the stage of completion.

**(iii) Other services**

Revenue from installation, repair and maintenance services and other sales is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer or when the services are provided.

**(l) Other expenses**

**(i) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

*Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

**(ii) Social expenditure**

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

**(m) Finance income and costs**

Finance income comprises interest income on cash balances, bank deposits and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings, employee benefits and finance leases, foreign currency losses.

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Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**(n) Income tax expense**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(o) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period. There are no dilutive potential ordinary shares.

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**(p) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see Note 5).

Inter-segment pricing is determined on an arm's length basis.

**(q) New Standards and Interpretations not yet adopted**

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2011, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- IAS 19 (2011) *Employee Benefits*. The amended standard will introduce a number of significant changes to IAS 19. First, the corridor method is removed and, therefore, all changes in the present value of the defined benefit obligation and in the fair value of plan assets will be recognised immediately as they occur. Secondly, the amendment will eliminate the current ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss. Thirdly, the expected return on plan assets recognised in profit or loss will be calculated based on the rate used to discount the defined benefit obligation. The amended standard shall be applied for annual periods beginning on or after 1 July 2013 and early adoption is permitted. The amendment generally applies retrospectively. The Group has not yet determined the potential effect of the amendment.
- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 *Consolidation – Special Purpose Entities*. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of

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the standard are expected to be issued during 2012. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted. The Group has not yet determined the potential effect of the amendment.
- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application. The Group has not yet determined the potential effect of the amendment.

Various Improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2011. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

#### **4 Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the respective asset or liability.

##### **(a) Equity and debt securities**

The fair value of available-for-sale financial assets and held-to-maturity investments is determined by reference to their quoted closing bid price at the reporting date. The fair value of investments in unquoted debt securities is determined based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value of investments is determined for disclosure purposes only.

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**(b) Trade and other receivables**

The fair value of non-current trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Management believes that the fair value of current trade and other receivables approximates their carrying amount.

**(c) Non-derivative financial liabilities**

The fair value of financial liabilities, which is calculated for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of issued bonds the fair value is determined by reference to their quoted closing price at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

**5 Operating segments**

Operating segments are identified on the basis of internal reports on components of the Group that are reviewed each quarter by the Board of Directors, the chief operating decision maker, to allocate resources to a segment and assess its performance.

Management has determined the following reportable segments:

- Electricity transmission in Moscow;
- Electricity transmission in the Moscow region;
- Connection services in Moscow;
- Connection services in the Moscow region.

Other activities mainly represent rental income, installation services, repair and technical maintenance of electrical equipment, which have been included in the segment "other". None of these items meets any of the quantitative thresholds for determining reportable segments in 2011 or 2010.

The segment revenue and profit before income tax for the year ended 31 December 2011 are as follows:

'000 RUB	Electricity transmission	Connection services	Other	Total
<b>Revenues</b>				
External revenues	106 993 823	19 083 809	2 386 754	128 464 386
Moscow	58 194 650	13 133 792	2 211 887	73 540 329
Moscow Region	48 799 173	5 950 017	174 867	54 924 057
Inter-segment revenue	-	-	959 836	959 836
Moscow	-	-	750 226	750 226
Moscow Region	-	-	209 610	209 610
Depreciation and amortisation	15 199 962	124	54 419	15 254 505
Moscow	8 172 152	-	47 315	8 219 467
Moscow Region	7 027 810	124	7 104	7 035 038
Reportable segment operating results	10 088 034	15 139 075	487 215	25 714 324

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Moscow	11 748 548	10 121 210	224 133	22 093 891
Moscow Region	(1 660 514)	5 017 865	263 082	3 620 433

Other material items are as follows:

'000 RUB	Reportable segment totals	Adjustments	Consolidated totals
Depreciation and amortisation	15 254 505	1 284 358	16 538 863
Capital expenditure	29 707 247	2 896 792	32 604 039
Impairment losses on property, plant and equipment	-	4 780	4 780
Income tax expense	(4 919 810)	(482 222)	(5 402 032)

Comparative segment revenue and profit before income tax for the year ended 31 December 2010 are as follows:

'000 RUB	Electricity transmission	Connection services	Other	Total
<b>Revenues</b>				
External revenues	91 238 959	18 944 958	525 298	110 709 215
Moscow	49 075 787	12 285 208	439 225	61 800 220
Moscow Region	42 163 172	6 659 750	86 073	48 908 995
Inter-segment revenue	-	-	1 073 657	1 073 657
Moscow	-	-	891 313	891 313
Moscow Region	-	-	182 344	182 344
Depreciation and amortisation	12 163 867	30	54 271	12 218 168
Moscow	6 981 954	-	42 683	7 024 637
Moscow Region	5 181 913	30	11 588	5 193 531
Reportable segment operating results	10 751 435	14 478 196	182 105	25 411 736
Moscow	9 443 474	8 528 508	160 852	18 132 834
Moscow Region	1 307 961	5 949 688	21 253	7 278 902

Other material items are as follows:

'000 RUB	Reportable segment totals	Adjustments	Consolidated totals
Depreciation and amortisation	12 218 168	1 121 391	13 339 559
Capital expenditure	19 932 020	2 147 047	22 079 067
Impairment losses on property, plant and equipment	-	34 574	34 574
Income tax expense	(5 778 374)	1 351 451	(4 426 923)

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Reconciliation of reportable segment profit:

<b>'000 RUB</b>	<b>2011</b>	<b>2010</b>
Reportable segments profit	25 227 109	25 229 631
Other profit or loss	487 215	182 105
Unallocated	(3 547 161)	(3 919 436)
<b>Total profit before income tax per Russian Accounting Standards</b>	<b>22 167 163</b>	<b>21 492 300</b>
Borrowing costs capitalized	2 165 153	3 037 246
Expenses associated with leased property, plant and equipment	2 144 707	2 994 049
Gain on disposal of property, plant and equipment	139 743	23 319
Depreciation and amortisation	(1 284 358)	(1 121 391)
Provision for legal claims	133 180	(533 437)
Provision for unused vacations and bonuses	772 764	(446 401)
Allowance for impairment of account receivable and advances for capital expenditure	(206 581)	(74 574)
Effect of loan discounting	-	(441 999)
Impairment loss on property, plant and equipment	(4 780)	(34 574)
Accrued expenses for connection services	(2 783 910)	(2 837 980)
Accrued employee benefits plan liabilities	292 622	(359 902)
Other items	(91 111)	(106 273)
<b>Consolidated profit before income tax per IFRS</b>	<b>23 444 592</b>	<b>21 590 383</b>

Segment operating results that are reported to the Board of Directors are determined based on the income and expenses calculated in accordance with Russian Accounting Standards. Segment operating results represent the profit earned by each segment without allocation of finance income and expenses and other income and expenses which are included in "unallocated" component.



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Segment assets are presented in the table below:

<b>'000 RUB</b>	<b>Electricity transmission</b>	<b>Connection services</b>	<b>Other</b>	<b>Unallocated</b>	<b>Total</b>
<b>31 December 2011</b>					
<b>Total assets</b>	<b>220 616 761</b>	<b>37 245 921</b>	<b>3 647 206</b>	<b>16 870 696</b>	<b>278 380 584</b>
Moscow	150 235 049	26 340 455	3 080 947	-	179 656 451
Moscow Region	70 381 712	10 905 466	566 259	-	81 853 437
Unallocated	-	-	-	16 870 696	16 870 696
<b>Capital expenditure</b>	<b>29 527 429</b>	<b>131 268</b>	<b>48 550</b>	<b>-</b>	<b>29 707 247</b>
Moscow	18 785 151	-	46 734	-	18 831 885
Moscow Region	10 742 278	131 268	1 816	-	10 875 362
<b>31 December 2010</b>					
<b>Total assets</b>	<b>199 929 301</b>	<b>40 317 579</b>	<b>2 971 682</b>	<b>14 935 932</b>	<b>258 154 494</b>
Moscow	139 800 918	30 173 105	2 471 689	-	172 445 712
Moscow Region	60 128 383	10 144 474	499 993	-	70 772 850
Unallocated	-	-	-	14 935 932	14 935 932
<b>Capital expenditure</b>	<b>19 530 828</b>	<b>367 960</b>	<b>33 232</b>	<b>-</b>	<b>19 932 020</b>
Moscow	11 679 272	-	32 910	-	11 712 182
Moscow Region	7 851 556	367 960	322	-	8 219 838

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Reconciliation of reportable segments assets:

<b>'000 RUB</b>	<b>2011</b>	<b>2010</b>
Reportable segments assets	257 862 682	240 246 880
Other assets	3 647 206	2 971 682
Unallocated	16 870 696	14 935 932
<b>Total assets per Russian Accounting Standards</b>	<b>278 380 584</b>	<b>258 154 494</b>
Net-off trade and other receivables and payables	(203 485)	(84 711)
Inventories	(1 854 750)	(2 239 948)
Advances given	(18 564 188)	(17 380 691)
Property, plant and equipment	(1 212 137)	2 228 728
Impairment losses on property, plant and equipment	(39 354)	(526 869)
Allowance for impairment of account receivable and advances for capital expenditure	(1 244 097)	(861 839)
Deferred tax assets	(1 348 436)	(916 682)
Other items	199 095	22 132
Eliminations	(4 554 426)	(4 566 043)
<b>Consolidated assets per IFRS</b>	<b>249 558 806</b>	<b>233 828 571</b>

Segment assets that are reported to the Board of Directors are determined in accordance with Russian Accounting Standards. Segment assets represent the assets of each segment without allocation of VAT, cash and cash equivalents, inventory and investments, which are included in "unallocated" component.

Segment liabilities are presented in the table below:

<b>'000 RUB</b>	<b>Electricity transmission</b>	<b>Connection services</b>	<b>Other</b>	<b>Unallocated</b>	<b>Total</b>
<b>31 December 2011</b>					
<b>Total liabilities</b>	52 180 495	55 627 690	1 971 206	8 631 132	118 410 523
Moscow	49 193 725	35 852 162	1 822 477	-	86 868 364
Moscow Region	2 986 770	19 775 528	148 729	-	22 911 027
Unallocated	-	-	-	8 631 132	8 631 132
<b>31 December 2010</b>					
<b>Total liabilities</b>	42 102 710	64 502 267	2 153 761	9 992 719	118 751 457
Moscow	38 833 434	42 501 832	2 055 527	-	83 390 793
Moscow Region	3 269 276	22 000 435	98 234	-	25 367 945
Unallocated	-	-	-	9 992 719	9 992 719

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Reconciliation of reportable segments liabilities:

<b>'000 RUB</b>	<b>2011</b>	<b>2010</b>
Reportable segments liabilities	107 808 185	106 604 977
Other liabilities	1 971 206	2 153 761
Unallocated	8 631 132	9 992 719
<b>Total liabilities per Russian Accounting Standards</b>	<b>118 410 523</b>	<b>118 751 457</b>
Finance lease liabilities	2 920 814	5 743 195
Deferred tax liabilities	4 174 009	4 123 539
Employee benefits	1 356 652	1 649 274
Provision for unused vacations	-	773 126
Provision for legal claims	507 903	641 084
Deferred income	-	(3 169 107)
Net-off trade and other receivables and payables	(203 485)	(84 711)
Other items	(91 476)	(205 828)
Eliminations	(429 367)	(464 132)
<b>Consolidated liabilities per IFRS</b>	<b>126 645 573</b>	<b>127 757 897</b>

Segment liabilities that are reported to the Board of Directors are determined in accordance with Russian Accounting Standards. Segment liabilities represent the liabilities of each segment without allocation of VAT, deferred tax liabilities and deferred income, which are included in "unallocated" component.

## 6 Revenue

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Electricity transmission	106 993 823	91 238 959
Revenue from connection services	19 999 236	19 966 619
Other revenue	2 372 935	526 000
	<b>129 365 994</b>	<b>111 731 578</b>

Revenue from connection services represents services related to connection of customers' power receivers to the electricity network of the Group.

Other revenue is comprised of installation services and technical maintenance of electrical equipment and rental income.

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**7 Operating expenses**

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Electricity transmission	(54 130 898)	(44 019 577)
Depreciation and amortisation	(16 538 863)	(13 339 559)
Personnel costs	(14 496 574)	(12 762 263)
Rent	(2 264 658)	(3 353 860)
Repairs, maintenance and installation services	(3 798 275)	(2 791 505)
Third party costs associated with connection services	-	(4 950 115)
Raw materials and supplies	(2 277 337)	(1 888 223)
Consulting, legal, audit services including professional training	(1 257 529)	(1 129 250)
Electricity count services	(423 722)	(324 070)
Insurance	(627 998)	(631 715)
Impairment losses on property, plant and equipment	(4 780)	(34 574)
Telecommunication services	(633 661)	(576 621)
Taxes other than income tax	(542 623)	(502 864)
Security services	(519 184)	(381 956)
Allowance for impairment of trade and other receivables, non-current assets	(3 637 112)	(273 960)
Provision for legal claims	(347 281)	(533 437)
Transportation	(366 510)	(207 610)
Other expenses	(3 766 599)	(1 657 802)
	<b>(105 633 604)</b>	<b>(89 358 961)</b>

Third party costs associated with connection services for 2010 year occurred as a result of the Groups' activity under the contracts for supply of connection services provided by third party, which had been terminated since 1 January 2011 without any further costs incurred.

