

2008





2008

The 2008 annual report of MOSENERGO was approved by MOSENERGO Board of Directors on April 27, 2009 and submitted to the Annual General Meeting of MOSENERGO Shareholders for approval on June 30, 2009



Contents

A synopsis of MOSENERGO	4
Mission of MOSENERGO	4
MOSENERGO Today	5
MOSENERGO in Figures	5
MOSENERGO's Production Capacities in Moscow and Moscow Region	6
Address of the Chairman of the Board of Directors	8
Address of the Chairman of Executive Board	10
1. MOSENERGO in the Country, Area and Industry	12
1.1. The Area and Market	12
1.2. MOSENERGO Legislative Environment	12
1.3. Risk Management	13
1.4. Major Events in 2008	15
2. Electric Energy Generation and Sales	20
2.1. Functioning of the Electric Power Wholesale Market	20
2.2. Electric Power Tariffs	23
2.3. Sales of Electric Power by WEM Sectors	25
2.4. MOSENERGO Share in the WEM	25
3. Heat Production and Sales	26
3.1. Heat Production	26
3.2. Heat Tariffs	28
3.3. Heat Sales Structure in Moscow Area	29
3.4. MOSENERGO Share in the Heat Consumers Market	29
4. Analysis of performance results and financial state	34
4.1. Performance of MOSENERGO in 2008	39
4.2. Credit Portfolio Management	39
4.3. Analysis of the Balance Structure	39
4.4. Analytical financial state Ratios	39

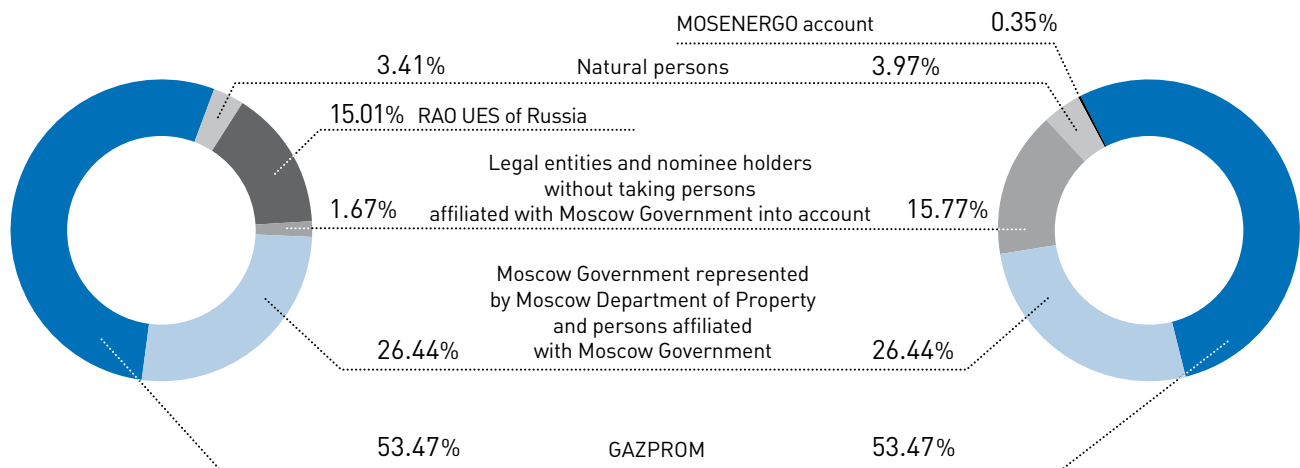
5. Engineering Support of Production	42
5.1. Procurement of Fuel	42
5.2. Maintenance Efforts	43
5.3. Procurement Activities	44
6. Technologies and Innovations	46
6.1. Engineering Policy and Energy Efficiency	46
6.2. Information Technologies and Telecommunications	47
7. Investments in Production	50
7.1. Fulfillment of Investment Program	50
7.2. Investment Strategy	53
8. Social Responsibility	54
8.1. Human Resources Work	54
8.2. Occupational Health and Safety	55
8.3. Social Programs	56
8.4. Environmental Protection	56
9. Corporate Governance	58
9.1. Corporate Governance Principles	58
9.2. Shareholder Meeting	59
9.3. Board of Directors	59
9.4. Executive Bodies	69
9.5. Audit Commission	75
10. Changes in the Company's Organizational Structure Introduced in 2008	76
11. Shares and Stock Market	80
11.1. Share Capital	80
11.2. Securities Market	81
11.3. Dividends	82
12. Accounting Statements	84
12.1. MOSENERGO Management's Opinion of Accounting Statements	84
12.2. Opinion of the Internal Audit Commission	85
12.3. Audit Report	86
12.4. Balance Sheet as at 31 December, 2008	89
12.5. Profit and Loss Statement for 2008	92
12.6. Capital Change Report for 2008	94
12.7. Cash Flow Statement for 12 months 2008	98
12.8. Annex to the Balance Sheet for 2008	100
12.9. Explanatory Note of MOSENERGO to Annual Accounting Statements for 2008	106
13. Additional Information	136
13.1. Information on Material Facts	136
13.2. Resolutions adopted by Shareholders Meeting	136
13.3. Corporate Governance Code – compliance Information	139
13.4. Information about concluded interested – party Transaction	147
13.5. Glossary	148
13.6. Contact Information	149
13.7. MOSENERGO Site Map	150
13.8. Internet Supplement to the Annual Report 2008	151

A synopsis of MOSENERGO

MOSENERGO's mission is to provide consumers with electrical energy and heat generated on the basis of advanced resource-saving production technologies by the environmentally friendly equipment meeting the best ecological standards and to provide Company's shareholders with fair income.

Structure of MOSENERGO Share Capital as of 31.12.2007

Structure of MOSENERGO Share Capital as of 31.12.2008



MOSENERGO Today

The Company's installed electric power generating capacity is 11.9 thousand MW and installed heat capacity is 34.9 thousand Gcal/h (40.6 thousand MW).

MOSENERGO core businesses are electric energy and power generation for supply to the wholesale market, heat production, sales of heat to end-users in Moscow and Moscow Region.

MOSENERGO is a compactly located complex comprising of technologically and economically interrelated generation facilities.

All Company's power plants are co-generators of electrical energy and heat with a common operation mode relying on a shared capacity reserve and a centralized operational and dispatching control system.

MOSENERGO in Figures

Key performance indicators	UOM	2007	2008
Installed electrical capacity	MW	11,117.3	11,904.3
Installed heat capacity	Gcal/h	34,297.4	34,897.4
Electricity generation	mIn. kWh	63,673.3	64,273.9
Heat production	thou. GCal	65,556.5	62,439.7
Employees	persons	16,544	13,580
Principal financial and economic indicators	UOM	2007	2008
Assets	MIn. RUR	148,037.6*	160,702.8
Equity capital	MIn. RUR	118,310.2*	123,232.6
Investments	MIn. RUR	29,846.7	29,714.5
Proceeds from sales of products	MIn. RUR	78,324.7	94,779.4
Profits on sales	MIn. RUR	4,550.9	4,687.5
Pre-tax profits	MIn. RUR	2,648.5	2,220.1
Net profits	MIn. RUR	739.5	1,371.7
Weighted average number of shares outstanding	Thou pcs.	34,968,407	39,640,220
Net earnings per share	RUR	0.0211	0.0346
Number of shares at the year end	Thou pcs.	39,749,360	39,749,360
Market capitalization**	BIn. RUR	235.7	37.7

* after revaluation of fixed-assets groups "Substations, autotransformers, transformers, switchgears, surge protection devices, disconnecting switches, arresters, reactors, synchronous compensators traps, components for outdoor switchgears, voltage distribution units, OUT etc.", "Pumps, compressors, ventilation equipment, electric motors, chemical water-conditioning and fuel-feeding equipment, diesel generators" and "Construction machinery, hoisting mechanisms, special-purpose transport" the assets value as of 01.01.2008 was adjusted to RUR 152,479.2 million and the share capital value to RUR 122,751.8 million;

** market capitalization was calculated on the basis of the market price per share published by ZAO MICEX Stock Exchange at the end of the relevant reporting period and the number of MOSENERGO shares issued.

MOSENERGO's Production Capacities

in Moscow and Moscow Region



TEP-21

1,775 / 14.91
4,918 / 14.09

A power unit No.11 CCGT-450T has been put into operation. The prescribed capacity of the electric power plant increased by 31.5 percent, the established heating capacity has been increased by 6.5 percent.



TEP-28

25 / 0.21
40 / 0.11



TEP-27

1,060 / 8.91
1,876 / 5.38

The second vapour-gas power unit CCGT-450T is commissioned. The installed electric capacity of the power plant has been increased by 73.8 percent, the installed heating capacity has been increased by 19.0 percent.



TEP-23

1,420 / 11.93
4,530 / 12.98

Turbine-generator set No.2 was replaced by an up-to-date model with an air-cooling generator. The installed capacity increased by 10 MW and 15 Gcal/h



GRES-3

580.28 / 4.87
341.38 / 0.98

The diesel fuel tanks No.3 and No.4 have been inspected, the water intake has been inspected and cleaned



TEP-6

24 / 0.20
139 / 0.40



TEP-16

360 / 3.02
1,484 / 4.25

Preparation of construction of the power unit – CCGT-420 with the capacity 420 MW has been started.



TEP-25

1,370 / 11.51
4,088 / 11.71

Hydrodynamic clutches for network pumps have been installed according to the regulated drive implementation program.



TEP-12

408 / 3.43
2,043 / 5.85

The turbine-generator set PT-80/100-130 No.9 was modernized.



TEP-9

210 / 1.76
560 / 1.61

30 protection sets for installation of PASS type switches for lines 110 kV "TEP-9- Kozhukhovo" and "TEP-9 – Avtozavodskaya-2» were commissioned in 2008.



HPP-1

95 / 0.80
951 / 2.73

Power halls No.1 and 2 have been reconstructed; all-station waste water disposal units have been commissioned; a complex of measures has been taken in order to reduce the emission of pollutants into the atmosphere; a noise-muffler on air-suction unit of the energy boiler No.22 has been mounted.



TEP-11

330 / 2.77
1,011 / 2.90

10 disconnect switches (110 kV) with a pneumatic drive were replaced by 10 electric-driven disconnect switches.



TEP-20

730 / 6.13
2,400 / 6.88

A polymer water catcher was mounted in cooling tower No.1, implementation of hydraulic couplings for main-line pumps and feeding electric pumps has been undertaken.



TEP-26

1,410 / 11.85
4,006 / 11.48

Power unit No.8 CCGT-420 with the capacity 420 MW is under construction. The power unit is based on the modern vapour-gas technology. The scheduled term of commissioning is the beginning of the year 2010.



TEP-17

192 / 1.61
712 / 2.04

Partial reconstruction of the electric part has been carried out. Completion of reconstruction of the coastal pump station is scheduled for the year 2009.



TEP-22

1,310 / 11.01
3,606 / 10.33

Ultra-sound measuring devices for the pipelines of the heating network charge have been commissioned; network water consumption metering devices for the TEP's auxiliaries have been into experimental operation.



TEP-8

605 / 5.08
2,192 / 6.28

In 2008 TEP-8 was acknowledged the best economy object of the South-Eastern District of Moscow with respect to civil protection issues, prevention and liquidation of emergency situations.

Installed electrical capacity, MW/Share in MOSENERGO's installed electrical capacity, % as of December 31, 2008

Installed heat capacity, Gcal/h/Share in MOSENERGO's installed heat capacity, % as of December 31, 2008

----- Merging of MOSENERGO's Affiliates

MOSENERGO's production capacities are represented by 17 power plants. All power plants of the Company are Thermal Power Plants i.e. carry out combined generation of electric and thermal energy on the same equipment, i.e. co-generation turbine sets. The work of the equipment installed at the 7 power plants is based on the block scheme of operation.