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**8 Personnel costs**

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Salaries and wages	(13 592 780)	(11 548 490)
Contributions to State pension fund	(228 120)	(184 646)
Financial aid to employees and pensioners	(546 760)	(481 146)
Expenses in respect of post employment benefits – defined benefit plan	(539 249)	(200 144)
Expenses in respect of post employment benefits – defined contribution plan	(153 624)	(86 148)
Benefit/(expense) in respect of long-term service benefits provided	563 959	(261 689)
	<b>(14 496 574)</b>	<b>(12 762 263)</b>

The average number of employees during the year was 16 014 (in 2010: 16 266).

**9 Other operating income**

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Other income	1 377 347	1 454 203
	<b>1 377 347</b>	<b>1 454 203</b>

**10 Finance income and costs**

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
<b>Finance income</b>		
Interest income	124 081	253 957
	<b>124 081</b>	<b>253 957</b>
<b>Finance costs</b>		
Interest on employee benefits obligation	(139 203)	(147 575)
Interest expense	(439 285)	(123 460)
Interest on finance lease	(1 210 738)	(2 219 359)
	<b>(1 789 226)</b>	<b>(2 490 394)</b>

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## 11 Income tax expense

	2011	2010
	'000 RUB	'000 RUB
<i>Current tax expense</i>		
Current tax expense	(5 802 876)	(5 072 151)
Overprovided in prior periods	1 240 114	-
	<b>(4 562 762)</b>	<b>(5 072 151)</b>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	444 734	645 228
Change in tax base of PPE	(1 284 004)	-
	<b>(839 270)</b>	<b>645 228</b>
<b>Income tax charge</b>	<b>(5 402 032)</b>	<b>(4 426 923)</b>

In 2011 the Group recalculated income tax for prior periods (2007-2008) related to the deductibility for tax purposes of certain amounts which were previously capitalized in the tax value of property, plant and equipment and accelerated depreciation of property, plant and equipment operated in an aggressive environment.

As a result, income tax overprovided in prior periods, in accordance with the adjusted tax declarations submitted to the tax authorities, amounted to RUB 1 240 114 thousand. Also the Group corrected the tax value of property, plant and equipment which resulted in the increase of deferred tax liabilities of the Group in the amount of RUB 1 284 004 thousand.

The Group's applicable tax rate in the Russian Federation is the income tax rate of 20%.

### Reconciliation of effective tax rate:

	2011		2010	
	'000 RUB	%	'000 RUB	%
Profit before income tax	23 444 592	100	21 590 383	100
Income tax at applicable tax rate	(4 688 918)	(20)	(4 318 077)	(20)
Overprovided in prior periods	1 240 114	5	-	-
Change in tax base of PPE	(1 284 004)	(5)	-	-
Non-deductible expenses	(669 224)	(3)	(108 846)	(1)
	<b>(5 402 032)</b>	<b>(23)</b>	<b>(4 426 923)</b>	<b>(21)</b>

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Notes to the Consolidated Financial Statements for the year ended 31 December 2011

**12 Property, plant and equipment**

'000 RUB	Land and buildings	Transmission networks	Transformers and transformer substations	Other	Construction in progress	Total
At 1 January 2010	19 417 749	85 567 834	26 808 285	28 663 403	52 535 693	212 992 964
Additions	16 564	450 087	357 013	794 961	20 460 442	22 079 067
Disposals	(7 080)	(103 851)	(19 464)	(43 256)	(133 165)	(306 816)
Transfers	3 132 869	10 679 363	7 738 669	8 746 111	(30 297 012)	-
<b>At 31 December 2010</b>	<b>22 560 102</b>	<b>96 593 433</b>	<b>34 884 503</b>	<b>38 161 219</b>	<b>42 565 958</b>	<b>234 765 215</b>
<b>Depreciation</b>						
At 1 January 2010	(2 858 723)	(14 272 099)	(5 342 347)	(8 324 010)	(492 295)	(31 289 474)
Depreciation charge	(815 782)	(5 119 446)	(2 113 127)	(5 237 159)	-	(13 285 514)
Impairment losses	-	-	-	-	(34 574)	(34 574)
Disposals	3 833	28 683	11 573	25 829	68	69 986
<b>At 31 December 2010</b>	<b>(3 670 672)</b>	<b>(19 362 862)</b>	<b>(7 443 901)</b>	<b>(13 535 340)</b>	<b>(526 801)</b>	<b>(44 539 576)</b>
<b>Net book value</b>						
At 1 January 2010	16 559 026	71 295 735	21 465 938	20 339 393	52 043 398	181 703 490
<b>At 31 December 2010</b>	<b>18 889 430</b>	<b>77 230 571</b>	<b>27 440 602</b>	<b>24 625 879</b>	<b>42 039 157</b>	<b>190 225 639</b>
At 1 January 2011	22 560 102	96 593 433	34 884 503	38 161 219	42 565 958	234 765 215
Additions	403 205	884 119	234 252	2 013 827	29 068 636	32 604 039
Disposals	(10 484)	(137 204)	(23 764)	(21 045)	(488 856)	(681 353)
Transfers	2 652 165	12 187 284	6 535 153	7 176 905	(28 551 507)	-
<b>At 31 December 2011</b>	<b>25 604 988</b>	<b>109 527 632</b>	<b>41 630 144</b>	<b>47 330 906</b>	<b>42 594 231</b>	<b>266 687 901</b>
<b>Depreciation</b>						
At 1 January 2011	(3 670 672)	(19 362 862)	(7 443 901)	(13 535 340)	(526 801)	(44 539 576)
Depreciation charge	(927 222)	(5 895 947)	(2 169 744)	(7 491 595)	-	(16 484 508)
Impairment losses	-	-	-	-	(4 780)	(4 780)
Disposals	4 020	39 641	11 156	14 995	5 390	75 202
<b>At 31 December 2011</b>	<b>(4 593 874)</b>	<b>(25 219 168)</b>	<b>(9 602 489)</b>	<b>(21 011 940)</b>	<b>(526 191)</b>	<b>(60 953 662)</b>
<b>Net book value</b>						
At 1 January 2011	18 889 430	77 230 571	27 440 602	24 625 879	42 039 157	190 225 639
<b>At 31 December 2011</b>	<b>21 011 114</b>	<b>84 308 464</b>	<b>32 027 655</b>	<b>26 318 966</b>	<b>42 068 040</b>	<b>205 734 239</b>

**(a) Impairment of property, plant and equipment**

Impairment testing in respect of property, plant and equipment was performed as at 31 December 2011. The majority of the Group's property, plant and equipment is specialised in nature and is rarely sold on the open market. The market for similar property, plant and equipment is not active

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and does not provide a sufficient number of sales transactions for use of a market-based approach for determination of the fair value. Therefore the value in use for property, plant and equipment as at 31 December 2011 was determined using projected cash flows. This method considers the future net cash flows expected to be generated through the usage of property, plant and equipment in the process of operating activities up to its ultimate disposal to determine the recoverable amount of the assets.

As a result of impairment testing no impairment loss has been recognized.

During the year the management identified and wrote-off items of construction in progress in the amount of RUB 4 780 thousand (2010: RUB 34 574 thousand) which will not be used in operating activities.

**(b) Leased plant and machinery**

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2011 the net book value of leased plant and machinery was RUB 15 868 096 thousand (31 December 2010: RUB 17 249 961 thousand). The leased equipment secures lease obligations.

**(c) Capitalised interest**

Borrowing costs totalling RUB 2 165 153 thousand as at 31 December 2011 with a capitalisation rate of 8.16% (2010: RUB 3 363 166 thousand with a capitalisation rate of 9.63%) were included in the cost of property, plant and equipment and represent interest on loans.

**(d) Advance payments for property, plant and equipment**

As at 31 December 2011 construction in progress includes advance payments for property, plant and equipment of RUB 3 599 713 thousand (31 December 2010: RUB 3 802 930 thousand).



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**13 Intangible assets**

'000 RUB	Software	Certificates and licences	Other	Total
At 1 January 2010	206 320	-	-	206 320
Additions	49 553	-	-	49 553
Disposals	(91 529)	-	-	(91 529)
<b>At 31 December 2010</b>	<b>164 344</b>	<b>-</b>	<b>-</b>	<b>164 344</b>
<b>Amortisation</b>				
At 1 January 2010	(110 806)	-	-	(110 806)
Amortisation	(59 531)	-	-	(59 531)
Disposals	91 529	-	-	91 529
<b>At 31 December 2010</b>	<b>(78 809)</b>	<b>-</b>	<b>-</b>	<b>(78 809)</b>
<b>Net book value</b>				
At 1 January 2010	95 514	-	-	95 514
<b>At 31 December 2010</b>	<b>85 535</b>	<b>-</b>	<b>-</b>	<b>85 535</b>
At 1 January 2011	164 344	-	-	164 344
Additions	418 377	27 987	1 276	447 640
Disposals	(5 381)	-	-	(5 381)
<b>At 31 December 2011</b>	<b>577 340</b>	<b>27 987</b>	<b>1 276</b>	<b>606 603</b>
<b>Amortisation</b>				
At 1 January 2011	(78 809)	-	-	(78 809)
Amortisation	(46 070)	(14 466)	(1)	(60 537)
Disposals	5 381	-	-	5 381
<b>At 31 December 2011</b>	<b>(119 498)</b>	<b>(14 466)</b>	<b>(1)</b>	<b>(133 965)</b>
<b>Net book value</b>				
At 1 January 2011	85 535	-	-	85 535
<b>At 31 December 2011</b>	<b>457 842</b>	<b>13 521</b>	<b>1 275</b>	<b>472 638</b>

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**14 Investments**

	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
<i>Non-current</i>		
Promissory notes	560 737	499 800
Other investments	-	125 000
	<b>560 737</b>	<b>624 800</b>
<i>Current</i>		
Promissory notes	-	1 187
Trust contract	125 000	-
Bank deposit	50 000	-
	<b>175 000</b>	<b>1 187</b>

**15 Other non-current assets**

	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Long-term advances for connection services	12 955 817	11 768 621
VAT on advances from customers	3 108 173	1 389 385
Financial assets available-for-sale	441 061	522 634
Other non-current assets	493 607	-
Allowance for impairment on long-term advances	(2 989 838)	-
	<b>14 008 820</b>	<b>13 680 640</b>

Financial assets available-for-sale relate to the Group contributions accumulated in solidary and employees' individual pension accounts with the Non-State Pension Fund of Electric Power Industry. Subject to certain restrictions contributions to the employee benefit fund can be withdrawn at the discretion of the Group.

**16 Deferred tax assets and liabilities****(a) Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

'000 RUB	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Property, plant and equipment	10 388	-	(12 868 370)	(12 095 525)	(12 857 982)	(12 095 525)
Intangible assets	-	-	(6 329)	(2 145)	(6 329)	(2 145)
Inventories	6 060	519	-	-	6 060	519
Trade and other receivables	2 296 096	1 581 727	-	-	2 296 096	1 581 727
Finance lease liability	2 244 655	2 673 596	-	-	2 244 655	2 673 596
Loans and borrowings	-	-	(221 256)	(221 256)	(221 256)	(221 256)
Employee benefits	180 818	225 328	-	-	180 818	225 328
Trade and other payables	568	-	(682)	(255)	(114)	(255)
Provisions	101 582	282 435	-	-	101 582	282 435
Deferred expenses	401 372	498 053	-	-	401 372	498 053
Other	73 255	114 385	(565)	-	72 690	114 385
Tax assets/(liabilities)	<b>5 314 794</b>	<b>5 376 043</b>	<b>(13 097 202)</b>	<b>(12 319 181)</b>	<b>(7 782 408)</b>	<b>(6 943 138)</b>

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**(b) Movement in temporary differences during the year**

<b>'000 RUB</b>	<b>1 January 2011</b>	<b>Recognised in profit or loss</b>	<b>31 December 2011</b>
Property, plant and equipment	(12 095 525)	(762 457)	(12 857 982)
Intangible assets	(2 145)	(4 184)	(6 329)
Inventories	519	5 541	6 060
Trade and other receivables	1 581 727	714 369	2 296 096
Finance lease liability	2 673 596	(428 941)	2 244 655
Loans and borrowings	(221 256)	-	(221 256)
Employee benefits	225 328	(44 510)	180 818
Trade and other payables	(255)	141	(114)
Provisions	282 435	(180 853)	101 582
Deferred expenses	498 053	(96 681)	401 372
Other	114 385	(41 695)	72 690
	<b>(6 943 138)</b>	<b>(839 270)</b>	<b>(7 782 408)</b>

<b>'000 RUB</b>	<b>1 January 2010</b>	<b>Recognised in profit or loss</b>	<b>31 December 2010</b>
Property, plant and equipment	(12 424 178)	328 653	(12 095 525)
Intangible assets	3 002	(5 147)	(2 145)
Inventories	(7 787)	8 306	519
Trade and other receivables	864 730	716 997	1 581 727
Finance lease liability	3 273 732	(600 136)	2 673 596
Loans and borrowings	(63 644)	(157 612)	(221 256)
Employee benefits	37 507	187 821	225 328
Trade and other payables	(730)	475	(255)
Provisions	86 526	195 909	282 435
Deferred expenses	635 694	(137 641)	498 053
Other	6 782	107 603	114 385
	<b>(7 588 366)</b>	<b>645 228</b>	<b>(6 943 138)</b>

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	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Raw materials and consumables	1 655 597	1 255 133
Other	451 638	421 799
Allowance for impairment of inventories	(7 231)	(2 268)
	<b>2 100 004</b>	<b>1 674 664</b>

**18 Trade and other receivables**

	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Trade receivables	10 654 976	9 472 943
Advances given	4 496 157	4 864 598
VAT on advances from customers	4 754 214	7 741 933
VAT receivable	250 337	2 206
Other receivables	876 010	601 471
VAT recoverable	2 359 750	2 122 127
Allowance for impairment of accounts receivable	(1 289 516)	(832 250)
	<b>22 101 928</b>	<b>23 973 028</b>

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 27.

**19 Cash and cash equivalents**

	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Petty cash	3 298	444
Current accounts	3 505 509	1 830 153
Cash equivalents	436 068	1 100 640
Cash and cash equivalents in the statement of financial position and statement of cash flows	<b>3 944 875</b>	<b>2 931 237</b>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 27.

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*Notes to the Consolidated Financial Statements for the year ended 31 December 2011*

## 20 Equity

### (a) Share capital

<i>Share capital</i>	<b>Ordinary shares</b>	<b>Ordinary shares</b>
	<b>31 December 2011</b>	<b>31 December 2010</b>
Issued shares, fully paid	48 707 091 574	48 707 091 574
Par value (in RUB)	RUB 0.50	RUB 0.50

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders.

### (b) Treasury shares

The Group did not hold any own shares as at 31 December 2011 and 31 December 2010.

### (c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

In 2011 the Company declared and paid dividends in amount of RUB 1 200 001 thousand (RUB 0.02 per share ) (2010: in amount of RUB 450 000 thousand (RUB 0.01 per share)).

## 21 Earnings per share

The calculation of earnings per share is based upon the profit for the year and the average number of ordinary shares outstanding during the year, calculated as shown below. The Company has no dilutive potential ordinary shares.

	<b>31 December 2011</b>	<b>31 December 2010</b>
Number of outstanding shares	48 707 091 574	48 707 091 574
Profit for the year attributable to the shareholders of OJSC "MOESK" ('000 RUB)	17 947 766	17 170 787
Earnings per share (RUB)	0.3685	0.3525

**OJSC MOESK***Notes to the Consolidated Financial Statements for the year ended 31 December 2011***22 Loans and borrowings**

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 27.

	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
<i><b>Non-current</b></i>		
Unsecured bank facility	39 040 137	25 424 735
Promissory notes	-	1 141 848
Finance lease liabilities	926 425	2 905 833
	<b>39 966 562</b>	<b>29 472 416</b>
<i><b>Current</b></i>		
Unsecured bank facility	-	745 300
Promissory notes	1 254 172	1 386 680
Current portion of unsecured bond issues	3 235 489	5 651 766
Current portion of unsecured bank facility	25 036	10 213
Current portion of finance lease liabilities	1 994 389	2 837 362
	<b>6 509 086</b>	<b>10 631 321</b>

**OJSC MOESK**

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

**Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

'000 RUB	Currency	2011	2010	Year of maturity	2011		2010	
		Nominal interest rate	Nominal interest rate		Face value	Carrying amount	Face value	Carrying amount
Unsecured bank facility	RUB	9.75%	7.76%	2015	1 495 726	1 495 726	1 494 526	1 494 526
Unsecured bonds	RUB	8.05%	8.05%	2011	-	-	2 416 277	2 416 277
Unsecured bonds	RUB	22%-25%	9.3%-25%	2010	3 235 489	3 235 489	3 235 489	3 235 489
Unsecured bank facility	RUB	9.75%	7.80%	2015	2 991 248	2 991 248	2 988 844	2 988 844
Unsecured bank facility	RUB	9.75%	7.80%	2015	2 991 057	2 991 057	2 988 661	2 988 661
Unsecured bank facility	RUB	9.75%	7.87%	2017	2 989 996	2 989 996	2 988 197	2 988 197
Unsecured bank facility	RUB	9.75%	7.87%	2017	2 989 844	2 989 844	2 988 046	2 988 046
Unsecured bank facility	RUB	9.75%	7.87%	2017	620 831	620 831	620 452	620 452
Unsecured bank facility*	RUB	7.75%	8.08%	2013	2 995 628	2 995 628	2 990 932	2 990 932
Unsecured bank facility*	RUB	7.82%	7.82%	2013	2 995 471	2 995 471	2 990 864	2 990 864
Unsecured bank facility*	RUB	7.83%	7.83%	2013	2 995 306	2 995 306	2 990 784	2 990 784
Unsecured bank facility*	RUB	7.80%	7.80%	2014	2 002 564	2 002 564	993 204	993 204
Unsecured bank facility*	RUB	7.80%	7.80%	2014	2 002 564	2 002 564	1 400 438	1 400 438
Unsecured bank facility*	RUB	4.90%	4.90%	2011	-	-	745 300	745 300
Unsecured bank facility*	RUB	7.72%	-	2015	3 002 539	3 002 539	-	-
Unsecured bank facility*	RUB	7.72%	-	2015	2 323 801	2 323 801	-	-
Unsecured bank facility*	RUB	7.72%	-	2015	1 501 269	1 501 269	-	-
Unsecured bank facility*	RUB	6.87%	-	2014	1 051 785	1 051 785	-	-
Unsecured bank facility*	RUB	7.46%	-	2016	2 502 044	2 502 044	-	-
Unsecured bank facility*	RUB	8.50%	-	2016	1 500 000	1 500 000	-	-
Unsecured bank facility*	RUB	MosPrime rate +	-	2019	113 500	113 500	-	-
Promissory notes *	RUB	9%	9%	2012	946 834	1 254 172	2 641 659	2 528 528
Finance lease liabilities	RUB	-	-	-	-	2 920 814	-	5 743 195
					<b>43 247 496</b>	<b>46 475 648</b>	<b>34 473 673</b>	<b>40 103 737</b>

\*Loans from state controlled entities



**OJSC MOESK**

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

Finance lease liabilities are payable as follows:

	2011			2010		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
'000 RUB						
Less than one year	2 058 038	63 650	1 994 388	4 048 705	1 211 343	2 837 362
Between one and five years	1 146 987	249 995	896 992	3 575 918	768 097	2 807 821
More than five years	38 823	9 390	29 433	130 760	32 748	98 012
	<b>3 243 848</b>	<b>323 035</b>	<b>2 920 813</b>	<b>7 755 383</b>	<b>2 012 188</b>	<b>5 743 195</b>

All bank loans are unsecured. The finance lease liabilities are secured by the leased assets (see Note 12).

*OJSC Energoentr*

By July 2010 OJSC Energoentr failed to pay the fifth, sixth and part of the fourth semi-annual coupons on its bonds in the amount of RUB 757 317 thousand and failed to repurchase bonds in the amount of RUB 2 478 172 thousand, due to liquidity problems.

Subsequently, bankruptcy proceedings were initiated by OJSC Bank Petrocommerce due to failure to meet the repayment schedule.

According to a court decision, a monitoring procedure was introduced at OJSC Energoentr in August 2010 in accordance with the Russian law on bankruptcy.

On 20 December 2011, the Board of Directors of OJSC Energoentr approved the agreement between OJSC Energoentr and the representative bankruptcy creditors of OJSC Energoentr to restructure OJSC Energoentr debt who initiated bankruptcy procedure.

On 22 December 2011, the creditors' meeting made the decision to conclude the Amicable agreement in relation to bankruptcy of OJSC Energoentr, which was signed on 27 December 2011 in accordance.

On 8 February 2012, the Arbitration court of the Moscow region passed a ruling on the approval of the agreement, concluded between OJSC Energoentr and the representative of the creditors. According to the agreement, OJSC Energoentr undertakes to repay debts in the amount of RUB 3 090 770 thousand over the period of 12 years in accordance with the approved schedule of repayment of the debt.

According to the court decision, the bankruptcy proceedings of OJSC Energoentr were terminated.

**OJSC MOESK**

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

**23 Employee benefits**

**(a) Post employment benefits**

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Total present value of obligations	2 279 495	1 674 219
Unrecognised past service cost	(352 346)	(387 531)
Net actuarial losses not recognised in the statement of financial position	(850 018)	(440 533)
Net liabilities in the statement of financial position	<u>1 077 131</u>	<u>846 155</u>

**(i) Movements in the present value of the defined benefit obligations**

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Defined benefit obligations at 1 January	1 674 219	1 127 554
Benefits paid by the plan	(420 492)	(232 676)
Current service cost	150 403	169 855
Interest cost	112 220	101 480
Actuarial losses	427 817	508 006
Past service cost	335 328	-
Defined benefit obligations at 31 December	<u>2 279 495</u>	<u>1 674 219</u>

**(ii) Expense recognised in profit or loss**

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Current service costs	150 403	169 855
Interest cost	112 220	101 480
Recognised actuarial loss	18 333	472
Past service cost	370 513	29 816
	<u>651 469</u>	<u>301 623</u>

**(b) Other long-term employee benefits**

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Present value of obligations	<u>279 521</u>	<u>803 120</u>

The Group provides long-service jubilee benefits and funeral benefits for its employees. The whole amount of these obligations is unfunded.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2011

**(i) Movements in the present value of other long-term employee benefit obligations**

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Defined benefit obligations at 1 January	803 120	512 165
Contribution received	(25 159)	(16 830)
Current service costs	41 021	29 450
Interest costs	65 519	46 095
Actuarial (gains)/losses recognised in the statement of comprehensive income	(604 980)	232 240
Defined benefit obligations at 31 December	<b>279 521</b>	<b>803 120</b>

**(ii) Expense recognised in the statement of comprehensive income**

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Current service costs	41 021	29 450
Interest on obligation	65 519	46 095
Recognised actuarial (gains)/losses	(604 980)	232 240
	<b>(498 440)</b>	<b>307 785</b>

**(c) Actuarial assumptions**

Principal actuarial assumptions for both post employment benefits and other long-term employee benefits:

	<b>2011</b>	<b>2010</b>
Discount rate at 31 December	8.5%	7%
Future salary increases	5.5%	5.4%
Mortality table	Russian 2002	Russian 2005

The expenses of both post employment benefits and other long-term employee benefits are recognised in the following line items in the statement of comprehensive income:

	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Operating expenses	(24 710)	461 833
Finance costs	177 739	147 575
	<b>153 029</b>	<b>609 408</b>

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Notes to the Consolidated Financial Statements for the year ended 31 December 2011

**24 Provisions**

'000 RUB	Legal claims
<b>Balance at 31 December 2009</b>	<b>107 646</b>
Provisions accrued during the year	617 562
Provisions used during the year	(84 125)
<b>Balance at 31 December 2010</b>	<b>641 084</b>
Provisions accrued during the year	961 788
Provisions used during the year	(614 507)
<b>Balance at 31 December 2011</b>	<b>988 365</b>

Provision for legal claims relates to the claims brought against the Group within the ordinary course of business. The balance of the provision at 31 December 2011 is expected to be utilised in 2012. The management believes, after taking appropriate legal advice, that the outcome of current legal claims will not give rise to any significant loss beyond the accrued amounts.

**25 Trade and other payables**

	31 December 2011	31 December 2010
	'000 RUB	'000 RUB
<i>Non-current</i>		
Advances received	21 139 050	9 593 865
Other payables	1 331 925	1 299 267
	<b>22 470 975</b>	<b>10 893 132</b>
<i>Current</i>		
Accounts payable – trade	13 323 017	12 273 820
Advances received	32 207 137	53 235 708
Other payables and accrued expenses	1 928 281	1 254 621
	<b>47 458 435</b>	<b>66 764 149</b>

As at 31 December 2011 overdue advances received for connection services were RUB 10 381 803 thousand (31 December 2010: RUB 11 652 488 thousand). The Group's approach to managing liquidity is entering into additional agreements with revised terms of execution.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 27.

**OJSC MOESK***Notes to the Consolidated Financial Statements for the year ended 31 December 2011***26 Other taxes payable**

	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Property tax	71 281	48 957
Other taxes	10 623	12 917
Employee taxes	6 308	6 006
Value added tax	24 878	695 502
	<b>113 090</b>	<b>763 382</b>

**27 Financial risk management****(a) Overview**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**(b) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, investment securities and bank deposits.

**(i) Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

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*Notes to the Consolidated Financial Statements for the year ended 31 December 2011*

Approximately 74% (2010: 74%) of the Group's revenue is attributable to sales transactions with a single customer transacting with the Group for over four years, and, consequently, losses have incurred infrequently. For the purpose of monitoring customer credit risk, the remaining customers are grouped according to their credit characteristics, including aging profile, maturity and existence of previous financial difficulties. The Group management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Based on the analysis performed, individual risk limits are set for each group of customers and these limits are reviewed on a regular basis.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables that relates to individually significant exposures.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

'000 RUB	Carrying amount	
	31 December 2011	31 December 2010
Trade and other receivables	10 293 774	9 288 053
Cash and cash equivalents	3 944 876	2 931 237
Short-term/long-term investments	735 737	625 987
Available-for-sale financial assets	441 061	522 634
	<b>15 415 448</b>	<b>13 367 911</b>

The Group's most significant customer accounts for RUB 7 763 201 thousand of the trade receivables carrying amount at 31 December 2011 (2010: RUB 7 043 080 thousand).

**Impairment losses**

The aging of trade and other receivables at the reporting date was:

'000 RUB	Gross	Impairment	Gross	Impairment
	2011	2011	2010	2010
Not past due	9 288 400	-	8 692 327	4 993
Past due less than 3 months	682 981	5 096	512 060	10 582
Past due from 3 to 6 months	82 900	-	47 798	-
Past due from 6 months to one year	231 685	175 190	13 466	8 890
More than one year	1 214 644	1 026 550	775 223	728 356
	<b>11 500 610</b>	<b>1 206 836</b>	<b>10 040 874</b>	<b>752 821</b>

**OJSC MOESK***Notes to the Consolidated Financial Statements for the year ended 31 December 2011*

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Balance at 1 January	752 821	648 076
Increase during the period	494 286	137 504
Decrease due to reversal	(40 271)	(32 759)
Balance at 31 December	<b>1 206 836</b>	<b>752 821</b>

The impairment loss at 31 December 2011 of RUB 1 206 836 thousand (2010: RUB 752 821 thousand) relates to disputable accounts receivable with no payment.