Address of the Chairman of the Board of Directors



Dear shareholders,

Today we present business results of MOSENERGO – the largest electrical power generating company in Russia and a major heat producer in the world. The year of 2008 was highlighted by major changes in Russia’s entire power industry including MOSENERGO. Upon liquidation of RAO UES of Russia the power generation industry faced new operational environment. MOSENERGO became a part of OAO “Gazprom” – a global energy producing company.

Electric power industry is a core business for OAO "Gazprom". Synergistic effect resulting from merging gas production and electric power generation businesses paves the way for large-scale benefits in terms of notably enhanced efficiency of all our resources.

Implementation of a OAO "Gazprom"-initiated large-scale investment program in the Russian electrical power engineering estimated at over RUR 360 billion will result in commissioning about 9,000 MW power generating capacities which corresponds to MOSENERGO currently installed capacity. Such investment program has no precedent in the Russian electrical power industry. In 2007-2008 MOSENERGO commissioned three power generating units with a combined capacity of 1,320 MW. From this point OAO "Gazprom" is the most effective investor in the Russian electrical power generation industry.

In 2008 in Russia liberalization of the wholesale energy market (WEM) continued by further expansion of its competitive sector and a power capacity market was launched. We hope that further harmonization of power capacity market performance will provide the basis for enhanced investment attractiveness and better cost efficiency in the entire electrical power generation industry of the Russian economy.

In 2008 MOSENERGO strengthened its leading positions as a producer of electrical power and heat by ensuring uninterrupted supply of energy resources to consumers. The Company's production facilities are located in a strategically important and dynamic area. In order to achieve planned targets of power capacity development, prevent shortages in the capital city's power supply system and further improve power supply reliability for consumers MOSENERGO is successfully implementing a large-scale program of technical upgrade.

The Company's uppermost target involves introduction of latest technologies in electric power generation including commissioning highly efficient steam-and-gas combined cycle units with an efficiency factor up to 60% and replacement of worn-out equipment. Such arrangements result in a major upgrade of power units technical characteristics, enhanced fuel consumption efficiency and improvement of the ecological status of the area.

In 2008 the launch of a GDR program to the amount up to 20% of MOSENERGO charter capital led to expanding the number of foreign investors who have an opportunity to acquire GDR's for shares of the Company thus promoting its further development.

Representatives of all shareholder groups – OAO "Gazprom", Moscow Government, MOSENERGO management and minority shareholders – were elected to the Company Board of Directors at the meeting on May 21, 2008.

In 2008 the activities of the Board of Directors were focused on the accomplishment of strategic tasks of the Company for the principal lines of business, protection of shareholders' rights and interests and control over the executive bodies of the Company. A total of 21 meetings of the Board of Directors were held where 314 issues were handled. Approval of the Annual Investment Program, Activity Plan for Preparation and Operation during Autumn and Winter Maximum Peak Load Period in 2008-2009, Insurance Cover Program, decisions on partial revaluation of fixed assets, change of the Company's registrar, creation of EPC-contractor on the basis of OAO "TEK Mosenergo" and other measures aimed at the optimization of the Company corporate

structure were among the most important decisions adopted by the Board.

Main targets set for 2009 relate, as before, to implementation of the Investment Program. A decision was adopted for the construction of new 420 MW combined cycle power units which are vital for improvement in Moscow consumers' power supply reliability.

Even considering increased net profits in 2009 MOSENERGO will face shortage of own funds to finance its investment program. Therefore, the Company management seeks all available financing sources including sale of non-core assets and arrangements for export financing.

Construction of new power units will secure reliable power supply to consumers in the long run and will lead to increased revenues of the Company resulting from a larger sales volume of electric power. Another important task of the Company is cost cutting that is of a particular relevance under the present conditions in the financial markets worldwide. Steady operating activities combined with implementation of investment program will enable MOSENERGO to further strengthen its leading positions among power generating companies in Russia.

I am confident that active interaction among the Board of Directors, management and shareholders of the Company will ensure the Company's ability to keep resolving its current problems effectively and accomplish the Company's development plans successfully.

K.G. Seleznev
Chairman of the Board of Directors
MOSENERGO



Address of the Chairman of the Executive Board



Dear shareholders,

In 2008 MOSENERGO achieved notable results in accomplishing its main production tasks including electricity and heat production and maintaining reliable operation of the area's power supply system. Successful production and investment activities of the Company in 2008 made it possible to cover eventual power shortages occurring in the Moscow electric power system at the time of maximum load operation during autumn and winter period.

Today our engineering strategy involves commissioning new highly efficient steam-and-gas combined cycle power units with the efficiency factor of 57 to 59% in condensation cycle. Modern steam-and-gas combined cycle power units will replace in the future steam-driven equipment currently in operation. This strategy was implemented throughout 2008. During the reported period two CCPU power units with an aggregate capacity of 875 MW were commissioned (7.4% of the Company's installed capacity). MOSENERGO newly installed capacity accounted for over half of the total new capacities commissioned in the Russian Federation.

On the whole last year's financial results may also be considered as positive: both net profit and net operating cash flow increased notably.

At the same time, the 2008 results indicated that we should change our approach in handling a range of urgent issues facing the Company.

Cutting Operating Cost

For a prolonged period of time the Company operated in the absence of strong motivation for a reduction of operating costs. Electricity market liberalization has already led to increased competition in the electric power market in Moscow Area. In future the market pressure on our operating costs will only intensify and we will have to seek optimizing business processes that would enable us to secure and enhance our market share.

Securing Financial Stability

Even before the onset of the world financial crisis in the second half of 2008 the ambitious investment activities of the Company posed a certain challenge for the Company's future financial standing and the financial crisis just aggravated the problem of financial sustainability. We have thoroughly scrutinized each investment project, changed our approach to investment planning and investment project management. Besides, we have taken a number of steps to reduce our reliance on short-term credit financing that remains a major destabilizing factor for the financial standing. During the last year the Company conducted ground work for the sale of assets which have no relevance to energy business. It is planned that proceeds from the sale of such assets in 2009 will be utilized for repayment of short-term debts. The Company is focusing its attention on working capital management as notable decline in collecting receivables and slowdown in inventory turnover that started late in 2008 would require special attention from the Company operations management.

Environmental Issues

Requirements for environmental protection in such a megapolis as Moscow get expectedly tougher year by year. Even at the time of the world financial crisis the Company realizes its responsibility to city inhabitants and does not intend to reduce investments in environmental projects. By mid-2009 the Company plans to fully finalize arrangements for ecomonitoring as agreed earlier with the Government of Moscow.

Company's market capitalization decline by 84% generally was in line with stock market performance as the MICEX stock index decreased last year more than two times and capitalization of the top 10 wholesale and territorial generating companies traded on the MICEX trade floor dropped by 86% on average. The Company shares appear to be more attractive against similar investment opportunities and most analysts of major Russian and foreign investment companies point out at a substantial stock price growth potential in the future and give recommendations TO BUY.

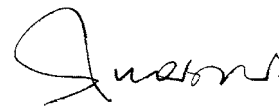
In the framework of implementation of basic provisions of the power industry reform the Company actively participates in work of energy market control bodies as MOSENERGO experts sit on the Committee for Business Accounting and the Working Group on targeted capacity market at the Non-Profit Partnership "Market Council" as well as the Working Group for the development of the draft of the Federal Law "On Heat Supply".

Throughout the entire 2008 work was carried out for management practices for the Company's property improving, defending legal rights of the Company assets. Enhanced utilization efficiency and due registration of legal title for property, divestment of non-core and inefficiently utilized assets became important tasks in the Company's activities. In 2008 efforts for optimizing real estate and leasehold rights portfolio were intensified along with improving its management system.

One of the Company's key activities last year was improvement of means and methods in staff relations. In 2008 the Company initiated a new employee incentive system, changed its approach toward employee training and development and upgraded its internal corporate communication system. Certain progress was made in improving pension scheme provisions for Company employees. Today, a new corporate catering system has been organized at all production facilities of the Company, a new accident insurance cover has been introduced.

Our main targets for 2009 will be operating costs optimization, further implementation of our engineering strategy along with securing financial stability. At present the Company participates in a number of projects that would allow it to optimize business processes as early as in 2009, secure reliable performance of power plants and improve financial stability of the Company. MOSENERGO is prepared to respond adequately to external challenges. I am sure that the Company is going to accomplish all goals set for 2009.

V.G. Yakovlev
Chairman of the Executive Board
MOSENERGO



MOSENERGO in the Country, Area and Industry

1.1. The Area and Market

The MOSENERGO Territorial Generating Company (TGC) owns 17 power plants with a total installed electrical capacity of 11.9 thousand MW and thermal energy capacity of 34.9 thousand Gcal/h.

The Company produces about 6.2% of electric power and 4.5% of heat generated in Russia (including NPPs).

According to ROSSTAT (Federal State Statistics Service) data electric power production in the Russian Federation increased by 2.4% (2.0% in 2007) while power consumption grew by 1.9% (2.3% in 2007).

During the last few years electric power consumption in Moscow Area registered steady growth. In 2008 it was 3.1%. Such growth was based on the expansion of the area's industrial potential, substantial rise in housing construction as well as construction of energy-consuming business, shopping and entertainment centers in Moscow and Moscow region.

The Company supplies 61% of the total electric power consumed in Moscow Area. The main existing and would-be competitors of the Company among power plants operating in the Moscow Area wholesale energy market for power and capacity that affect operation modes and price formation within MOSENERGO generation GTP (group of delivery points) include Kashirskaya LAPS-4 (OAO "OGK-1"), Shaturskaya LAPS-5 (OAO "OGK-4"), Zagorskaya PSP (OAO "RusHydro").

In 2008 heat consumption in Moscow Area declined by 4.4%.

The Company is the largest hot water and steam supplier and accounts for 68% of heat consumed in the market of Moscow that is considered to be the most promising and fast growing market in Russia.

OAO "Moscow Integrated Energy Company" (OAO "MOEK") is the principal competitor of MOSENERGO in the area of heat production and sales.

1.2. MOSENERGO Legislative Environment

In 2008 no major changes were introduced into the Russian legislation pertaining to electrical power generation industry. Among the most significant changes the following ones should be noted:

- changes introduced to Federal Law dated 14.04.1995 No. 41-FZ "On the state regulation of tariffs for electric and heat energy in the Russian Federation" relating to setting tariff limits for electrical and heat energy along with revised tariff duration periods (Federal Law dated 25.12.2008 No. 281-FZ);
- changes introduced to Federal Law dated 17.08.1995 No. 147-FZ "On natural monopolies" in respect of procedures for disclosing business-related information by natural monopolies (Federal Law dated 25.12.2008 No. 281-FZ);
- changes introduced to the Administrative Code of the Russian Federation in respect of elaborating application procedures for administrative sanctions relating to violations of price formation procedures (Federal Law dated 25.12.2008 No. 281-FZ);
- changes introduced to the Tax Code of the Russian Federation (Parts 1 and 2) and to certain legislative acts of the Russian Federation in respect of the procedures for assessing major taxes and depreciation for tax purposes (Federal Law dated 26.11.2008 No. 224-FZ);
- changes introduced to the Order of the Federal Tariff Service of the Russian Federation dated 23.10.2007 No. 277-e/7 "On approval of Methodical Instructive Guidelines for determination of the amount of charges payable for connecting to power networks" in respect of calculation of the amount of charges for connecting power receivers to power networks (power installations) owned by legal entities and individuals (Order of the Federal Tariff Service of the Russian Federation dated 07.10.2008 No. 202-e/2).

1.3. Risk Management

Risk management deals with prevention of risks that face MOSENERGO in its production and financial activities and with minimization of their negative consequences.