Based on past experience and analysis performed by the credit department, Group management believes that no impairment allowance is necessary in respect of accounts receivable not past due because the customers to which these balances relate have a good credit history.

**(ii) Bank deposits, cash and cash equivalents**

Bank deposits, cash and cash equivalents are now deposited only with financial institutions that at the time of deposit the management considers to have minimal risk of default. Bank deposits, cash and cash equivalents are mainly held at OJSC Bank Moscow, OJSC Sberbank, OJSC Bank VTB, OJSC ATB bank, OJSC Uralsib, OJSC Alfa-Bank.

**(c) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective of liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Group monitors and manages liquidity risk by maintaining bank credit lines, obtaining loans (Note 22) and sufficient cash balances on its settlement accounts (see Note 19).

As stated in Note 22, by July 2010 OJSC Energoceentr failed to repurchase bonds and pay-off coupons on its bonds due to liquidity problems. Included in these consolidated financial statements carrying amount of the total assets of OJSC Energoceentr was RUB 7 084 448 thousand as at 31 December 2011 (2010: RUB 6 943 073 thousand).

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*Notes to the Consolidated Financial Statements for the year ended 31 December 2011*

The following are the contractual maturities of financial liabilities, including estimated interest payments and the impact of netting agreements:

<b>2011</b>	<b>Carrying</b>	<b>Contractual</b>						
<b>'000 RUB</b>	<b>amount</b>	<b>cash flows</b>	<b>0-1 years</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>Over 5</b>
								<b>years</b>
<b>Non-derivative financial liabilities</b>								
Loans	39 065 173	52 217 840	3 413 568	12 023 756	7 644 575	17 098 709	4 873 702	7 163 531
Bonds issued	3 235 489	3 235 489	3 235 489	-	-	-	-	-
Promissory notes	1 254 172	1 340 137	1 340 137	-	-	-	-	-
Finance lease liabilities	2 920 814	3 243 848	2 058 038	784 170	142 853	120 935	99 029	38 823
Trade payables	13 323 017	13 323 017	13 323 017	-	-	-	-	-
	<b>59 798 665</b>	<b>73 360 331</b>	<b>23 370 249</b>	<b>12 807 926</b>	<b>7 787 428</b>	<b>17 219 644</b>	<b>4 972 731</b>	<b>7 202 354</b>

<b>2010</b>	<b>Carrying</b>	<b>Contractual</b>						
<b>'000 RUB</b>	<b>amount</b>	<b>cash flows</b>	<b>0-1 years</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>Over 5</b>
								<b>years</b>
<b>Non-derivative financial liabilities</b>								
Loans	26 180 247	34 178 354	4 965 564	1 812 583	10 424 456	1 105 630	8 406 193	7 463 928
Bonds issued	5 651 765	5 781 177	5 781 177	-	-	-	-	-
Promissory notes	2 528 528	2 823 859	1 483 722	1 340 137	-	-	-	-
Finance lease liabilities	5 743 195	7 755 383	4 048 705	2 552 911	890 412	98 093	34 502	130 760
Trade payables	12 273 820	12 273 820	12 273 820	-	-	-	-	-
	<b>52 377 555</b>	<b>62 812 593</b>	<b>28 552 988</b>	<b>5 705 631</b>	<b>11 314 868</b>	<b>1 203 723</b>	<b>8 440 695</b>	<b>7 594 688</b>

**(d) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.



(i) **Interest rate risk**

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

**Profile**

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

'000 RUB	Carrying amount	
	2011	2010
<b>Fixed rate instruments</b>		
Financial assets	4 680 612	3 557 224
Financial liabilities	(46 362 149)	(40 103 737)
	<b>(41 681 537)</b>	<b>(36 546 513)</b>
<b>Variable rate instruments</b>		
Financial liabilities	<b>(113 499)</b>	-

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. There were no variable rate instruments at 31 December 2010.

'000 RUB	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>2011</b>				
Cash flow sensitivity (net)	<b>(1 135)</b>	<b>1 135</b>	<b>(1 135)</b>	<b>1 135</b>

(ii) **Foreign currency risks**

The Group is not exposed to foreign currency risks.

(e) **Fair values versus carrying amounts**

The basis for determining fair values is disclosed in Note 4.

**OJSC MOESK**

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

**(f) Fair value hierarchy**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Available-for-sale financial assets are recognised in the statement of financial position at their fair value. Fair values were determined based on quoted market prices.

**(g) Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, as shown in the statement of financial position, less cash. Total capital is calculated as equity, as shown in the statement of financial position.

'000 RUB	Carrying amount	
	2011	2010
Total borrowings (Note 22)	46 475 648	40 103 737
Less: Cash and cash equivalents (Note 19)	(3 944 875)	(2 931 237)
Net debt	42 530 773	37 172 500
Equity	122 913 233	106 070 674
<b>Debt to equity ratio</b>	<b>34.60%</b>	<b>35.05%</b>

There were no changes in the Group's approach to capital management during the year.

The Company is subject to external capital requirements that require that its net assets as determined in accordance with Russian Accounting Principles must exceed its charter capital at all times.

**OJSC MOESK***Notes to the Consolidated Financial Statements for the year ended 31 December 2011***28 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>
Less than one year	952 897	2 219 409
Between one and five years	1 094 183	536 541
More than five years	3 955 819	3 826 703
	<b>6 002 899</b>	<b>6 582 653</b>

The Group leases a number of plots of land owned by local governments under operating lease. Land lease payments are determined by lease agreements.

The plots of land leased by the Group are the areas where the Group's electricity network, transformer substations and other assets are located. Lease payments are reviewed regularly to reflect market rentals.

**29 Commitments***Capital commitments*

Future capital expenditures for which contracts have been signed as at 31 December 2011 amount to RUB 31 716 988 thousand (31 December 2010: RUB 37 038 128 thousand). Capital commitments for current finance lease agreements for the items of property, plant and equipment amount to RUB 2 735 795 thousand (31 December 2010: RUB 2 735 795 thousand).

**30 Contingencies****(a) Insurance**

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

**(b) Litigation**

The Group is party to certain legal proceedings arising in the ordinary course of business. The management does not believe that these matters will have a material adverse effect on the Group's operating results.

**(c) Taxation contingencies in the Russian Federation**

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to

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review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

**(d) Environmental matters**

The Company and its predecessors have operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. Management periodically evaluates its obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated, but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

**31 Related party transactions**

**(a) Control relationships**

As at 31 December 2011 the Parent of the Group was OJSC MRSK Holding, a state controlled entity. The party with ultimate control over the Group is the Government of the Russian Federation, which held the majority of the voting rights of OJSC MRSK Holding.

**(b) Transactions with management and close family members**

There are no transactions or balances with key management and close family members except their remuneration in the form of salary and bonuses.

**(i) Management remuneration**

Total remuneration in the form of salary and bonuses paid to the key management and the members of the Board of Directors during the year ended 31 December 2011 was RUB 325 887 thousand (2010: RUB 278 243 thousand).

**(c) Transactions with state-controlled entities**

In the course of its operating activities the Group is also engaged in significant transactions with state-controlled entities. Revenues and purchases from state-controlled entities are measured at regulated tariffs where applicable, in other cases revenues and purchases are measured at normal market prices.

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Revenues from state-controlled entities for the year ended 31 December 2011 constitute 82% (2010: 86%) of total Group revenues, including 95% (2010: 95%) of electricity transmission revenues.

Electricity transmission costs for state-controlled entities for the year ended 31 December 2011 constitute 66% (2010: 77%) of total transmission costs.

Significant loans from state-controlled entities are disclosed in Note 22.

**(d) Pricing policies**

Related party revenue for electricity transmission is based on the tariffs determined by the government.

In accordance with the Company Charter documents, the following transactions are subject to the approval of the Board of Directors, if the amount of the transaction is below 2% of total assets of the Company as determined in accordance with RAP, and are subject to approval at the Shareholders' meeting if the amount of the transaction exceeds 2% of the total assets of the Company as determined in accordance with RAP:

- Transactions involving the entities where the shareholders of the Company have ownership interest of 20% or more;
- Transaction involving the entities where the management of the Company also act in management capacity.

**32 Events subsequent to the reporting date**

On 15 February 2012, the Group acquired an additional 9 999 shares of OJSC Energocentr a subsidiary of the Group, for a cash consideration of RUB 51 000 thousand, increasing its ownership interest in OJSC Energocentr from 50% to 75% minus one share.

# Appendix 5

**Information on compliance with  
the Code of Corporate Conduct**

No.	Provision of Code of Corporate Conduct	Observed or not observed	Note
<b>GENERAL MEETING OF SHAREHOLDERS</b>			
1.	Shareholders shall be notified of a scheduled general meeting of shareholders no later than 30 days prior to the date of the meeting regardless of the items on the agenda unless the law provides for a longer period	Observed	Specified by clause 11.5, Article 11 of the Company Charter.
2.	Shareholders shall have an opportunity to review the list of persons entitled to participate in the general meeting of shareholders starting from the day the meeting is announced until the closing of an on-site general meeting of shareholders or until the last day voting bulletins are accepted in the event of a general meeting in absentia	Observed	Specified by clause 6.2, Article 6 of the Company Charter.
3.	Shareholders shall have an opportunity to review information (materials) that is to be provided during preparations for a general meeting of shareholders through electronic means of communication, including the Internet	Observed	Specified by the Company Provision on the Procedure for Preparing and Holding the General Meeting of the Company's Shareholders. Company website: <a href="http://www.moesk.ru">http://www.moesk.ru</a> .
4.	Shareholders shall have an opportunity to propose an item for the agenda of a general meeting of shareholders or request that a general meeting of shareholders be convened without submitting an extract from the shareholders register if their rights to shares are recorded in the shareholders register system, and if their rights to shares are recorded on a depository account, an extract from this depository account shall be sufficient to exercise the aforementioned rights	Partially observed	Specified by clause 6.2 Article 6, clause 14.2 Article 14 of the Company Charter.
5.	The joint-stock company's charter or internal documents shall require the mandatory attendance of the general meeting of shareholders by the general director, members of the management board, the board of directors, the auditing commission and the joint-stock company's auditor	Partially observed	In accordance with clause 5.2.2 of the Corporate Governance Code of JSC "MOESK," the Company shall ensure the attendance of shareholders, members of the Board of Directors, executive bodies, the Auditing Commission and the Auditor at the general meeting of shareholders and shall authorize them to answer questions from the shareholders. The Company Charter and internal documents contain no provisions on their mandatory attendance of the general meeting of shareholders. However, according to the existing practices, the General Director, Chairman of the Board of Directors and members of the Board of Directors attend the general meetings of JSC "MOESK" shareholders. In accordance with clause 10.10, Article 10 of the Company Charter, the functions of the Chairman at the general meeting of shareholders shall be performed by the Chairman of the Board of Directors. In the absence of the Chairman of the Board of Directors or his/her deputy, the Chairman's functions at the general meeting of shareholders may be performed by any member of the Board of Directors pursuant to the decision of the Company's Board of Directors or based on the decision

			of the members of the Board of Directors present at the general meeting of shareholders.
6.	Candidates shall be present when a general meeting of shareholders discusses issued related to the election of members of the board of directors, general director, members of the management board and members of the auditing commission and the approval of the joint-stock company's auditor	Partially observed	The laws of the Russian Federation do not require the mandatory presence of such candidates at the general meeting of shareholders. As a matter of practice, when any issues concerning the election of members of the Board of Directors, the General Director, members of the Management Board or the Auditing Commission are to be reviewed at the general meeting of shareholders, the candidates shall receive invitations to the general meeting of shareholders.
7.	The joint-stock company's internal documents shall specify the procedure for registering the participants of the general meeting of shareholders	Observed	Clause 5.1 of the Provision on the Procedure for Preparing and Holding the General Meeting of the Company's Shareholders.
<b>BOARD OF DIRECTORS</b>			
8.	The joint-stock company's charter shall grant the board of directors the authority to approve the company's annual financial and business plan	Observed	Sub-clause 18, clause 15.1, Article 15 of the Company Charter.
9.	The joint-stock company shall have a risk management procedure approved by the board of directors	Observed	The risk management policy at JSC "MOESK" is approved by the decision of the Board of Directors dated June 10, 2010 (Minutes No. 110 dated June 11, 2010).
10.	The joint-stock company's charter shall grant the board of directors the right to adopt a decision suspending the authority of the general director appointed by a general meeting of shareholders	Observed	Sub-clause 31, clause 15.1, Article 15 of the Company Charter provides the ability for the Board of Directors to suspend the authority of the management organization (manager).
11.	The joint-stock company's charter shall grant the board of directors the right to establish requirements for the qualifications and remuneration of the general director, members of the management board and managers of the joint-stock company's main structural divisions	Partially observed	The Company Charter does not grant the Board of Directors the right to establish requirements for the qualifications and remuneration for the General Director, members of the Management Board and managers of the Company's main structural divisions. The Board of Directors has approved provisions on financial incentive for the Company's General Director and senior managers.
12.	The joint-stock company's charter shall grant the board of directors the right to approve the contract terms with the general director and members of the management board	Observed	Specified by clause 21.6, Article 20 of the Company Charter.
13.	The joint-stock company's charter or internal documents shall contain the requirement that the votes of the members of the board of directors who serve as the general director or members of the management board shall not be counted for the approval of the conditions of contracts with the general director (management organization, manager) and members of the management board	Not observed	No such requirement is contained in the Company Charter or internal documents.
14.	The joint-stock company's board of directors shall include at least three independent directors who meet the requirements of the Code of Corporate Conduct	Observed	The Company's Board of Directors includes at least 3 (three) independent directors.
15.	The joint-stock company's board of directors shall not include any persons who have been found guilty of committing economic crimes or crimes against the state authorities, the interests of government services or the services of local authorities, or persons against whom administrative penalties were applied for	Observed	There are no such persons on the Company's Board of Directors.