Risk Management Regulation is approved by the Company. The Regulation contains a Risk Map specifying kinds of major risks that affect MOSENERGO business activities, and a risk management program.

Risk management is based on a system approach which implies the following:

- risk analysis;
- risk response.

Risk management activities in the Company are conducted by functional units in line with their business responsibilities.

At present the following risks are considered by the Company to be substantial.

Political risks

A risk of unreasonable tariff regulation arising from a possibility of forced constraint or reduction of tariffs or establishment of tariffs that do not meet production costs of the Company.

Company experts work in close contact with the Federal Tariff Service of the Russian Federation (FTS), Regional Energy Commission (REC) of Moscow and Committee on Fuel and Energy of Moscow Region with the view of establishing economically viable level of tariffs.

Besides, for mitigation of these risks the Company implements operating cost cutting programs such as "Cost-Saving Production Program".

Market risks

Substantial risks associated with activities in wholesale energy market (WEM):

- market price volatility and seasonal fluctuations in demand for electrical and heat;
- lack of transparency in existing procedures and absence of long-term mechanism for price formation in the new capacity market;
- control actions of OAO "SO UES" ("System Operator of Unified Energy System") affecting operational modes of MOSENERGO power plants and leading to putting equipment on standing reserve or creation of excess capacity.

To overcome of such risks MOSENERGO takes part in formulation of legal documents regulating WEM operation, monitors actual operational modes in the region and power plants, analyses OAO "SO UES" actions.¹

Risks in the market of heat

Loss of MOSENERGO retail market in favor of OAO "MOEK" and OAO "Moscow Heat Distribution Company". Companies operate under the control of the Moscow Government and are actively engaged in connecting new construction consumers to heat distribution networks.

In order to mitigate influence of the above factors MOSENERGO:

- reforms TEPLOSBYT activities with the view of developing its competitive advantages;²
- takes active part in drafting the Law "On heat supply".

Risk of inflation may lead MOSENERGO to cost escalation and result in a profit crunch. Rise in inflation rates may also shrink the Company receivables' real value in case of a considerable deferral or delay in payments.

The impact of inflation on the Company's financial stability is forecasted in its financial plans. To minimize inflation risks MOSENERGO concludes long-term contracts for natural gas supply and its transportation to power plants at prices fixed annually.

Risk of losses from unforeseen fuel price change

Fuel prices may be subject to considerable fluctuations. Thus, there is a possibility when a fuel price budgeted in the business plan may be exceeded and additional financial resources will be required for its supplies.

For minimization of such risks the Company creates reserves of coal and fuel oil at its power plants for use in the event when the budgeted funds are exhausted and for prevention of large-scale purchases of fuel. Besides, certain arrangements are agreed upon with OAO "Gazprom" for the conclusion of mutually-beneficial contracts.³

Risk of losses from unforeseen exchange rate changes

In as much as the Company carries out sales of its products domestically and gets the proceeds in RUR, the Company's business is not directly exposed to foreign currency exchange rate fluctuations. However, through the use of loans and contracts in foreign currencies concluded under the investment program the Company may be subject to currency risk. As of January 1, 2009 the share of loans in foreign currencies in the corporate credit portfolio is insignificant and amounts less than 0.5%. The Company and Siemens AG have concluded contracts for the supply of 4 SGCC power units amounting € 220 million with major payments planned in 2010-2011. No final decision has been made so far in respect of the above contracts as their provisions provide for the buyer's right to withdraw from the contracts.

Besides, the Company has concluded contracts with Alstom for the construction of power unit No. 8 at TEP-26. The overall value of the contracts amounts to abt Swiss Francs 50 million and € 12 million.

The Company is subject to **interest rate-related risks** due to large-scale borrowing. Credits and loans are mostly granted at fixed interest rates. Changes in floating interest rates (MosPrime, LIBOR) under syndicated loans procured by MOSENERGO affect the financial performance of the Company.

To mitigate interest rate and currency-related risks the Company carries out budget planning taking into consideration an eventual rise in exchange rates and interest rates.

¹ p. 25

² p. 31

³ p. 42

Liquidity risk

The Company has a centralized liquidity management system. The procedures of liquidity risk management in the Company are based on the following mechanisms:

- budgeting;
- daily planning and control over the Company's receipts and payments;
- matching MOSENERGO payment obligation deadlines with receipt of funds from customers and under loan agreements.

To minimize liquidity risks the Company uses overdraft credit facilities.

Credit risk

When dealing with consumers MOSENERGO applies individual approach taking into account peculiarities of their financial and business activities.

Credit risk monitoring is based on grouping customers by their credit background, industry classification, debt structure by contractual debt repayment deadlines.

For credit risk management the Company creates valuation reserve as a cover for depreciation of receivables, maintains claims administration system, uses bank guarantees for the refund of advance payments.

Tax risks

The Company management considers that the Company fully adheres to tax legislation relating to its business activity. Nevertheless, there is a potential risk of the emergence of differences of opinion with relevant competent authorities on issues that allow ambiguous interpretation.

Tax legislation of the Russian Federation is prone to frequent changes and is in many instances vague and uncertain. In view of the above the following tax risks can relate to:

- amending tax laws by increasing tax rates;
- introducing new kinds of tax;
- wrong assessment and payment of taxes resulting from different interpretation of ambiguous norms of law.

For tax risk mitigation the Company regularly monitors changes in the tax legislation, court and administrative practices to ensure its compliance with relevant tax assessment procedures, appraises proposed transactions in the context of tax risks mitigation, carries out advanced training activities for employees involved in computation and payment of taxes.

Risks of asset losses as a result of property damage

Such risks include **risks of outages of energy facilities and damage to property** of the Company resulting from terrorist acts, pilferage and natural calamities in the Area.

With the view of such risks mitigation the Company conducts regular inspections of anti-terrorist protection of its personnel and production facilities, arranges for protection against eventual consequences of accidents, disasters and natural calamities, provides emergency and fire-fighting training of the personnel and makes arrangements for insurance cover.

Risks of civil liability

This group of risks includes a **risk of liability for the Area's environmental pollution and for causing damage to property**

of third parties, a risk of product liability in respect of supplies to the Area's internal market and to the WEM as well as a **risk of management liability arising from damage to life and health** of Company employees.

In order to mitigate such risks the Company is engaged in the following activities:

- reducing hazardous emissions into the environment;
- maintaining instant readiness of the equipment to sustain power loads and create spare capacity;
- development of computer-aided system for commercial energy metering;
- conducting certification of workplaces and providing work teams and workplaces with means of individual and collective protection;
- implementation of an action plan for securing industrial safety at hazardous production facilities of the Company;
- risks insurance.

Corporate governance risks

Currently, the Company's corporate governance risks are as follows:

- risks of decisions of a General Meeting of Shareholders and/or the Board of Directors of the Company being challenged in court by shareholders;
- disapproval of concluded transactions by MOSENERGO administrative bodies in the order prescribed by relevant legislation that results in their invalidation based on claims of interested parties;
- risk related to the procedures of information disclosure by the Company in line with the provisions of Russian legislation.

In order to minimize such risks clear delineation of responsibilities is established among administrative bodies of MOSENERGO (based on Charter provisions), Board committees are involved in this work, the Company's administration structure is improved, documents, regulating Company governance issues, are modified.

Specially designated units of the Company monitor compliance with requirements of legislation and constituent documents in the course of MOSENERGO business activities as well as implementation of decisions adopted by the Company's administration bodies.

Industrial and technical risks

The Company hedges against industrial and technical risks by creating stocks of fuel, spare parts, and materials as well as by carrying out measures to enhance reliability of power system operation.

The Company power plants may be subject to **risks of equipment failure through the fault of employees occurring both in normal and emergency operating modes**.

The Company's personnel advanced training is conducted both at specialized training centers and at TEPs.

Risks related to commissioning new equipment are mitigated through procurement of high-tech equipment produced by reputed manufacturers that has proved its guaranteed technical and economic specifications during performance tests and control test operation.

Minimization of **risks related to shortage of skilled personnel required for manning equipment** is achieved through creation of attractive environment at the Company affiliates for specialists by planning their career development, providing material incentive schemes and social protection guarantees.¹

MOSENERGO conducts analysis of potential risk situations that may emerge in the course of implementation of production program. The main form of loss reduction and damage compensation is insurance. Commercial insurance cover is used in respect of property, vehicles, civil liability, employees' accidents and health, medical care.

Organizational risks

Organizational risks include risks of losses resulting from inferiority of management processes in the Company, wrong choice of market strategy.

For mitigation of such risks the Company's corporate governance structure is improved by implementation of "Cost-Effective Production Program" and business processes are subject to regular research, review and improvement.

The Company makes arrangements for vocational development of managers and specialists at institutions of advanced training.

Investment risks

While implementing its investment program MOSENERGO is exposed to investment risks, i.e. **risks associated with degradation of key performance indicators of any ongoing project under the impact of changed external factors.**

The Company is engaged in investment management optimization for new construction projects by introducing project management systems based on latest methods and investment controlling practices.

Besides that mitigation of investment risks in 2008 was achieved through insurance mechanisms.

Legal risks

Risks of losses associated either with disregard of existing legislation or with its changes introduced within duration of a transaction; a risk of improperly drawn up documentation.

Legal risk management is based on formalized guidelines for documents handling associated with day-to-day business activities of the Company. Minimization of legal risks is underpinned by the use of standard forms of documents accompanied with continuous monitoring of changes in the relevant legislation.

Documents supporting business processes in the Company are subject to checks by legal department which facilitates minimization of legal risks and risks associated with improperly drawn up documentation.

Risks of increased expenses in settlement of claims lodged against MOSENERGO in respect of liabilities incurred prior to reforming.

To minimize such risks MOSENERGO terminated, since December 31, 2008, the agreement on shared responsibility in respect of liabilities which had been incurred prior to MOSENERGO reforming.

1.4. Major Events in 2008

January

Since January 1, 2008 in accordance with a decision of the Federal Tariffs Service of the Russian Federation new tariffs have been fixed for electricity (electric capacity) sold by MOSENERGO in the wholesale market under regulated pricing contracts within prescribed limits for sales volume of electric power (capacity).²

Since January 1, 2008 new tariffs for heat were introduced for consumers in Moscow and Moscow Region as per a resolution of the Regional Energy Commission of Moscow and by a decision of the Moscow Region Commission on Fuel and Energy.³

February

On February 28 MOSENERGO paid out forth coupon income on Series 02 bonds. The total yield amount payable on the above series bonds was RUR 190.8 million.

March

On March 18 MOSENERGO paid out third coupon income on Series 01 bonds. The total yield amount payable on the above series bonds was RUR 188.0 million.

On March 31 the Board of Directors of MOSENERGO passed the decision on termination of the powers of the General Director of MOSENERGO Mr A.Ya. Kopsov and on appointment from April 1 to the post of the General Director of MOSENERGO of Mr V.G. Yakovlev who had been formerly employed with MOSENERGO as Deputy General Director responsible for corporate policy.

April

An agreement on reservation of production capacity was signed on April 3 between MOSENERGO and Siemens AG for eventual supply of equipment to MOSENERGO TEP-12, TEP-16, TEP-20 and TEP-25.

The Agreement provides for conclusion of four contracts covering delivery of three single-shaft power units for the construction of CCPU-420 units at TEP-12, TEP-20 and TEP-25 and one twin-shaft powerplant for the construction of a CCPU-420 unit at TEP-16.

May

Annual General Meeting of MOSENERGO shareholders was held on May 21 in the town of Dzerzhinsk, Moscow Region.⁴

MOSENERGO shareholders elected a new Board of Directors and Internal Audit Commission and approved the Company's Annual Report for 2007, annual financial statements, Profit & Loss Accounts and profit appropriation. Considering payment of dividends on ordinary shares for Q1'07 amounting RUR 296,3 million the distribution of dividends on ordinary shares based on the results of the Company activities in 2007 was declined.

June

On June 6 the procedures for early redemption of bonds claimed by MOSENERGO bond holders were completed. The Company

■ 2 1

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■ 4 p. 136



received claims for early redemption of 370,671 Series 01 bonds and 217,086 Series 02 bonds. Upon redemption of the bonds claimed a total of 4,629,329 Series 01 bonds and 4,782,914 Series 02 bonds to the total value of RUR 9,412 million remained in circulation.

On June 17 a grand ceremony at the commissioning of a new combined cycle power unit No. 11 (CCPU-450 T) at MOSENERGO TEP-21 was held. The event was attended by OAO "Gazprom" delegation headed by the Chairman of Company's Executive Board A.B. Miller, officials from RAO UES of Russia, Government of Moscow and MOSENERGO top managers.

On June 24 MOSENERGO was granted a permit by the Federal Financial Markets Service of Russia for circulating of up to 20% MOSENERGO ordinary registered shares outside the Russian Federation.

July

On July 1 MOSENERGO completed reorganization whereby OAO "Mosenergo Holding" formed as a result of a secession from RAO UES of Russia was acceded to MOSENERGO.

Based on the decision of the Shareholders' General Meeting MOSENERGO the minority stake of shares, formerly owned by RAO UES of Russia and transferred to the Balance Sheet of

OAO "Mosenergo Holding" as well as shares redeemed from shareholders who had voted against reorganization of the Company or who had not participated in voting, were used for conversion purposes.

Conversion was carried out in line with share-swap ratio approved by Shareholders' General Meetings of RAO UES of Russia and MOSENERGO.

As a result of the reorganization the number of treasury shares was reduced to 140,229,451 shares on July 1, 2008.

On July 1, 2008 RAO UES of Russia completed all corporate procedures required and ceased to exist as a legal entity which resulted in the change of principal shareholders of the Company with the number of people entered into the Company's Shareholder Register increasing 18 times up to 305,108.

On July 9 a new GDR program for MOSENERGO shares was launched in accordance with Rule 144-A and Provision S. The Bank of New York Mellon acted as a depository bank. The GDR-to MOSENERGO shares ratio was 1:50. The GDR program was launched in the framework of the final stage of the RAO UES of Russia reform and was aimed at safeguarding the rights of RAO UES of Russia share-related depository receipt holders.



August

On August 28 MOSENERGO paid out fifth coupon income on Series 02 bonds. The total yield amount payable on the above series bonds was RUR 182.5 million.

September

On September 16 MOSENERGO paid out fourth coupon income on Series 01 bonds. The total yield amount payable on the above series bonds was RUR 174.1 million.

November

On November 10 a new Registrar of the Company Affairs – ZAO “SR-DRAGa” – was selected by the Board of Directors. The shareholder register is transferred to ZAO “SR-DRAGa” as part of the corporate management procedures at the Gazprom Group.

On November 14 certificates of readiness for operation during autumn and winter period 2008-2009 were presented to MOSENERGO branches. The event had been preceded by inspection of MOSENERGO branches carried out by the Commission on Appraisal of the Readiness for Operation during Winter Season at the Ministry of Energy of the Russian Federation. The Commission members included top management repre-

sentatives of MOSENERGO, Moscow Interregional Directorate of Rostekhnadzor, EMERCOM, Ministry of Energy and OAO “SO UES” transmission system operator.

December

On December 18 a grand ceremony at the commissioning of a new combined cycle power unit No. 11 (CCPU-450 T) at MOSENERGO TEP-27 was held.

The event was attended by OAO “Gazprom” delegation headed by the Chairman of Executive Board A.B.Miller, officials from the Ministry of Energy of the Russian Federation, Government of Moscow and Government of the Moscow Region, MOSENERGO top managers.

Equity capital

123.2 bln. RUR

Assets of MOSENERGO

160.

bln. RUR

2

Electric Energy Generation and Sales

Generating capacities [as of 31.12.2008]

	Installed electrical capacity, MW	Share in the MOSENERGO aggregate installed electrical capacity, %
TEP-1	95	0.80
LAPS-3	580	4.87
TEP-6	24	0.20
TEP-8	605	5.08
TEP-9	210	1.76
TEP-11	330	2.77
TEP-12	408	3.43
TEP-16	360	3.02
TEP-17	192	1.61
TEP-20	730	6.13
TEP-21	1,775	14.91
TEP-22	1,310	11.01
TEP-23	1,420	11.93
TEP-25	1,370	11.51
TEP-26	1,410	11.85
TEP-27	1,060	8.91
TEP-28	25	0.21
MOSENERGO	11,904	100

2.1. Functioning of the Electric Power Wholesale Market

Wholesale market for electric power and capacity (WEM) was established in Russia under the Federal Law No. 35-FZ "On Electrical Power Generation Industry" dated 26.03.2003.

The WEM is the market place for sales and distribution of electric power and capacity within Unified Energy System (UES) of Russia.

The WEM participants are electric energy producers and buyers who meet the requirements for WEM participants and operate in compliance with the WEM regulations established by the Government of the Russian Federation.

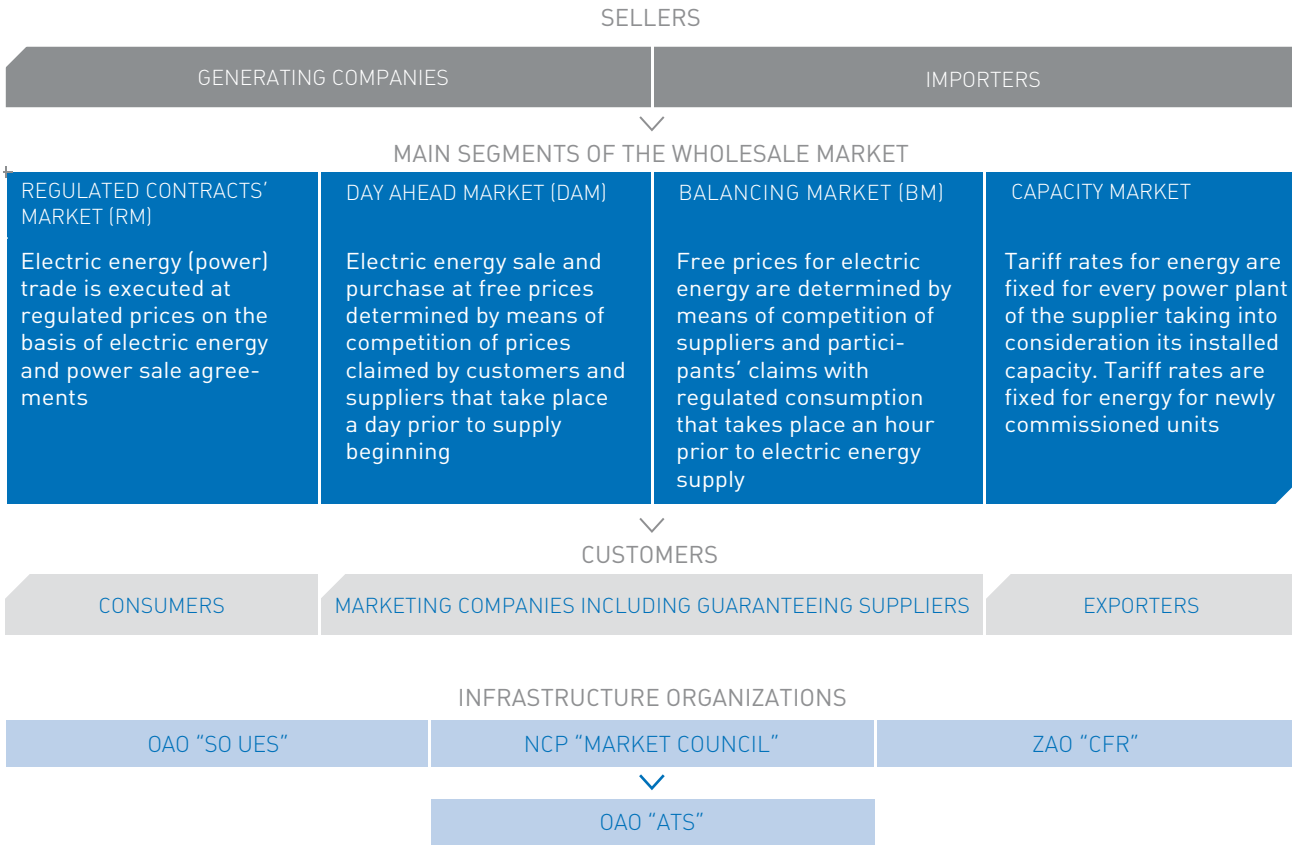
Since September 1, 2006 a new wholesale electric power and capacity market model (NOREM) has been introduced in Russia in accordance with the Government Decree No. 529 "On Improvement of the Order of Functioning of the Wholesale Market for Electric Power (Capacity)" dated 31.08.2006.

In accordance with the WEM Regulations the total volume of electrical power produced by generating companies in Russia is delivered to the wholesale market comprising the following sectors:

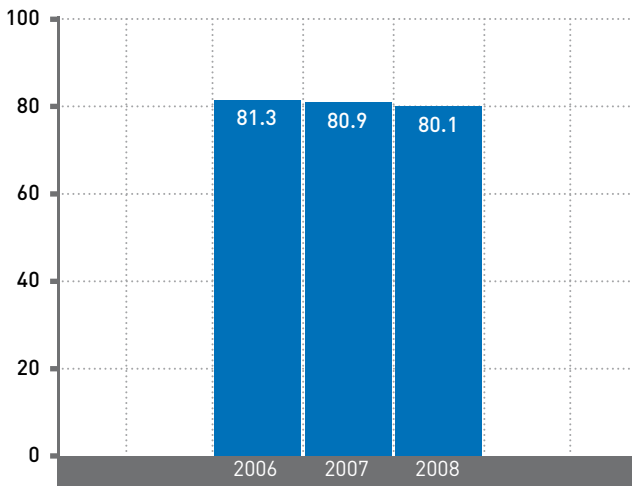
- a market of regulated contracts (RM);
- a "day-ahead" market (DAM);
- a balancing market (BM).

On July 1, 2008 in accordance with the Decree of the Russian Government No. 476 dated 28.06.2008 a power capacity market was launched. Tariffs for power capacity were fixed for each individual power plant of any supplier on the basis of their available capacity. Under the preceding regulations tariff rates were fixed for installed capacity and were uniform for all power stations of any supplier. Besides, tariff rates were fixed for newly commissioned power units.

Functioning of the Electric Power Wholesale Market



MOSENERGO share in electrical energy production in Moscow Area, %*



*according to data of Moscow RDU

Launch of the power capacity market serves to encourage each supplier in maintaining instant readiness of power plant equipment, constructing new generating facilities and improving quality of reconstruction and repairs of existing capacities.

Effective functioning of WEM is ensured by organizations formed in accordance with the Federal Law No. 250-FZ "On amending certain legislative acts of the Russian Federation in connection with accomplishment of measures on reforming the Unified Energy System of Russia" dated 04.11.2007:

- OAO "SO UES" (OAO "SO-CDU UES" prior to 06.02.2008) – ensures centralized operating and process control of the Unified Energy System of Russia;
- Non-Commercial Partnership "Market Council" (NCP "ATS" prior to 28.07.2008) deals with a register of market participants, developing operating procedures, controlling WEM participants' operations;
- OAO "ATS" (established on 13.12.2007, presently – a subsidiary of NCP "Market Council") – since April 1, 2008 has been functioning as WEM commercial operator in respect of concluding and executing transactions for sales and distribution of electric power and capacity in the WEM;
- ZAO "CFR" – provides for settlement of accounts among WEM participants.