	violations of the law in matters of entrepreneurship or in the area of finance, taxes and fees, or the securities market		
16.	The joint-stock company's board of directors shall not include any persons who are participants, general directors (managers), members of management bodies or employees of a legal entity competing with the joint-stock company	Observed	There are no such persons on the Company's Board of Directors.
17.	The joint-stock company's charter shall require the election of the board of directors by cumulative voting	Observed	Specified by clause 10.8, Article 10 of the Company Charter.
18.	The joint-stock company's internal documents shall require that the members of the board of directors refrain from actions which will or potentially may result in a conflict between their own interests and those of the joint-stock company, and if such conflict occurs, they shall disclose information about the conflict to the board of directors	Partially observed	According to clause 6.1.6 of the Corporate Governance Code and Appendix No. 5 to the Provision on Insider Information "Regulations for conducting transactions with the Company's securities by insiders" as regards refraining from transactions with the Company's shares, the members of the Board of Directors shall refrain from actions which may result in a conflict between their own interests and those of the Company. In the event of such conflict, the member of the Board of Directors shall inform the other members of the Board of Directors of such and also refrain from voting on the relevant issues.
19.	The joint-stock company's internal documents shall require that the members of the board of directors notify the board of directors in writing of their intent to conclude transactions with the securities of a joint-stock company in which they serve as members of the board of directors or its subsidiary (affiliate) and that they disclose information about the transactions they conclude with such securities	Partially observed	Provision on Information Policy. Provision on Insider Information.
20.	The joint-stock company's internal documents shall require that the board of directors hold meetings at least once every six weeks	Observed	Specified by clause 18.2, Article 18 of the Company Charter.
21.	Meetings of the joint-stock company's board of directors shall be held during the reporting year for which the joint-stock company's annual report is prepared with frequency of at least once every six weeks	Observed	In 2011, 32 meetings of the Board of Directors were held with frequency of at least once a month.
22.	The joint-stock company's internal documents shall specify the procedure for holding meetings of the board of directors	Observed	Specified by Article 7 of the Provision on the Procedure for Convening and Holding Meetings of the Company's Board of Directors.
23.	The joint-stock company's internal documents shall include a provision on the requirement of the board of directors to approve transactions concluded by the joint-stock company for 10% or more of the value of the company's assets, except for transactions concluded within the framework of ordinary business activities	Observed	Specified by sub-clause 23, clause 15.1, Article 15 of the Company Charter.
24.	The joint-stock company's internal documents shall grant members of the board of directors the right to obtain information that is required to perform their duties from executive bodies and the executives of the joint-stock company's main structural subdivisions and also hold them responsible for the failure to submit such information	Partially observed	Specified by clause 3.1 of the Provision on the Procedure for Convening and Holding the Meetings of the Board of Directors.

25.	The board of directors shall have a strategic planning committee, or the functions of this committee shall be assigned to another committee (except for the audit committee or the human resources and compensation committee)	Observed	The Strategy and Development Committee under the Board of Directors was established by the decision of the Board of Directors dated September 26, 2007 (Minutes No. 49 dated September 27, 2007).
26.	The board of directors shall have a committee (audit committee) which recommends an auditor for the joint-stock company to the board of directors and interacts with the auditor and the joint-stock company's auditing commission	Observed	The Audit Committee under the Board of Directors was established by the decision of the Board of Directors dated December 13, 2006 (Minutes No. 37 dated December 15, 2006).
27.	The audit committee shall consist only of independent and non-executive directors	Observed	The Audit Committee includes only independent and non-executive directors.
28.	The audit committee shall be managed by an independent director	Observed	The Audit Committee is managed by an independent director.
29.	The joint-stock company's internal documents shall require that all members of the audit committee be granted access to any documents and information of the joint-stock company provided that they do not disclose confidential information	Observed	Specified by clause 13 of the Provision on the Audit Committee under the Board of Directors.
30.	The board of directors shall have a committee (human resources and compensation committee) in charge of specifying the criteria for the selection of candidates for the board of directors and developing the joint-stock company's remuneration policy	Observed	The Human Resources and Compensation Committee under the Board of Directors was established by the decision of the Board of Directors dated September 26, 2007 (Minutes No. 49 dated September 27, 2007).
31.	The human resources and compensation committee shall be managed by an independent director	Observed	The Human Resources and Compensation Committee is managed by an independent director.
32.	The human resources and compensation committee shall not include officers of the joint-stock company	Observed	The Human Resources and Compensation Committee does not include officers of the joint-stock company.
33.	The board of directors shall have a risk committee, or the functions of this committee shall be assigned to another committee (except for the audit committee or the human resources and compensation committee)	Not observed	There is no such committee at the Company.
34.	The board of directors shall have a corporate conflicts management committee, or the functions of this committee shall be assigned to another committee (except for the audit committee or the human resources and compensation committee)	Not observed	There is no such committee at the Company.
35.	The corporate conflicts management committee shall not include officers of the joint-stock company	Not observed	There is no such committee at the Company.
36.	The corporate conflicts management committee shall be managed by an independent director	Not observed	There is no such committee at the Company.
37.	The joint-stock company shall have internal documents approved by the board of directors that regulate the procedure for the formation and operation of the committees under the board of directors	Observed	The Provision on the Reliability Committee under the JSC "MOESK" Board of Directors was approved by the Board of Directors on December 10, 2009 (Minutes No. 98 dated December 11, 2009); The Provision on the Audit Committee under the JSC "MOESK" Board of Directors was approved by the Board of Directors on June 10, 2010 (Minutes No. 110 dated June 11, 2010); The new version of the Provision on the Human Resources and

			<p>Compensation Committee under the JSC “MOESK” Board of Directors was approved by the Board of Directors on June 10, 2010 (Minutes No. 110 dated June 11, 2010), and amendments to the Provision were approved by the Board of Directors on March 29, 2011 (Minutes No. 132 dated March 30, 2011);</p> <p>The Provision on the Strategy and Development Committee under the JSC “MOESK” Board of Directors was approved by the Board of Directors on December 25, 2007 (Minutes No. 54 dated December 28, 2007);</p> <p>The Provision on the Grid Connection Committee under the JSC “MOESK” Board of Directors was approved by the Board of Directors on February 10, 2009 (Minutes No. 79 dated February 11, 2009).</p>
38.	The joint-stock company’s charter shall describe the procedure for determining a quorum of the board of directors that ensures the mandatory attendance of meetings of the board of directors by independent directors	Not observed	<p>The Company Charter does not contain the requirement for the procedure to determine a quorum of the Board of Directors that ensures the mandatory attendance of meetings of the Company’s Board of Directors by independent directors. The Company Charter is based on the laws of the Russian Federation under which the quorum for holding a meeting of a company’s board of directors is determined by the company charter but must not be less than half of the number of elected members of the company’s board of directors.</p> <p>According to clause 18.12 of the Company Charter, the decisions of the Board of Directors shall be legally qualified if at least half of the members of the Company’s Board of Directors participated in their review.</p>
<b>EXECUTIVE BODIES</b>			
39.	The joint-stock company shall have a collective executive body (management board)	Observed	In accordance with clause 9.1, Article 9 of the Company Charter, the Company has established a collective executive body – the Management Board.
40.	The joint-stock company’s charter or internal documents shall contain a provision requiring the management board to approve real estate transactions and the receipt of loans by the joint-stock company unless such transactions are regarded as major transactions or their conclusion is regarded as part of the joint-stock company’s ordinary business activities	Observed	In accordance with clause 22.2, Article 21 of the Company Charter and sub-clauses 10-11 of the Provision on the JSC “MOESK” Management Board, sub-clauses 14-16, clause 5.9 of Article 5 specify the provisions on the need for the Management Board to review real estate transactions and the receipt of loans by the joint-stock company unless such transactions are regarded as major transactions or their conclusion is regarded as part of the joint-stock company’s ordinary business activities.
41.	The joint-stock company’s internal documents shall describe the procedure for approving transactions that are beyond the scope of the joint-stock company’s financial and business plan	Observed	Specified by the Provision on the Company’s Credit Policy, which was approved by the decision of the Board of Directors dated April 26, 2007 (Minutes No. 43 dated April 27, 2007).
42.	The executive bodies shall not include persons who are participants, general directors (managers), members of management bodies, or employees of a legal entity competing with the joint-stock company	Observed	There are no such persons in the Company’s executive bodies.
43.	The executive bodies shall not include any persons who have been found guilty	Observed	There are no such persons in the Company’s executive bodies.

	of committing economic crimes or crimes against the state authorities, the interests of government services or the services of local authorities, or persons against whom administrative penalties were applied for violations of the law in matters of entrepreneurship or in the area of finance, taxes and fees, or the securities market. If the functions of the sole executive body are performed by a management company or a manager, the general director and members of the management board of the managing company shall meet the requirements specified for the general director and members of the management board of the joint-stock company		
44.	The joint-stock company's charter or internal documents shall prohibit the management company (manager) from performing similar functions at a competing company or having any other property relations with the joint-stock company apart from rendering the services of a management company (manager)	Not observed	The Company Charter and internal documents do not specify such a provision.
45.	The joint-stock company's internal documents shall require that the executive bodies refrain from actions which will or potentially may result in a conflict between their own interests and those of the joint-stock company, and if such conflict occurs, they shall disclose information about the conflict to the board of directors	Partially observed	According to clause 6.2.7 of the Company's Corporate Governance Code, the Company's General Director shall refrain from actions which may result in a conflict between their own interests and those of the Company. In the event of such conflict, the General Director shall inform the Board of Directors of such and also refrain from voting on relevant agenda issues at the meetings of the Board of Directors if the General Director is a board member.
46.	The joint-stock company's charter or internal documents shall contain criteria for selecting a management company (manager)	Partially observed	Clause 21.3, Article 20 of the Company Charter stipulates that the rights and obligations of the management company (manager) with respect to managing the Company's daily operations shall be defined by the laws of the Russian Federation and by the agreement concluded by the management company (manager) and the Company. The agreement shall be signed on behalf of the Company by the Chairman of the Company's Board of Directors or by a person authorized by the Company's Board of Directors. The terms of the agreement, including with respect to the term of office, shall be defined by the Company's Board of Directors, or by a person authorized by the Company's Board of Directors.
47.	The joint-stock company's executive bodies shall submit monthly reports on their activities to the board of directors	Partially observed	Specified by sub-clause 34, clause 15.1, Article 15 of the Company Charter. The frequency of the reports is not specified.
48.	Any agreements concluded by the joint-stock company with the general director (management company, manager) and members of the management board shall establish responsibility for violating the provisions on the use of confidential and insider information	Not observed	The agreements concluded by the joint-stock company and the General Director do not specify responsibility for violating the provisions on the use of confidential and insider information.
<b>COMPANY SECRETARY</b>			

49.	The joint-stock company shall have a special officer (company secretary) whose duty is to make sure that the joint-stock company's bodies and officers comply with the procedural requirements guaranteeing the rights and lawful interests of the company's shareholders	Partially observed	The Secretary of the Board of Directors acts by virtue of the Provision on the Procedure for Convening and Holding Meetings of the Company's Board of Directors.
50.	The joint-stock company's charter or internal documents shall describe the procedure for appointing (electing) the company secretary and the obligations of the company secretary	Observed	Specified by clause 4.2 of the Provision on the Procedure for Convening and Holding Meetings of the Company's Board of Directors.
51.	The joint-stock company's charter or internal documents shall contain requirements for the candidacy of company secretary	Not observed	The Company Charter does not contain requirements for the candidacy of Company secretary.
<b>MATERIAL CORPORATE ACTIONS</b>			
52.	The joint-stock company's charter or internal documents shall contain a requirement for the approval of a major transaction before it is concluded	Not observed	According to the Company Charter, the approval of major transactions in cases specified by Chapter X of the Federal Law "On Joint-Stock Companies" falls within the competence of the general meeting of shareholders (sub-clause 17, clause 10.2, Article 10) and the Board of Directors (sub-clause 24, clause 15.1, Article 15).
53.	An independent appraiser shall be hired to determine the market value of property that is the subject of a major transaction	Observed	Applied in practice in accordance with the requirements of the Federal Law "On Joint-Stock Companies."
54.	In the event of the acquisition of major stakes in the joint-stock company (takeover), the joint-stock company's charter shall prohibit any actions aimed at protecting the interests of the executive bodies (members of these bodies) and members of the joint-stock company's board of directors, or worsening the position of the shareholders as compared with their current position (in particular, any decisions on the issuance of additional shares, convertible securities, or securities that grant the right to acquire the company's shares which were adopted by the board of directors prior to the expiration of the term for acquiring the company's shares shall be prohibited even if the charter grants the board of directors the right to adopt such decisions)	Not observed	The Company Charter does not specify these requirements.
55.	The joint-stock company's charter shall require that an independent appraiser be hired to determine the current market value of the shares and possible changes in their market value as a result of takeover	Not observed	Applied in practice in accordance with the requirements of the Federal Law "On Joint-Stock Companies." The Company Charter does not contain such a provision.
56.	The joint-stock company's charter shall not exempt a purchaser from the obligation to propose that shareholders sell their common shares in the company (issued securities convertible into common shares) during a takeover	Observed	The Company Charter does not contain such a requirement.
57.	The joint-stock company's charter or internal documents shall require that an independent appraiser be hired to determine the shares conversion ratio during reorganization	Not observed	Applied in practice in accordance with the requirements of the Federal Law "On Joint-Stock Companies". The Company Charter does not contain such a requirement.
<b>INFORMATION DISCLOSURE</b>			