Periods of Liberalization of the Wholesale market of electric power and capacity

Period	Year	Sales share in RM, %
1 January – 30 June	2007	90-95
1 July – 31 December		85-90
1 January – 30 June	2008	80-85
1 July – 31 December		70-75
1 January – 30 June	2009	65-70
1 July – 31 December		45-50
1 January – 30 June	2010	35-40
1 July – 31 December		15-20
1 January	2011	0*

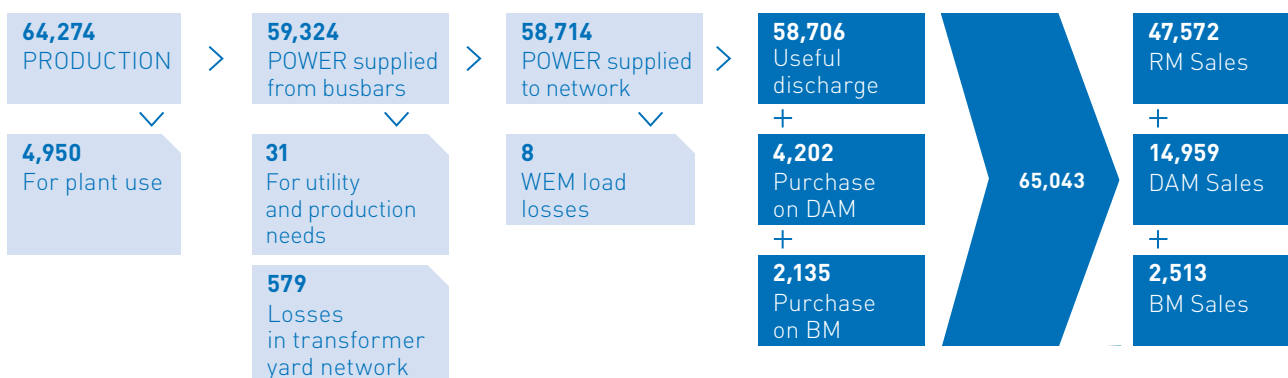
* from January 1, 2011 on the total volume of electric power and capacity will be supplied at free (deregulated) rates.

Tariffs fixed for WEM regulated contracts market (RM)

	2007	2008	Deviation,%
Tariff rate for capacity, RUR/MW per month	108,811.8	118,161.5*	8.6
Tariff rate for electric power, RUR/MWh	379.6	486.4	28.2
Average tariff, RUR/MWh	621.3	721.7	16.2

* including capacity market performance launched on 01.07.2008.

MOSENERGO Electric Power Balance in 2008, mln. KWh



Limits for sales volumes at regulated prices out of the total electric power production volumes were set under the Decree of the Russian Government dated 07.04.2007 for WEM participants for a period till 2011.

Moscow energy system is an integral technological part of the Unified Energy System of Russia and is exposed to influence from some of its constituent parts. Considering the above, higher (compulsory) capacity utilization of certain power plants, in the context of existing spare power capacities, leads to under-utilization of capacity at others, and MOSENERGO is compelled to compete in the WEM with other generating companies in order to secure utilization of most efficient power capacities.

MOSENERGO product competitiveness is affected by combined character of energy production, structure of a fuel mix and rise of energy consumption in the area.

QAO "Mosenergosbyt" is a major buyer of electric power supplied by MOSENERGO to the regulated sector of the market.

2.2. Electric Power Tariffs

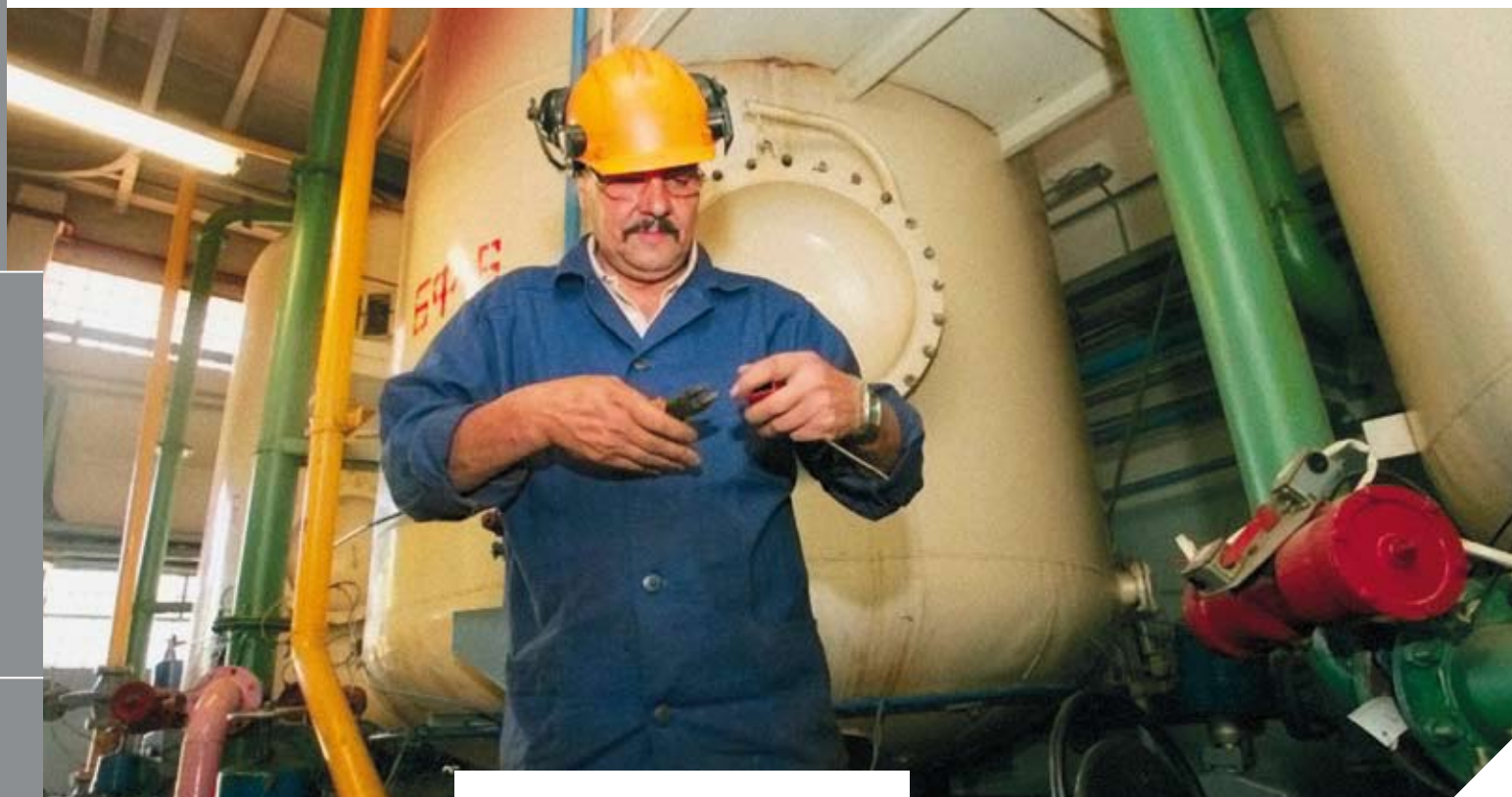
Electric power supplied to DAM and BM was paid at tariff rates based on the prices proposed in competitive bids of market participants.

Average tariff for electric power actually supplied to WEM amounted to RUR 822.6 per MWh due to larger power volumes sold on a competitive basis.

Since July 1, 2008 in accordance with the Decree of the Russian Government dt. 28.06.2008 No. 476 and the Order of the Federal Tariffs Service dt. 30.06.2008 No. 242-e a power capacity market has been launched and prices have been fixed for available power capacities of each of the Company's power stations in the regulated sector of WEM.

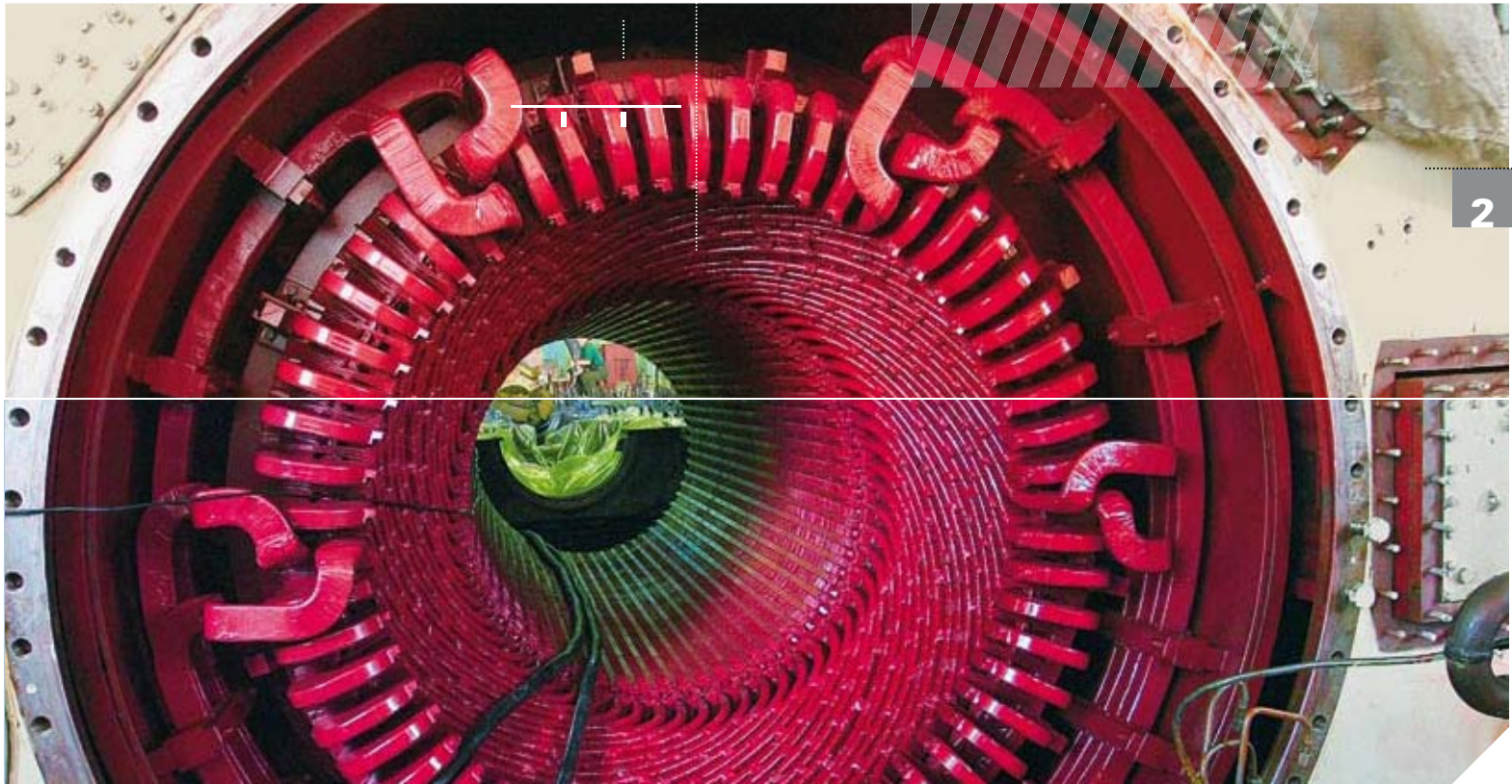
At the same time, capacity tariffs for new CCPU-450 power units commissioned at TEP-21 (unit No. 11) and TEP-27 (unit No. 4) were introduced for the first time by NCP "ATS".

The price of newly commissioned capacities formed as a result of actual power supply to the competitive sector proved to be lower than the targeted one (forecast tariff rate – RUR 457,181/MW per month, actual seasonally adjusted rate – RUR 340,000/MW per month).



MOSENERGO electric power sales in WEM

Description	2007	2008	Deviation
Proceeds of sales, mln. RUR	39,520	52,953	13,433
1. Electric power, mln. RUR	25,844	35,851	10,007
total sales, mln. KWh	63,169	65,043	1,874
average tariff, kop./ KWh	40.91	55.12	14.21
Including:			
1.1. RM sector, mln. RUR	20,483	23,171	2,688
total sales, mln. KWh	53,954	47,572	-6,382
average tariff, kop./ KWh	37.96	48.71	10.75
1.2. DAM sector, mln. RUR	4,156	10,850	6,694
total sales, mln. KWh	7,013	14,959	7,946
average tariff, kop./ KWh	59.26	72.53	13.27
1.3. BM sector, mln. RUR	1,205	1,831	626
total sales, mln. KWh	2,202	2,513	311
average tariff, kop./ KWh	54.72	72.87	18.15
2. Charge for capacity, mln. RUR	13,676	17,102	3,426
total sales, MW	10,536	10,846	310
average tariff, RUR 000/MW per month	108.17	131.40	23.23



2.3. Sales of Electric Power by WEM Sectors

In 2008 MOSENERGO delivered 65,043.4 mln. KWh of electric power and 10,845.9 MW of electrical capacity to the WEM including 47,571.6 mln. KWh of electric power and 9,263.4 MW of electrical capacity sold under bilateral contracts in the RM sector whereas 17,471.8 mln. KWh of electric power and 1,582.5 MW of capacity were sold in the DAM and BM market sectors.

On the whole in 2008 the percentage of electric power supplied by the Company to WEM regulated sector declined from 85% to 73% as prescribed by the Decree of the Russian Government dated 07.04.2007 No. 205.

As a result, MOSENERGO got an opportunity to deliver 1.9 times more electric power at free prices to the competitive market than it delivered during preceding year. Accordingly, increased earnings from sales of electric power may be attributed to the higher average tariff that resulted primarily from higher power sales share in the DAM.

Similarly, increase in earnings in the capacity market was caused by commencement of sales of newly commissioned capacities at prices notably higher than those for capacities sold in RM sector.

2.4. MOSENERGO Share in the WEM

The Company supplies account for 61% of electric power consumed in Moscow Area. The main existing and would-be competitors of the Company among power plants operating in the Moscow Area wholesale energy market for power and capacity that affect operation modes and price formation within MOSENERGO generation GTP (group of delivery points) include Kashirs-kaya LAPS-4 (OAO "OGK-1"), Shaturskaya LAPS-5 (OAO "OGK-4"), Zagorskaya PSP (OAO "RusHydro").

The Company's share in the suppliers' market of Moscow Area declines primarily in view of supplies of low-priced electric power produced by OAO "RusHydro" and State Corporation "Rosatom" (net power flow).

3

Heat Production and Sales

Heat generating capacities

(as of 31.12.2008)

	Installed heat capacity, Gcal/h	Share in MOSENERGO aggregate installed heat capacity, %
TEP-1	951	2.73
LAPS-3	341	0.98
TEP-6	139	0.40
TEP-8	2,192	6.28
TEP-9	560	1.61
TEP-11	1,011	2.90
TEP-12	2,043	5.85
TEP-16	1,484	4.25
TEP-17	712	2.04
TEP-20	2,400	6.88
TEP-21	4,918	14.09
TEP-22	3,606	10.33
TEP-23	4,530	12.98
TEP-25	4,088	11.71
TEP-26	4,006	11.48
TEP-27	1,876	5.38
TEP-28	40	0.11
MOSENERGO	34,897	100

3.1. Heat Production

Major part of heat energy produced by the Company is sold to consumers located in Moscow. The MOSENERGO heat generating capacities located nearby in areas outside Moscow supply to consumers just a small share of the heat produced by the Company. At the same time, in the towns of Dzerzhinsky, Kotelniki, Stupino, Elektrogorsk and Elektrostal MOSENERGO power plants dominate in heat supply systems whereas heat supply systems in the towns of Lyubertsi, Mytishchi and Khimki rely considerably on heat from TEP-22, TEP-27 and TEP-21.

MOSENERGO generates and sells heat in the form of hot water (98%) and steam (2%). The main consumers of steam are large industrial enterprises in the area.

In 2008 deliveries of heat to heat supply system, inclusive of heat purchases, amounted to 63.05 mln. Gcal which is 4.8% below the corresponding level in 2007.

The average air temperature in 2008 was +7.4°C against +7.1°C in 2007.

Higher air temperatures in 2008 both during heating season and throughout the year resulted in lower utilization factor of installed turbine heat capacity.

Heat delivered during heating season accounted for 85% of the overall annual heat deliveries. The average outside air temperature during heating season was 1.7°C higher than in 2007 and reached +2.1°C thus leading to earlier termination of heat supply in April (April 29 in 2008 against May 10 in 2007).

In 2008 a total of 62,439.7 thousand Gcal of heat was delivered at the power plants' manifolds which is 3,116.8 thousand Gcal, or 4.8% below the last year's corresponding number.

Heat supplied by CCPU-450T power units at TEP-21 and TEP-27 in 2008, amounted to 792.1 thousand Gcal, or 1.3% in the overall MOSENERGO heat power deliveries.

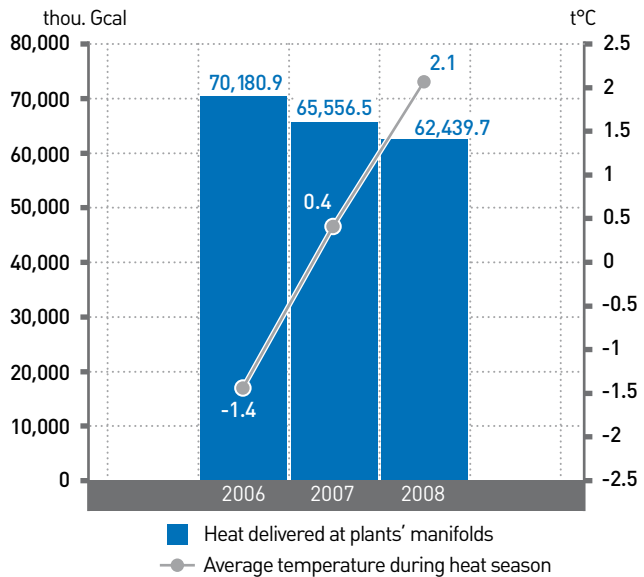
Lower heat consumption by industrial customers may be attributed to the decline in steam consumption and decommissioning of steam pipelines.

Lower steam consumption is attributed to changes in production processes, consumers switch to alternative energy sources as well as relocation of large industrial enterprises outside the city limits.

Heat power supply for compensation of process power losses in heat distribution networks amounted to 4.45 mln. Gcal, or 25.7% higher than in 2007.

Higher heat energy consumption for compensation of process power losses in distribution systems resulted from additional heat purchases by OAO "Moscow Heat Distribution Company" for its further resale to consumers who renewed their contracts for heat power supply.

Changes in Heat Deliveries and Average Temperature

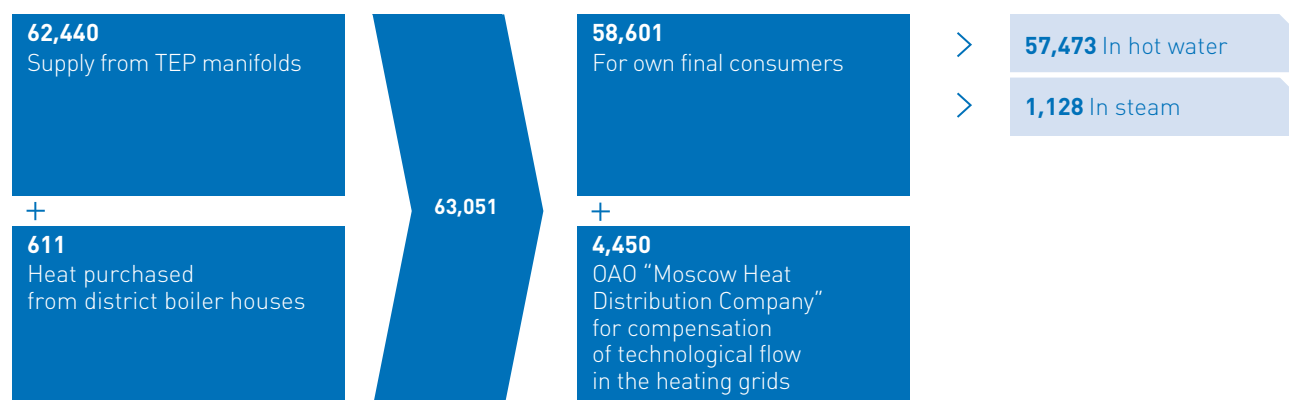


Heat Supply from Manifolds

Thousand Gcal

	2006	2007	2008
TEP-1	1,876.6	1,758.8	1,654.0
LAPS-3	415.1	396.8	355.9
TEP-6	187.9	175.0	161.5
TEP-8	2,374.7	2,179.4	1,986.3
TEP-9	1,432.8	1,313.4	1,177.2
TEP-11	2,503.5	2,475.1	2,178.5
TEP-12	3,525.2	3,296.1	3,032.6
TEP-16	3,876.7	3,659.8	3,490.3
TEP-17	641.6	567.7	528.4
TEP-20	4,857.2	4,670.5	4,500.7
TEP-21	11,210.6	10,208.2	9,842.4
TEP-22	9,437.5	9,038.6	8,818.1
TEP-23	9,269.1	8,567.0	8,328.9
TEP-25	6,791.1	6,360.0	6,262.0
TEP-26	8,979.8	8,449.9	7,594.0
TEP-27	2,600.1	2,253.2	2,310.9
TEP-28	201.5	187.0	218.1
MOSENERGO	70,180.9	65,556.5	62,439.7
For reference purposes:			
OAO "MOEK"	25,255	24,028	23,195
Other sources	6,019	5,653	5,405

MOSENERGO Heat Energy Balance in 2008, thousand Gcal



3.2. Heat Tariffs

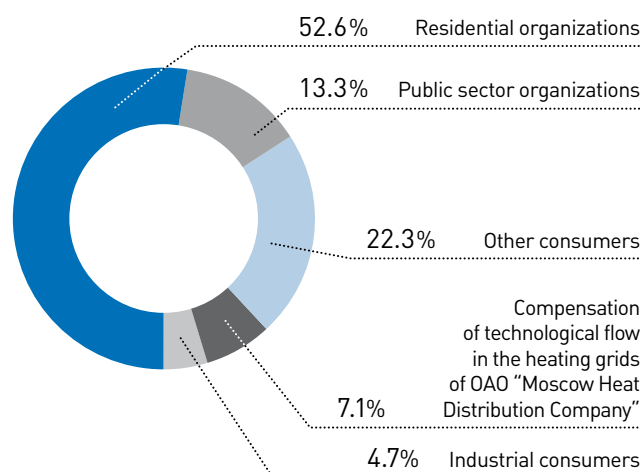
The new tariff rates for heat production for 2008 were fixed by ordinance No.87 dated December 19, 2007 of the Regional Energy Commission of Moscow and by minutes No. 49-RP dated December 26, 2007 of the Committee on Fuel and Energy of Moscow Region.

Decline in actual averaged tariff rate against fixed one for heat supplied to final consumers resulted from a change in actual consumption structure of heat consumer groups.

Actual tariff rates for heat supplied for compensation of process power losses in heat distribution networks of OAO "Moscow Heat Distribution Company" in 2008 amounted to RUR 362.56 per Gcal and increased by 15.9% over the 2007 level.