58.	The board of directors shall approve an internal document that specifies the regulations and approaches of the joint-stock company with respect to the disclosure of information (Provision on Information Policy)	Observed	The Provision on the Company's Information Policy, which was approved by the decision of the Board of Directors dated April 30, 2010 (Minutes No. 107 dated April 30, 2010).
59.	The joint-stock company's internal documents shall contain a requirement for the disclosure of information about the purposes of share placements, entities that plan to acquire the shares, including a large equity stake, and whether the joint-stock company's senior executives will participate in the acquisition of the company's shares to be placed	Not observed	The corresponding requirements will be observed in the event the Company places shares. Information disclosure is performed in accordance with the requirements of the applicable laws of the Russian Federation and the Provision on the Company's Information Policy.
60.	The joint-stock company's internal documents shall contain a list of information, documents and materials that must be provided to shareholders to resolve the issues addressed at the general meeting of shareholders	Observed	Specified by clause 10.2 of the Provision on the Company's Information Policy, which was approved by the decision of the Board of Directors dated April 30, 2010 (Minutes No. 107 dated April 30, 2010).
61.	The joint-stock company shall have an Internet website where information about the joint-stock company is regularly disclosed	Observed	The Company has a website where it discloses information about the Company. The website address is: <a href="http://www.moesk.ru">http://www.moesk.ru</a> . The Company ensures timely updates to its corporate website, including the disclosure of information in accordance with the requirements of the applicable laws of the Russian Federation and the Provision on the Company's Information Policy.
62.	The joint-stock company's internal documents shall contain a requirement for the disclosure of information about the joint-stock company's transactions with persons who are senior executives of the joint-stock company in accordance with the charter and on transactions concluded by the joint-stock company with organizations in which the joint-stock company's senior executives directly or indirectly own 20 or more percent of the charter capital of the joint-stock company or companies on which these persons may otherwise have a significant influence	Observed	Specified by clause 2.3.17 of the Provision on the Company's Information Policy, which was approved by the decision of the Board of Directors dated April 30, 2010 (Minutes No. 107 dated April 30, 2010).
63.	The joint-stock company's internal documents shall contain a requirement for the disclosure of information about all transactions that may influence the market value of the joint-stock company's shares	Observed	Specified by clause 41 of the Provision on the Company's Information Policy, which was approved by the decision of the Board of Directors dated April 30, 2010 (Minutes No. 107 dated April 30, 2010).
64.	The board of directors shall approve an internal document on the use of essential information about the joint-stock company's activities, shares and other securities and transactions therewith which is not public and may have a material effect on the market value of the joint-stock company's shares and other securities if disclosed	Observed	The Provision on the Company's Insider Information, which was approved by the decision of the Board of Directors dated December 30, 2011 (Minutes No. 155 dated December 30, 2011).
<b>CONTROL OVER FINANCIAL AND ECONOMIC ACTIVITIES</b>			
65.	The board of directors shall approve procedures for internal control over the joint-stock company's financial and economic activities	Observed	Specified by clause 5 of the Provision on the Company's Internal Control Procedures, which was approved by the decision of the Board of Directors dated December 26, 2008 (Minutes No. 78 dated December 26, 2008), and clause 4.2.3 of the JSC "MOESK" Internal Control Policy, which was approved by the decision of the Board of Directors dated June 10, 2010 (Minutes No. 110 dated June 11, 2010).

66.	The joint-stock company shall have a special subdivision to ensure compliance with the internal control procedures (supervision and auditing service)	Observed	The Company has established a special subdivision of the joint-stock company that ensures compliance with the internal control procedures – the Internal Audit and Risk Management Department.
67.	The joint-stock company's internal documents shall contain a requirement for the board of directors to specify the structure and members of the joint-stock company's supervision and auditing service	Not observed	The Company's internal documents do not contain the requirement for the board of directors to specify the structure and members of the joint-stock company's supervision and auditing service.
68.	The supervision and auditing service shall not include any persons who have been found guilty of committing economic crimes or crimes against the state authorities, the interests of government services or the services of local authorities, or persons against whom administrative penalties were applied for violations of the law in matters of entrepreneurship or in the area of finance, taxes and fees, or the securities market	Observed	There are no such persons in the Company's Internal Audit and Risk Management Department.
69.	The supervision and auditing service shall not include persons who are members of the joint-stock company's executive bodies or persons who are participants, general directors (managers), members of management bodies, or employees of a legal entity competing with the joint-stock company	Observed	There are no such persons in the Company's Internal Audit and Risk Management Department.
70.	The joint-stock company's internal documents shall specify a deadline for submitting documents and materials to the supervision and auditing service for an assessment of a financial or business transaction as well as the liability of the joint-stock company's officers and employees for the failure to submit such documents and materials by the specified deadline	Partially observed	Specified by clause 6.1.2 of the Provision on the Company's Internal Control Procedures.
71.	The joint-stock company's internal documents shall specify the duty of the supervision and auditing service to inform the audit committee of any violations it identifies, and if no such audit committee exists, it shall inform the board of directors of the joint-stock company	Observed	Specified by clauses 6.2 and 4.2 of the Provision on the Company's Internal Control Procedures.
72.	The joint-stock company's charter shall contain a requirement for the supervision and auditing service to conduct a preliminary assessment of the advisability of transactions not specified in the joint-stock company's financial and business plan (nonstandard operations)	Not observed	The Company Charter does not provide for such a procedure.
73.	The joint-stock company's internal documents shall specify the procedure for the approval of a nonstandard operation with the board of directors	Observed	The authority to approve adjustments to the business plan falls within the competence of the Board of Directors (sub-clause 18, clause 15.1, Article 15 of the Company Charter). In addition, sub-clauses 30 and 38, Article 15.1 of the Company Charter specifies the list of transactions requiring the approval of the Board of Directors for conclusion.
74.	The board of directors shall approve an internal document specifying the procedure for the auditing commission to audit the joint-stock company's financial and business activities	Observed	The procedure for auditing the Company's financial and business activities is specified in the Provision on the Auditing Commission, which was approved by the general meeting of the Company's shareholders.
75.	The audit committee shall evaluate the auditor's report before it is submitted to the shareholders at the general meeting of shareholders	Observed	Specified by clause 3.1 of the Provision on the Audit Committee under the Company's Board of Directors.

<b>DIVIDENDS</b>			
76.	The board of directors shall approve an internal document to guide the board of directors as it makes recommendations on dividends (Provision on the Dividend Policy)	Observed	The Provision on the Dividend Policy, which was approved by the decision of the Board of Directors dated September 2, 2010 (Minutes No. 114 dated September 3, 2010).
77.	The Provision on the Dividend Policy shall specify the procedure for determining the minimum proportion of the joint-stock company's net profit to be spent on dividend payments and the conditions on which the dividends shall not be paid or shall be partially paid for preferred shares on which the amount of dividends is specified in the joint-stock company's charter	Partially observed	Specified by clause 3.5 of the Provision on the Dividend Policy.
78.	Information about the joint-stock company's dividend policy and amendments thereto shall be published in the periodical specified in the joint-stock company's charter for the publication of notifications on general meetings of shareholders, and shall also be published on the joint-stock company's Internet website	Partially observed	Information about the Company's dividend policy and amendments thereto is posted on the Company's website at <a href="http://www.moesk.ru">http://www.moesk.ru</a> in accordance with the Provision on the Company's Information Policy.



# Appendix 6

**Information on programs for the grid  
connection of facilities under construction  
in Moscow and the Moscow Region**

JSC “MOESK” is providing grid connections for facilities being constructed as part of the following approved government programs:

**Moscow**

- **“Moscow Healthcare Development” government program**
    - power supplies to clinics, dispensaries, hospitals, maternity homes and emergency medical aid stations;
  - **“Housing” government program**
    - power supplies to residential buildings built as part of programs aimed at providing affordable housing to the public;
  - **“Transport System Development” government program**
    - power supplies to new metro lines, traffic control systems, express highways and pedestrian crosswalks;
  - **“Moscow Sport” government program**
    - power supplies to new sport and recreation centers (SRC);
  - **“Moscow Education Development” government program**
    - power supplies to preschool educational institutions and schools;
- In addition, power was supplied to a chain of individual wholesale retail outlets on the territory of the city (“non-stationary retail facilities”).

**Moscow Region**

- **The regional targeted program “Preparation of a general layout for the development of the Moscow Region in the period until 2020,”** which was approved by Law No. 12/15 of the Moscow Region dated April 10, 2002;
- **The targeted program “Resettlement from emergency housing in the Moscow Region in 2011-2012 in view of the need to develop low-rise housing construction,”** which was approved by Order No. 1496/51 of the Government of the Moscow Region dated December 6, 2011;
- **The long-term targeted program “Moscow Region Environment for 2011-2013,”** which was approved by Order No. 646/34 of the Government of the Moscow Region dated August 9, 2010;
- **“Program of measures to stimulate the development of housing construction in the Moscow Region in 2010-2012,”** which was approved by Order No. 1126/53 of the Government of the Moscow Region dated December 21, 2009;
- The federal targeted program **“Housing for 2011-2015,”** which was approved by Order No. 1050 of the Government of the Moscow Region dated December 17, 2010;
- **“On the concept for the development of low-rise housing construction in the Moscow Region,”** Order No. 1028/50 of the Government of the Moscow Region dated November 26, 2009;
- **The long-term targeted program of the Moscow Region “Preparation of a general layout for the development of the Moscow Region in the period until 2020,”** which was approved by Order No. 911/38 of the Government of the Moscow Region dated October 8, 2008;
- **“On the promotion of housing construction,”** a program approved by Federal Law No. 161-FZ dated July 24, 2008;
- **“On the implementation of the investment project for the comprehensive development of the territory near the village of Kolychevo of the town of Zhilevo in the Stupino Municipal District of the Moscow Region,”** a program approved by Order No. 1149/58 of the Government of the Moscow Region dated December 21, 2010;
- **The 15+15 federal housing construction program for military personnel.**

# Appendix 7

**History of transactions concluded by  
the Company in 2011**

- 1) Supply contract between JSC “MOESK” and JSC “RETO Factory” for a total of 1,812,460.49 rubles (Minutes No. 126 dated February 4, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”  
Company shareholder – JSC “IDGC Holding.”
- 2) Supply contract between JSC “MOESK” and JSC “RETO Factory” for a total of 1,663,682 rubles (Minutes No. 126 dated February 4, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 3) Contract on the provision of “Remote Banking Services” between JSC “MOESK” and VTB Bank (open joint-stock company) for a total of 1,300 rubles per month. (Minutes No. 126 dated February 4, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 4) Contracting agreement between JSC “MOESK” and JSC “RETO Factory” for a total of 128,152.31 rubles (Minutes No. 128 dated February 28, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 5) Contract between JSC “MOESK” and JSC “IDGC of Center” on the performance of emergency restoration and repair work to mitigate the consequences of an accident on OL with capacity of 0.4-220 kV at JSC “MOESK” resulting from natural disasters for a total of 73,512,683.32 rubles (Minutes No. 128 dated February 28, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”  
Member of the JSC “MOESK” Board of Directors – A.A. Popov
- 6) Contract on the provision of vehicle rental services for employees of the JSC “MOESK” executive office between JSC “MOESK” and JSC “Nedvizhimost of the United Power System Engineering Center” for a total of 150,865,935.67 rubles (Minutes No. 128 dated February 28, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 7) Contract on the purchase and sale of property between JSC “MOESK” and JSC “Mosenergo” for a total of no more than 37,760,000 rubles (Minutes No. 128 dated February 28, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”  
Members of the JSC “MOESK” Board of Directors – A.A. Gavrilenko, N.G. Shulginov, Y.V. Sklyarov.
- 8) Contract on the purchase and sale of property between JSC “MOESK” and JSC “Mosenergo” for a total of no more than 646,640,000 rubles (Minutes No. 128 dated February 28, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”

Members of the JSC “MOESK” Board of Directors – A.A. Gavrilenko, N.G. Shulginov, Y.V. Sklyarov.

- 9) Transaction between JSC “MOESK” and JSC “Mosenergo” related to the acquisition by JSC “MOESK” of property that constitutes fixed assets, intangible assets and unfinished construction projects which are to be used for the production, transmission, dispatch and distribution of electricity and heat for a total of 646,640,000 rubles (Minutes No. 128 dated February 28, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”  
Members of the JSC “MOESK” Board of Directors – A.A. Gavrilenko, N.G. Shulginov, Y.V. Sklyarov.
- 10) Contract for the provision of services between JSC “IDGC Holding” and JSC “MOESK” for a total of 42,287,919.60 rubles (Minutes No. 129 dated March 5, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”  
Member of the JSC “MOESK” Board of Directors – N.N. Shvets.
- 11) Additional Agreement No. 1 to Contract No. 04-10 dated November 18, 2010 on the performance of work to update the development plan for the power grids of the Moscow area between JSC “MOESK” and JSC “ENERGOSETPROEKT Institute” (Minutes No. 131 dated March 21, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 12) Additional Agreement to Contract No. 01/27-CS-10/387 on the provision of services for the acceptance and disposal of transformer oil dated October 30, 2010 between JSC “MOESK” (Branch – Central Electric Networks) and JSC “RETO Factory” (Minutes No. 131 dated March 21, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 13) Additional Agreement to Contract No. 01/26-CS-10/388 on paid services for the processing of transformer oil dated October 30, 2010 between JSC “MOESK” (Branch – Central Electric Networks) and JSC “RETO Factory” (Minutes No. 131 dated March 21, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 14) Sublease Contract between JSC “MOESK” and JSC “RETO Factory” for a total of 3,982,624.18 rubles (Minutes No. 132 dated March 30, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 15) Supply contract between JSC “MOESK” and JSC “RETO Factory” for a total of 93,303.36 rubles (Minutes No. 132 dated March 30, 2011).  
Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 16) Supply contract between JSC “MOESK” and JSC “RETO Factory” for a total of 1,170,463.24 rubles (Minutes No. 132 dated March 30, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 17) Contract on the performance of work for the comprehensive evaluation and diagnostics of grounding devices (taking into account electromagnetic compatibility) at substations of the JSC “MOESK” branch Central Electric Networks between JSC “MOESK” and JSC “RETO Factory” for a total of 2,355,280 rubles (Minutes No. 133 dated April 21, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 18) Contract on the performance of work for proposals on the optimization and development of diagrams for power grid with capacity of 110 kV or higher in the zone of influence of the Yelokhovskaya Substation with capacity of 220 kV between JSC “MOESK” and JSC “ENERGOSETPROEKT Institute” for a total of 9,375,041 rubles (Minutes No. 133 dated April 21, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 19) Contract on the provision of services between JSC “MOESK” and JSC “IDGC of Volga” for a total of 1,890,989.09 rubles (Minutes No. 133 dated April 21, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 20) Contract between JSC “MOESK” and JSC “Lenenergo” on the performance of emergency restoration and repair work to mitigate the consequences of an accident on OL with capacity of 0.4-220 kV at JSC “MOESK” resulting from natural disasters for a total of 5,653,247 rubles (Minutes No. 133 dated April 21, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

Members of the JSC “MOESK” Board of Directors – A.A. Popov, N.G. Shulginov, S.Y. Yurchuk.

- 21) Contract between JSC “MOESK” and JSC “IDGC of the North-West” on the performance of emergency restoration and repair work to mitigate the consequences of an accident on OL with capacity of 0.4-220 kV at JSC “MOESK” resulting from natural disasters for a total of 6,363,980 rubles (Minutes No. 133 dated April 21, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

Members of the JSC “MOESK” Board of Directors – A.A. Popov, N.G. Shulginov, S.Y. Yurchuk.

- 22) Contract between JSC “MOESK” and JSC “IDGC of South” on the performance of emergency restoration and repair work to mitigate the consequences of an accident on OL with capacity of 0.4-220 kV at JSC “MOESK” resulting from natural disasters for a total of 421,260 rubles (Minutes No. 133 dated April 21, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”  
Members of the JSC “MOESK” Board of Directors – N.N. Shvets, S.Y. Yurchuk.
- 23) Contract between JSC “MOESK” and JSC “IDGC of Center and Volga Region” on the performance of emergency restoration and repair work to mitigate the consequences of an accident on OL with capacity of 0.4-220 kV at JSC “MOESK” resulting from natural disasters for a total of 17,181,243.89 rubles (Minutes No. 133 dated April 21, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 24) Contracting agreement on repair services between JSC “MOESK” and JSC “RETO Factory” for a total of 34,218,745.71 rubles (Minutes No. 134 dated April 28, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 25) Contract between JSC “MOESK” and JSC “FGC UES” (MEN North-West branch) on the performance of emergency restoration and repair work to mitigate the consequences of accidents on JSC “MOESK” electricity facilities and OL with capacity of 10-110 kV for a total of 2,783,577.29 rubles (Minutes No. 134 dated April 28, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 26) Contract between JSC “MOESK” and JSC “FGC UES” (MEN Siberia branch) on the performance of emergency restoration and repair work to mitigate the consequences of accidents on JSC “MOESK” electricity facilities and OL with capacity of 10-110 kV for a total of 10,400,778.30 rubles (Minutes No. 134 dated April 28, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 27) Contracting agreement between JSC “MOESK” and JSC “FGC UES” (MEN Urals branch) for a total of 3,131,649.54 rubles (Minutes No. 134 dated April 28, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 28) Contract between JSC “MOESK” and JSC “FGC UES” (MEN Center branch) on the performance of emergency restoration and repair work to mitigate the consequences of accidents on JSC “MOESK” electricity facilities and OL with capacity of 10-110 kV for a total of 15,243,454.52 rubles (Minutes No. 134 dated April 28, 2011).  
Interested parties:

- Company shareholder – JSC “IDGC Holding.”
- 29) Addition Agreement No. 3 to Construction Contract No. 12 dated January 14, 2008 between JSC “MOESK” and JSC “MKSM” (Minutes No. 134 dated April 28, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 30) Contract on the performance of a range of work under the heading Novo-Gogolevo Substation between JSC “MOESK” and JSC “RETO Factory” for a total of 10,192,857.70 rubles (Minutes No. 136 dated May 13, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 31) Contracting agreement between JSC “MOESK” and JSC “RETO Factory” for a total of 3,911,468.79 rubles (Minutes No. 136 dated May 13, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 32) Contracting agreement between JSC “MOESK” and JSC “RETO Factory” for a total of 424,456.69 rubles (Minutes No. 136 dated May 13, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 33) Contracting agreement on the performance of design and surveying work between JSC “MOESK” and JSC “RETO Factory” for a total of 1,772,832 rubles (Minutes No. 136 dated May 13, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 34) Agreement on the opening of a revolving line of credit between JSC “MOESK” and “Gazprombank” (open joint-stock company). Credit limit – 1,500,000,000, loan interest – 7.92 percent annually (Minutes No. 136 dated May 13, 2011).  
Interested party:  
Member of the JSC “MOESK” Board of Directors – A.A. Gavrilenko.
- 35) Additional Agreement to the Agreement on the opening of a revolving line of credit between JSC “MOESK” and “Gazprombank” (open joint-stock company) (Minutes No. 136 dated May 13, 2011).  
Interested party:  
Member of the JSC “MOESK” Board of Directors – A.A. Gavrilenko.
- 36) Confidentiality agreement between JSC “MOESK” and “Gazprombank” (open joint-stock company) (Minutes No. 137 dated May 19, 2011).  
Interested party:  
Member of the JSC “MOESK” Board of Directors – A.A. Gavrilenko.
- 37) Contracting agreement between JSC “MOESK” and JSC “RETO Factory” for a total of 10,706,451.25 rubles (Minutes No. 137 dated May 19, 2011).



Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 38) Framework contract between JSC “MOESK” and JSC “RETO Factory” (Minutes No. 137 dated May 19, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 39) Contracting agreement between JSC “MOESK” and JSC “RETO Factory” for a total of 28,941,929.67 rubles (Minutes No. 137 dated May 19, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 40) Commercial property lease contract between JSC “MOESK” and JSC “WGC-1” for a total of 25,352.02 rubles per month (Minutes No. 138 dated May 27, 2011).

Interested party:

Member of the JSC “MOESK” Board of Directors – N.G. Shulginov.

- 41) Contract on the provision of services to hold the “All-Russian Competitions for Professional Skills among the Operational and Maintenance Personnel of the Power Distribution Grids of JSC “IDGC Holding” between JSC “MOESK” and JSC “IDGC of the North-West” for a total of 937,900 rubles (Minutes No. 138 dated May 27, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

Members of the JSC “MOESK” Board of Directors – A.A. Popov, S.Y. Yurchuk.

- 42) Custodial contract between JSC “MOESK” and JSC “RETO Factory” for a total of 1,002,142.85 rubles (Minutes No. 138 dated May 27, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 43) Framework contract between JSC “MOESK” and JSC “MKER” (Minutes No. 138 dated May 27, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 44) Contracting agreement on cable line repair work between JSC “MOESK” and JSC “MKER” for a total of 21,347,749.51 rubles (Minutes No. 138 dated May 27, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 45) Contracting agreement for equipment repair work between JSC “MOESK” and JSC “RETO Factory” for a total of 8,099,325.38 rubles (Minutes No. 138 dated May 27, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 46) Framework contracting agreement between JSC “MOESK” (branch – Central Electric Networks) and JSC “RETO Factory” (Minutes No. 138 dated May 27, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 47) Contract on a range of work to assess the technical condition of overhead power transmission lines and prepare recommendations to ensure and enhance their operational safety between JSC “MOESK” (branch – Eastern Electric Networks) and JSC “REC IDGC” for a total of 75,006,337.76 rubles (Minutes No. 138 dated May 27, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 48) Contract on a range of work to assess the technical condition of overhead power transmission lines and prepare recommendations to ensure and enhance their operational safety between JSC “MOESK” (branch – Western Electric Networks) and JSC “REC IDGC” for a total of 40,498,510.03 rubles (Minutes No. 138 dated May 27, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 49) Contract on a range of work to assess the technical condition of overhead power transmission lines and prepare recommendations to ensure and enhance their operational safety between JSC “MOESK” (branch – Northern Electric Networks) and JSC “REC IDGC” for a total of 8,825,318.89 rubles (Minutes No. 138 dated May 27, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 50) Contract on a range of work to assess the technical condition of overhead power transmission lines and prepare recommendations to ensure and enhance their operational safety between JSC “MOESK” (branch – Central Electric Networks) and JSC “REC IDGC” for a total of 7,571,363.53 rubles (Minutes No. 138 dated May 27, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 51) Contract on a range of work to assess the technical condition of overhead power transmission lines and prepare recommendations to ensure and enhance their operational safety between JSC “MOESK” (branch – Southern Electric Networks) and JSC “REC IDGC” for a total of 51,279,604.12 rubles (Minutes No. 138 dated May 27, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 52) Supply contract between JSC “MOESK” and JSC “RETO Factory” for a total of 4,118,200 rubles (Minutes No. 139 dated June 10, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 53) Agreement on cooperation in preventing and mitigating the consequences of accidents at power facilities between JSC “IDGC of

Center and Volga Region” and JSC “MOESK” (Minutes No. 139 dated June 10, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 54) Agreement on cooperation in preventing and mitigating the consequences of accidents at power facilities between JSC “IDGC of South” and JSC “MOESK” (Minutes No. 139 dated June 10, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 55) Agreement on cooperation in preventing and mitigating the consequences of accidents at power facilities between JSC “IDGC of Center” and JSC “MOESK” (Minutes No. 139 dated June 10, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 56) Contract on the provision of services between JSC “MOESK” and JSC “RETO Factory” for a total of 677,243.77 rubles (Minutes No. 140 dated June 20, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 57) Lease contract between JSC “MOESK” and JSC “RETO Factory” on a total of 244,318.41 rubles (Minutes No. 140 dated June 20, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 58) Contracting agreement on equipment repair work between JSC “MOESK” and JSC “RETO Factory” for a total of 89,971,346.44 rubles (Minutes No. 140 dated June 20, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 59) Contract on the performance of work between JSC “MOESK” and JSC “RETO Factory” for a total of 2,562,238.80 rubles (Minutes No. 140 dated June 20, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 60) Contracting agreement on equipment repair work between JSC “MOESK” and JSC “RETO Factory” for a total of 23,992,086.36 rubles (Minutes No. 140 dated June 20, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 61) Contract on the repair and maintenance of the electrical and technological equipment of Ochakovo Substation No. 214 with capacity of 500 kV, which is listed on the JSC “MOESK” balance sheet, between JSC “MOESK” and JSC “FGC UES” for a total of 3,833,525.01 rubles (Minutes No. 140 dated June 20, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 62) Additional Agreement No. 1 to Contract No. 2-016/2008 dated April 25, 2008 between JSC “MOESK,” LLC “Uralmontazhavtomatika” and JSC “Energocenter” (Minutes No. 140 dated June 20, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 63) Additional Agreement No. 1 to Commercial Property Lease Contract No. 19971-22 dated October 15, 2009 between JSC “MOESK” and JSC “Mosenergo” for a total of 363,606.93 rubles per year (Minutes No. 141 dated July 25, 2011).  
Interested party:  
Member of the JSC “MOESK” Board of Directors – Y.V. Sklyarov.
- 64) Additional Agreement No. 1 to Commercial Property Lease Contract No. 13977-2/21991-1 dated July 7, 2009 between JSC “MOESK” and JSC “Mosenergo” for a total of 2,189,791.76 rubles per month (Minutes No. 141 dated July 25, 2011).  
Interested party:  
Member of the JSC “MOESK” Board of Directors – Y.V. Sklyarov.
- 65) Framework contract on a range of urgent repair and restoration work between JSC “MOESK” and JSC “MKER” (Minutes No. 141 dated July 25, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 66) Framework contract on a range of urgent repair and restoration work between JSC “MOESK” and JSC “RETO Factory” (Minutes No. 141 dated July 25, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 67) Agreement on the use of the electronic document exchange system between JSC “MOESK” and “Gazprombank” (open joint-stock company) for a total of 900 rubles per month as well as: the provision of the “Client” automated work station software of the “Client Bank” system – 1,500 rubles; the reinstallation, update and restoration of “Client” automated work station software of the “Client Bank” system – 1,500 rubles (Minutes No. 141 dated July 25, 2011).  
Interested party:  
Member of the JSC “MOESK” Board of Directors – A.A. Gavrilenko.
- 68) Framework contract between JSC “MOESK” and JSC “VPEC” (Minutes No. 141 dated July 25, 2011).  
Interested party:  
Member of the JSC “MOESK” Board of Directors – Y.V. Sklyarov.
- 69) Contracting agreement on repair work between JSC “MOESK” and JSC “MKER” for a total of 23,164,826.03 rubles (Minutes No. 141 dated July 25, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”