Net earnings from sales of heat power compared with 2007 showed an increase of RUR 4,064 mln. (12.1%) resulting from higher heat power tariffs for an overall amount RUR 5,873 mln. and accompanied with lower productive supply of heat that led to a corresponding decrease in earnings by RUR 1,809 mln.

Heat Consumption by Consumer Groups



Heat Tariff Rates by Consumer Groups

RUR/Gcal

Consumer group	2007		2008		Deviation, %	
	Moscow	Moscow Region	Moscow	Moscow Region	Moscow	Moscow Region
Industrial consumers						
water	553.30	609.50	643.04	734.13	16.22	20.45
steam	517.74	754.69	674.27	909.36	30.23	20.49
Utilities						
water	495.34	479.46	595.20	549.06	20.16	14.52
steam		667.00		804.70		20.64
Other consumers						
water	550.66	495.11	643.44	568.96	16.85	14.92
steam	661.98	674.98	926.76	815.48	40.00	20.82

Heat Tariff Changes

RUR/Gcal

	MOSENERGO	Moscow	Moscow Region
Average tariff rates fixed for 2007	519.90	519.50	528.69
Average tariff rates fixed for 2008	619.65	619.76	617.40
Average fixed tariff rate increase, %	19.2	19.3	16.8
Fixed tariff rates for heat supplied for compensation technological flow in the heating grids from 01.01.2008	368.52	355.00	497.70
Average tariff rate for heat actually supplied in 2007	516.62	516.23	525.63
Average tariff rate for heat actually supplied in 2008	613.07	613.48	603.92
Increase of average tariff rates for heat actually supplied	18.7	18.8	14.9

Proceeds from sales of heat

Description	2007	2008	Deviation
Earnings from sales of heat power, mln. RUR	33,476	37,540	4.064
Sales volume, thousand Gcal	66,196	63,051	-3,145
Average tariff adjusted for loss compensation, RUR/Gcal	505.72	595.39	89.67

MOSENERGO Share in heat production in Moscow

	2006	2007	2008
Heat production in Moscow, total, thousand Gcal	100,320	94,209	90,078
Heat supply from MOSENERGO TEP manifolds in Moscow, thousand Gcal	69,046	64,528	61,478
MOSENERGO share in total heat production, %	68.8	68.5	68.2

3.3. Heat Sales Structure in Moscow Area

The single largest wholesale consumer of heat generated by MOSENERGO was OAO "MOEK" which accounted for 68.0% of the total heat power productive supply to the Company's own consumers in 2008.

Compared with 2007 the OAO "MOEK" share in the overall sales of heat power increased by 3.0% in view of the transfer of central and local heating units under "MOEK" operational control as prescribed by the Decree of Moscow Government No. 660 "On the Procedures for acceptance of engineering and communal infrastructure facilities in ownership of the City of Moscow" dated 22.08.2000.

Besides, OAO "MOEK" is also a heat power producer in Moscow. Government of Moscow, being an OAO "MOEK" shareholder, adopted a program for modernization and new construction of GTU-TEP. It is supposed to enhance competition in areas of potentially competitive heat power distribution.

3.4. MOSENERGO Share in the Consumers Heat Market

Analysis of the MOSENERGO power plants performance shows that their load mode was far from being optimal: at the time when consumption in Moscow Area was declining in the course of the last few years due to prevailing air temperature conditions it was MOSENERGO power plants that were unloaded rather than less efficient OAO "MOEK" heat power generating facilities.

According to the existing competition potential the heat market in Moscow may be divided into several zones:

- a zone where MOSENERGO dominates (larger part of the city covered by TEP heat distribution networks with no other heat networks and heat power supply sources in the vicinity);
- a zone of potentially competitive heat power supply conditions (mainly in the South, South-East and West areas of the city);
- a zone where OAO "MOEK" dominates (Tushino, Mitino, Zelenograd);



- a zone of decentralized heat power supply (city outskirts supplied from smaller boiler houses).

Competition in such a particular market as heat power supply develops, within the limits of MOSENERGO interests, in the following directions:

- cutting-off MOSENERGO power plants technologically from their potential consumers in areas of ongoing housing construction in Moscow by way of load transfer;
- consumers switch into independent heat power supply mode

or abandonment of heat power in production processes (industrial sector or large enterprises in service sector);

- squeezing MOSENERGO out of its traditional operation areas by construction of new heat power generating facilities.

Development strategy in heat power distribution market

MOSENERGO strategy in the heat power distribution market is aimed at increasing its retail sales share through strengthening competitive advantages of the Company. With that target

Retail heat sales

Description	2007	2008	Deviation	
			absolute	%
Retail sales, total, mln. RUR	9,572	11,566	1,994	20.8
Retail sales, total, thousand Gcal	21,878	18,833	-3,045	-13.9
Number of subscriber contracts	8,182	7,837	-345	- 4.2
Earnings per subscriber, thousand RUR	1,170	1,476	306	26.2



in mind, the Company has set about reforming Teplosbyt, its affiliate branch.

Firstly, sales and marketing functions of suburban power plants (LAPS-3, TEP-17) were consolidated with Teplosbyt. Customer service centers are opened. Development of Teplosbyt corporate Web-site, personal consumer office and Internet-based payment system is under way. The above systems will be introduced for customer use in 2009.

In addition, another mechanism designed to retain retail customers is installation of automated systems for collection of subscriber metering data. Already installed automated systems account for 2.5% of the total number of subscriber meters.

Decline in the number of subscriber contracts compared with 2007 is attributed to the OAO "Moscow Heat Distribution Company" contract renewal activities referred to above.

The most promising area for heat market expansion is Moscow suburbs. In 2008 MOSENERGO experts began work on assessment of possible connection of the town of Dolgoprudny to TEP-27. According to a preliminary assessment, the town's demand for heat power required for new housing and communal facilities as well as urban development is estimated at 200–300 Gcal/h. Estimated annual growth in heat load connection will be at least 50 Gcal/h. Construction of new heat supply pipelines

from MOSENERGO power plants is required in order to secure the heat power supply.

Installed electrical capacity

11.9

thou. MW

Installed heat capacity

34.9

thou. Gcal/h



4

Analysis of performance results and financial state

4.1. Performance of MOSENERGO in 2008

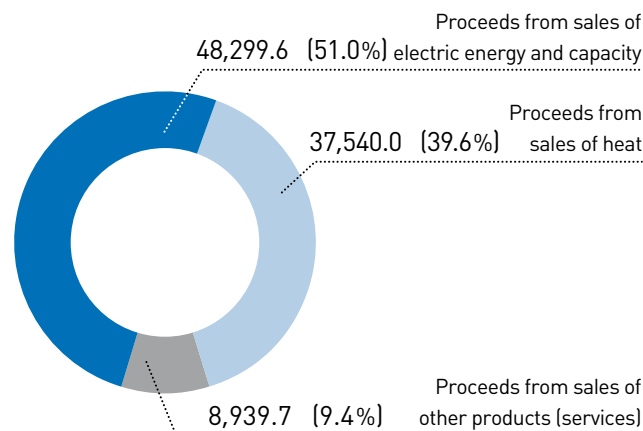
Proceeds from sales

In 2008, the proceeds from sales of commercial output (net of VAT) yielded RUR 94.8 billion, including RUR 85.8 billion as revenues on electricity and heat sales and RUR 8.9 billion as revenues on other goods, works and services sale.

As compared to 2007 proceeds from sales of commercial output increased by 21.1% and of energy by 22.2%.

The analysis of factors promoting change in the proceeds from sales is presented in Sections 2 and 3.

Proceeds from products sales, RUR mln



Production costs

The production cost of MOSENERGO's commercial output in 2008 totaled RUR 89.98 billion, including RUR 81.93 billion of energy generation costs, other products – RUR 8.05 billion.

As compared to the year of 2007 commercial output production costs stepped up by RUR 16.3 billion, including power generation – by RUR 14.13 billion.

The average cost of equivalent fuel was RUR 1,775.7, a 24.8% increase against the level of 2007.

Increase of the fuel cost is accounted for by the following factors:

- growth of fuel prices (caused stepping up of costs by RUR 9.0 billion);
- reduction of heat output (caused reduction of costs by RUR 0.5 billion).

The remedial maintenance expenses in 2008 accounted for RUR 4.2 billion, or 5.1% of the energy generation costs.

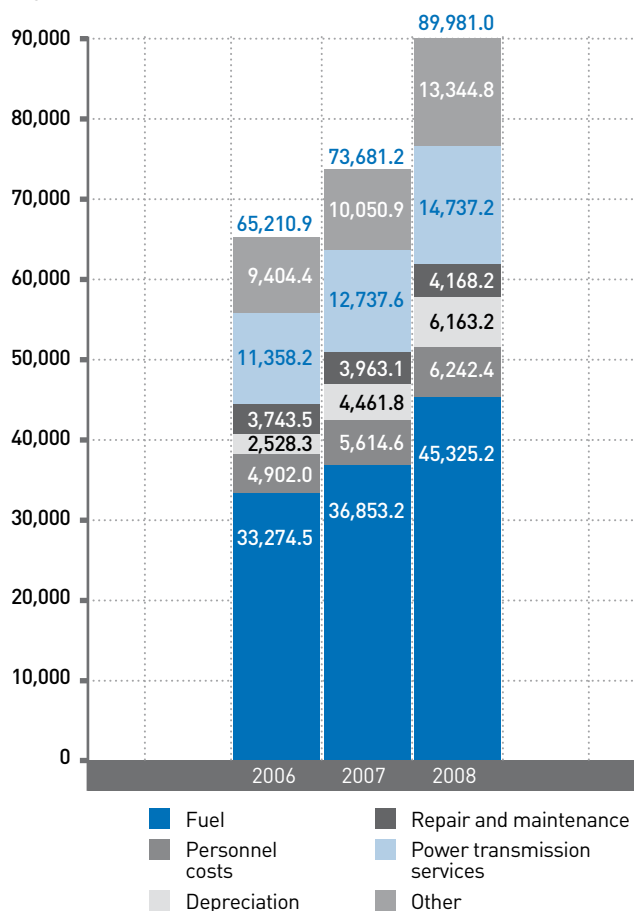
The payroll costs, including allocations, amounted to RUR 6.2 billion, or 7.5% of the total energy generation costs. Over the year 2008, MOSENERGO conducted unscheduled payments related to a new retirement scheme implementation and payments to employees discharged as a result of the Company's organizational structure reorganization.¹

On the whole, growth rates of operating expenses were lower than growth rates of proceeds from sales, which manifested itself in growth of profitability of the Company's sales.

Owing to the fact that MOSENERGO operates on the wholesale market of electric energy and power, mainly in the regulated agreements market where more than 70% of output is sold at tariffs set by FST of Russia, one of the major ways of improving profitability of the Company is to optimize its expenses. This work is carried out in accordance with the cost management program along the following base lines:

¹ p. 76

Dynamics of production costs change, RUR mln



Distribution of Net Profit (RUR'000)

	2006	2007	2008 *
Retained earnings	1,523,725	739,470	1,371,721
To the Reserve Fund	76,186	36,974	68,586
For accumulation	847,539	406,206	
For dividend payment, total	600,000	296,290	
Including those paid by results of operation in Q1		296,290	

*submitted to the General Meeting of shareholders for approval.

- increase of sale proceeds;
- cost saving;
- optimization of the non-core activities.

The actual fulfillment of the program in 2008 worked out at RUR 1,072.7 million, which is by RUR 95.5 million higher than the target figure.

One of the ways to optimize its expenses by way of awarding contracts for the procurement of goods, works and services on the terms most favorable for MOSENERGO, the Company follows the regulated tender procurement procedure.²

EBITDA

EBITDA is Earnings Before Interest, Taxation, Depreciation and Amortization. Its value shows the financial result of the operating activities of the Company and allows comparison of the companies as it's independent of the applied taxation system, cost of loans gaining and the system of fixed assets and intangible assets depreciation.