- 70) Contracting agreement on repair work between JSC “MOESK” and JSC “MKER” (Minutes No. 141 dated July 25, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 71) Contracting agreement on repair work between JSC “MOESK” and JSC “RETO Factory” for a total of 11,841,310.31 rubles (Minutes No. 141 dated July 25, 2011).  
Interested parties: Company shareholder – JSC “IDGC Holding.”
- 72) Contracting agreement on repair work between JSC “MOESK” and JSC “RETO Factory” for a total of 28,583,698.40 rubles (Minutes No. 141 dated July 25, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 73) Framework contract on urgent repair and restoration work of electrical equipment between JSC “MOESK” and JSC “RETO Factory” (Minutes No. 141 dated July 25, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 74) Custodial contract between JSC “MOESK” and JSC “RETO Factory” for a total of 285,822.43 rubles per month (Minutes No. 141 dated July 25, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 75) Construction contracting agreement between JSC “MOESK” and JSC “MKSM” for a total of 83,353,794.87 rubles (Minutes No. 141 dated July 25, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 76) Confidentiality agreement between JSC “MOESK” and State educational institution of higher professional education “Moscow Power Engineering Institute (Technical University)” MPEI (Minutes No. 144 dated August 26, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 77) Contracting agreement between JSC “MOESK” and JSC “RETO Factory” for a total of 33,352,546.12 rubles (Minutes No. 144 dated August 26, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 78) Contracting agreement between JSC “MOESK” and JSC “MKER” for a total of 137,661.80 rubles (Minutes No. 144 dated August 26, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”

- 79) Contract on the provision of services for the processing of transformer oil between JSC “MOESK” and JSC “RETO Factory” for a total of 589,628.49 rubles (Minutes No. 144 dated August 26, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 80) Contract on the provision of services for the acceptance and disposal of transformer oil between JSC “MOESK” and JSC “RETO Factory” for a total of 492,352.27 rubles (Minutes No. 144 dated August 26, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 81) Contracting agreement on the performance of design and surveying work between JSC “MOESK” and JSC “TEK Mosenergo” for a total of 102,742,435.98 rubles (Minutes No. 145 dated September 5, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 82) Contracting agreement on the performance of design and surveying work between JSC “MOESK” and JSC “TEK Mosenergo” for a total of 41,719,292.59 rubles (Minutes No. 145 dated September 5, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 83) Commercial property sublease contract between JSC “MOESK” and JSC “Energocenter” for a total of 56,579.60 rubles per month (Minutes No. 145 dated September 5, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 84) Residential lease contract between JSC “MOESK,” State educational institution of higher professional education “Moscow Power Engineering Institute (Technical University)” MPEI and citizen O.A. Blashkov for a total of 2,547.08 rubles per month (Minutes No. 145 dated September 5, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 85) Contract on the performance of a technical inspection of power transformers for the needs of JSC “MOESK” branch Southern Electric Networks between JSC “MOESK” and JSC “RETO Factory” for a total of 2,828,604.97 rubles (Minutes No. 145 dated September 5, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 86) Contract on the performance of a technical inspection of OL with capacity of 35-220 kV for the needs of JSC “MOESK” branch Southern Electric Networks between JSC “MOESK” and JSC “MKER” for a total of 3,981,885.81 rubles (Minutes No. 145 dated September 5, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”

- 87) Construction contracting agreement between JSC “MOESK” and JSC “MKER” for a total of 10,136,712.05 rubles (Minutes No. 147 dated September 26, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 88) Framework contract for the performance of a range of urgent repair and restoration work between JSC “MOESK” and JSC “RETO Factory” (Minutes No. 147 dated September 26, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 89) Contracting agreement on repair work between JSC “MOESK” and JSC “MKER” for a total of 20,060,000 rubles (Minutes No. 147 dated September 26, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 90) Construction contracting agreement between JSC “MOESK” and JSC “MKSM” for a total of 83,353,794.87 rubles (Minutes No. 147 dated September 26, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 91) Contract between JSC “MOESK” and JSC “IDGC of the North-West” on the performance of emergency restoration and repair work to mitigate the consequences of an accident on OL with capacity of 0.4-220 kV at JSC “MOESK” resulting from natural disasters for a total of 6,363,979.54 rubles (Minutes No. 147 dated September 26, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”  
Member of the JSC “MOESK” Board of Directors – A.A. Popov.
- 92) Agency contract between JSC “MOESK” and JSC “FGC UES” for a total of 0.01% of capital investment that has actually been spent plus VAT in the amount specified in accordance with the laws of the Russian Federation paid from the amount agreed upon in additional agreements on financing (Minutes No. 147 dated September 26, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 93) Contracting agreement on repair work between JSC “MOESK” and JSC “RETO Factory” for a total of 3,530,816.03 rubles (Minutes No. 148 dated September 30, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 94) Contract for services for operating the cable collector of CL with capacity of 220 kV from the transition point of the “Krasnogorskaya-Gertsevo” OL with capacity of 220 kV to the Ilinskaya Substation between JSC “MOESK” and JSC “Energocenter” for a total of 18,849.23 rubles per month (Minutes No. 148 dated September 30, 2011).



Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 95) Agreement on the opening of a non-revolving line of credit between JSC “MOESK” and “Gazprombank” (open joint-stock company). Credit limit – 3,000,000,000 loan interest – 7.76 percent annually (Minutes No. 148 dated September 30, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

Member of the JSC “MOESK” Board of Directors – A.A. Gavrilenko.

- 96) Agreement on the transfer of funds (donations) by JSC “MOESK” to pay for additional registered (personal) scholarships for students of State educational institution of higher professional education “Moscow Energy Institute (Technical University)” between JSC “MOESK” and State educational institution of higher professional education “Moscow Energy Institute (Technical University)” for a total of 2,400,000 rubles (Minutes No. 150 dated October 17, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 97) Contracting agreement on the performance of design and surveying work (hereinafter referred to as the Contract) between JSC “MOESK” and JSC “RETO Factory” for a total of 3,447,226.04 rubles (Minutes No. 150 dated October 17, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 98) Confidentiality agreement between JSC “MOESK” and JSC “Northwest Energy Engineering Center” (Minutes No. 150 dated October 17, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 99) Construction Contracting Agreement No. 20/11 between JSC “MOESK” and JSC “MKSM” for a total of 629,260,665 rubles (Minutes No. 150 dated October 17, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 100) Construction Contracting Agreement No. 24/11 between JSC “MOESK” and JSC “MKSM” for a total of 245,702,487.46 rubles (Minutes No. 150 dated October 17, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 101) Construction Contracting Agreement No. 25/11 between JSC “MOESK” and JSC “MKSM” for a total of 995,167,219 rubles (Minutes No. 150 dated October 17, 2011). Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 102) Additional Agreement No. 1 to Contract No. 2-030/2008 dated May 26, 2008 between JSC “MOESK,” CJSC “Stroyenergосervice” Holding



Company and JSC “Energocenter” (Minutes No. 150 dated October 17, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 103) Additional agreement to the Agreement on the reimbursement of expenses on renting living accommodation dated June 30, 2010 between JSC “MOESK” and Andrei Pavlovich Konovalov for a total of 150,000 rubles per month (Minutes No. 152 dated November 25, 2011).

JSC “MOESK” General Director – A.P. Konovalov.

- 104) Contracting agreement on the performance of design and surveying work between JSC “MOESK” and JSC “RETO Factory” for a total of 3,369,012.10 rubles (Minutes No. 152 dated November 25, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 105) Framework agreement between JSC “MOESK” and JSC “VPEC” based on the results of a tender held by JSC “MOESK” for the right to conclude framework agreements to perform design and survey work for newly constructed facilities and the comprehensive reconstruction of substations with capacity of 35 kV and higher to meet the needs of the JSC “MOESK” branch Central Electric Networks for a total of no more than 100,000,000 rubles (Minutes No. 152 dated November 25, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 106) Framework agreement between JSC “MOESK” and JSC “VPEC” based on the results of a tender held by JSC “MOESK” for the right to conclude framework agreements to perform design and survey work for newly constructed facilities and the piecemeal reconstruction of substations with capacity of 35 kV and higher to meet the needs of the JSC “MOESK” branch Central Electric Networks for a total of no more than 100,000,000 rubles (Minutes No. 152 dated November 25, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 107) Framework agreement between JSC “MOESK” and JSC “TEK Mosenergo” based on the results of a tender held by JSC “MOESK” for the right to conclude framework agreements to perform design and survey work for OL with capacity of 35 kV and higher to meet the needs of the JSC “MOESK” branch Central Electric Networks for a total of no more than 100,000,000 rubles (Minutes No. 152 dated November 25, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 108) Framework agreement between JSC “MOESK” and JSC “TEK Mosenergo” based on the results of a tender held by JSC “MOESK” for the right to conclude framework agreements to perform design and survey work for CL with capacity of 35 kV and higher to meet the needs of the JSC “MOESK” branch Central Electric Networks for a total of no

more than 100,000,000 rubles (Minutes No. 152 dated November 25, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 109) Framework agreement between JSC “MOESK” and JSC “TEK Mosenergo” based on the results of a tender held by JSC “MOESK” for the right to conclude framework agreements to perform design and survey work for newly constructed facilities and the comprehensive reconstruction of substations with capacity of 35 kV and higher to meet the needs of the JSC “MOESK” branch Central Electric Networks for a total of no more than 100,000,000 rubles (Minutes No. 152 dated November 25, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 110) Framework agreement between JSC “MOESK” and JSC “TEK Mosenergo” based on the results of a tender held by JSC “MOESK” for the right to conclude framework agreements to perform design and survey work for newly constructed facilities and the piecemeal reconstruction of substations with capacity of 35 kV and higher to meet the needs of the JSC “MOESK” branch Central Electric Networks for a total of no more than 100,000,000 rubles (Minutes No. 152 dated November 25, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 111) Purchase-sale contract between JSC “MOESK” and JSC “MOESK” for a total of 394,003 rubles (Minutes No. 152 dated November 25, 2011).

Interested parties: Company shareholder – JSC “IDGC Holding.”

Member of the JSC “MOESK” Board of Directors – Y.V. Sklyarov.

- 112) Framework contract on urgent repair and restoration work of electrical equipment between JSC “MOESK” and JSC “RETO Factory” for a total of no more than 82,600,000 rubles (Minutes No. 152 dated November 25, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 113) Contracting agreement between JSC “MOESK” and JSC “MKSM” for a total of 1,487,963.48 rubles (Minutes No. 152 dated November 25, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 114) Contracting agreement for equipment repair between JSC “MOESK” and JSC “RETO Factory” for a total of 8,219,668.50 rubles (Minutes No. 152 dated November 25, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

- 115) Custodial contract between JSC “MOESK” and JSC “RETO Factory” for a total of 430,497.99 rubles (Minutes No. 153 dated November 27, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 116) Additional Agreement No. 6 to Construction Contracting Agreement No. 3 dated October 1, 2008 between JSC “MOESK” and JSC “MKSM” (Minutes No. 155 dated December 30, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 117) Additional Agreement No. 1 to Contract for the Performance of Design and Surveying Work No. 19T-100 dated August 2, 2008 between JSC “MOESK” and JSC “Northwest Energy Engineering Center” for a total of 6,648,707.45 rubles (Minutes No. 155 dated December 30, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 118) Additional Agreement No. 5 to Construction Contracting Agreement No. 10 dated January 14, 2008 between JSC “MOESK” and JSC “MKSM” (Minutes No. 155 dated December 30, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 119) Contract for the provision of educational services between JSC “MOESK” and Nonprofit Partnership “Corporate Educational and Scientific Center of Unified Energy System” for a total of 499,000 rubles (Minutes No. 155 dated December 30, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”  
Member of the JSC “MOESK” Board of Directors – A.A. Popov.
- 120) Contract on the provision of consulting services to organize the participation of JSC “MOESK” representatives in a seminar between JSC “MOESK” and Nonprofit Partnership “Corporate Educational and Scientific Center of Unified Energy System” for a total of 38,800 rubles (Minutes No. 155 dated December 30, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”  
Member of the JSC “MOESK” Board of Directors – A.A. Popov.
- 121) Supply contract between JSC “MOESK” and JSC “RETO Factory” for a total of 1,414,230 rubles (Minutes No. 155 dated December 30, 2011).  
Interested parties:  
Company shareholder – JSC “IDGC Holding.”
- 122) Agreement on cooperation between JSC “MOESK” and JSC “FGC UES” (Branch – MEN Center) (Minutes No. 155 dated December 30, 2011).  
Interested parties:

Company shareholder – JSC “IDGC Holding.”

123) Additional agreement to Agreement No. SDU-9/2010 dated February 1, 2011 on technical cooperation between JSC “MOESK” and JSC “SO UES” to ensure the operational reliability of UES of Russia (Minutes No. 155 dated December 30, 2011).

Interested parties:

Company shareholder – JSC “IDGC Holding.”

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