In 2008 EBITDA was RUR 8,364 million, which is by RUR 2,267 million more than in 2007.

Advance of operational profitability based on EBITDA in 2008 (37.2%) is higher than sales proceeds growth rate (21%), accounted for lower growth rates of production costs (19.6%). Low personnel costs and heat transmission costs accepted as nominally fixed ones contribute largely to these results.

Net profit

The Company's net profit after the profit tax and other mandatory payments was RUR 1,371.7 million. The amount of the net profit stepped up by 85.5% as compared to the previous year value.

In accordance with Article 8 of the Company's Charter,³ the amount of mandatory annual allocations to the Reserve Fund is 5% of the net profit of the Company until the established amount of the Reserve Fund is reached (5% of the Company's charter capital).

² p. 44

³ 3



Statement of Borrowed Funds Flow at MOSENERGO
(RUR'000)

Name	Balance as of 31.12.2007	Interest and foreign exchange differences raised and accrued in 2008	Repaid in 2008	Balance as of 31.12.2008
European Bank for Reconstruction and Development	7,407,029	741,906	1,376,814	6,772,121
Bonded loans	10,236,342	728,258	1,325,659	9,638,941
OAO "Gazprombank"	–	3,089,261	3,089,261	–
Sberbank	–	1,250,546	–	1,250,546
ZAO "Mezhdunarodniy Promyshlenniy Bank"	–	3,028,356	52,356	2,976,000
OAO "Bank of Moscow"	–	2,308,896	8,896	2,300,000
ZAO "Raiffeisenbank "	–	1,313,437	1,313,437	–
Other credits and loans	114,982	3,446	118,428	–
Total	17,758,353	12,464,106	7,284,851	22,937,608



State of Debt by Credit Portfolio at MOSENERGO (RUR'000)

Name	Balance as of 31.12.2008	Average weighted interest rate as of 31.12.2008	Redemption date
European Bank for Reconstruction and Development	102,185	7.32%	2009
European Bank for Reconstruction and Development	6,669,936	10.33%	2012-2018
Bonded loans (series 2)	4,908,235	7.54%	2016
Bonded loans (series 1)	4,730,706	7.65%	2011
ZAO "Mezhdunarodniy Promyshlenniy Bank"	2,976,000	13.7%	2009
OAO "Bank of Moscow"	1,600,000	18.0%	2009
OAO "Bank of Moscow"	700,000	17.0%	2009
Sberbank	1,250,546	16.0%	2009
Total	22,937,608		

Analytical Balance Sheet

(RUR'000)

Indicator	Lines	As of 01.01.2008	As of 31.12.2008	Deviation	Structural values, percent		
					As of 01.01.2008	As of 31.12.2008	Deviation
ASSETS							
I. NON-CURRENT ASSETS							
Intangible assets	110	80	115	35	0.00	0.00	0.00
Fixed assets	120	69,608,875	93,031,794	23,422,919	45.65	57.89	12.24
Construction in progress	130	22,804,484	20,226,432	-2,578,052	14.96	12.59	-2.37
Long-term financial investments	140	82,997	119,511	36,514	0.05	0.07	0.02
Deferred tax assets	148	813	8,278	7,465	0.00	0.01	0.00
Other intangible assets	150	68,782	219,658	150,876	0.05	0.14	0.09
TOTAL BY SECTION I	190	92,566,031	113,605,788	21,039,757	60.71	70.69	9.99
II. CURRENT ASSETS							
Inventories	210	4,765,817	4,679,143	-86,674	3.13	2.91	-0.21
Value-added tax on valuables acquired	220	421,827	938,790	516,963	0.28	0.58	0.31
Long-term receivables	230	4,284,992	4,108,217	-176,775	2.81	2.56	-0.25
Short-term receivables	240	15,908,823	20,851,990	4,943,167	10.43	12.98	2.54
Short-term financial investments	250	26,200,544	13,484,312	-12,716,232	17.18	8.39	-8.79
Monetary assets	260	8,217,590	2,820,332	-5,397,258	5.39	1.75	-3.63
Other current assets	270	113,542	214,286	100,744	0.07	0.13	0.06
TOTAL BY SECTION II	290	59,913,135	47,097,070	-12,816,065	39.29	29.31	-9.99
BALANCE	300	152,479,166	160,702,858	8,223,692	100.00	100.00	0.00
LIABILITIES							
III. CAPITAL AND RESERVES							
Charter capital	410	39,749,360	39,749,360	0	26.07	24.73	-1.33
Treasury shares purchased from shareholders	415	0	-898,804	-898,804	0.00	-0.56	-0.56
Additional capital	420	81,081,889	81,053,167	-28,722	53.18	50.44	-2.74
Reserve capital	430	688,621	725,595	36,974	0.45	0.45	0.00
Retained earnings (loss)	460+470	1,231,912	2,603,272	1,371,360	0.81	1.62	0.81
TOTAL BY SECTION III	490	122,751,782	123,232,590	480,808	80.50	76.68	-3.82
IV. LONG-TERM LIABILITIES							
Loans and credit facilities	510	16,715,194	14,743,910	-1,971,284	10.96	9.17	-1.79
Deferred tax liabilities	515	1,038,024	1,324,023	285,999	0.68	0.82	0.14
Other long-term liabilities	520	152,000	95,000	-57,000	0.10	0.06	-0.04
TOTAL BY SECTION IV	590	17,905,218	16,162,933	-1,742,285	11.74	10.06	-1.69
V. SHORT-TERM LIABILITIES							
Loans and credit facilities	610	1,043,159	8,193,698	7,150,539	0.68	5.10	4.41
Accounts payable	620	9,768,996	12,929,882	3,160,886	6.41	8.05	1.64
Arrears of revenues payable to members (founders)	630	561	554	-7	0.00	0.00	0.00
Deferred incomes	640	57,587	64,313	6,726	0.04	0.04	0.00
Other short-term liabilities	660	951,863	118,888	-832,975	0.62	0.07	-0.55
TOTAL BY SECTION V	690	11,822,166	21,307,335	9,485,169	7.75	13.26	5.51
BALANCE	700	152,479,166	160,702,858	8,223,692	100.00	100.00	0.00

4.2. Credit Portfolio Management

The aggregate amount of interest for utilization of borrowed funds amounted to RUR 1,531,586 thousand, including loans attracted for replenishment of current assets – RUR 799,154 thousand. The average weighted interest rate for utilization of ruble-denominated borrowed funds made 8.9% per annum. Increase of the average interest rate is mainly due to instable situation on international and internal financial markets, sharp fluctuations of currency exchange rates and interest rates, in particular, by the MosPrime rate increase.

There were no overdue debts under loans and credits in the reporting year.

Accounts payable of the Company is practically wholly nominated in rubles.

Loans are attracted at a floating interest rate.

Long-term loans and credits account for 64.3% in the general liabilities of the Company.

The Company's management implements measures to increase the share of long-term loans and credits at a fixed interest rate.

4.3. Analysis of the Balance Structure

The Balance Sheet as of 01.01.2008 is compiled by adjustment of the Balance Sheet of 31.12.2007 mainly due to revaluation of certain groups of fixed assets (RUR 4,441.5 million).¹

New fixed assets in the year 2008 amounted to RUR 29,862.0 million, including by TEP-27 RUR 14,043.9 million, by TEP-21 – RUR 11,097.5 million. The accrued depreciation was estimated at RUR 6,359.5 million (including depreciation by non-core assets). Growth of the value of assets on the item "Construction in Progress" is associated with intensification of works within the Company's Investment Program.

Greater shares in the structure of current assets are represented by: accounts receivable – 53%, short-term financial investments – 29% and inventories – 10%.

The year 2008 saw reduction of MOSENERGO current assets as compared to the beginning of the reporting year by RUR 12,816.1 million or by 21.4%. Reduction of the cash assets balance and short-term investments due to use of assets gained on additional issuance of the Company's shares for construction of new capacities on TEP-21, TEP-26 and TEP-27 contributed largely to this. Reduction of short-term financial investments by RUR 12.716 million was promoted by redemption of short-term financial instruments (deposits and bills of exchange in OAO "Vneshtorgbank", Sberbank and OAO "Gazenergoprombank") opened in the previous year. The balance by line "Short-term financial investments" as of 31.12.2008 made RUR 13,484 million and is mainly represented by a short-term loan with the maturity term in 2009.

A RUR 4,766.4 million increase in accounts receivable was due to advances made to contractors under agreements of capital construction and equipment delivery. Active financing by the

Company of a new CCPU No.4 on TEP-27 occurred in QIV 2008.

In addition to this, the end of 2008 saw reduction of the accounts receivable collection under agreements of electric and thermal energy supply promoted to a great degree by a financial crisis. This led to increase in current accounts receivable. The Company's management evaluates this accounts receivable as real for exaction.

The Company enforces permanently customer payment discipline and collection of overdue accounts receivable for supplied energy.

MOSENERGO's equity increased by RUR 480.8 million mainly due to revaluation of separate groups of production fixed assets of MOSENERGO as of 01.01.2008.

The value of additional capital is reduced by RUR 28 million and retained earnings stepped up as a result of repurchase of its own stock by the Company.

Increase of the accounts payable as compared to 2007 is valued at RUR 3,160.9 million or 32.4 % in terms of percentage points. The principal share of accounts payable is represented by trade liabilities – 69.6%. The factors triggering growth of debt were connected with capital construction of a new CCPU No.4 on TEP-27 in December 2008 and corresponding accumulation of debt with payback term set for 2009.

The specific weight of accounts payable in the Company's Balance Sheet total line made 8.1% as of the end of the reporting year. All liabilities are current and arisen from contractual payment terms.

4.4. Analytical financial state ratios

The reason behind reduction of liquidity ratios as compared to 2007 to the level of the year 2006 is decrease in the Company's current assets of specific weight of short-term financial investments and cash assets from issue of additional shares allocated to the deposit account and bills of exchange.

Decrease of capital turnover and current assets ratios is mainly due to revaluation of certain groups of fixed assets as of 01.01.2008, as well as commissioning of fixed assets as of the end of 2008. Step-up of the average total Balance Sheet line of MOSENERGO as compared to 2007 made 33.1%. Meanwhile proceeds from sales of products made a 21.0% increase with respect to the 2007 value.

Reduction in the sales profitability and product output indicators was mainly due to the production costs increase by:

- Depreciation charges increased due to revaluation of certain fixed assets groups;
- Non-economical operation modes of the equipment of the power plants due to abnormal weather conditions within the heating season 2008 as compared to average many-year ones.²

¹ p. 111

² p. 26



Analytical financial performance ratios

Indicator	As of 31.12.2006*	As of 31.12.2007	As of 31.12.2008
Absolute liquidity ratio	0.74	3.09	0.77
Current liquidity ratio	2.64	5.39	2.22
Financial stability ratio	0.89	0.92	0.87

* calculated on the basis of the Balance Sheet values published in the annual report for 2006.

Absolute liquidity ratio	Indicates the proportion of the short-term debt that the organization can promptly pay with its monetary assets (Short-term financial investments + Monetary assets) / (Short-Term Loans and Credits + Short-term accounts payable + Arrears of revenues payable to members (founders) + Other short-term liabilities)
Current liquidity ratio	Indicates the proportion of the short-term debt that can be paid with the total current assets Section II total (Current assets) / (Short-term loans and credits + Short-term accounts payable + Arrears of revenues payable to members (founders) + Other short-term liabilities)
Financial stability ratio	Shows which part of the assets is financed at the expense of stable sources (Section III total (Capital and reserves)+ Section IV total (Long-term liabilities) + Deferred income + Provision for Liabilities and Charges) / Balance-sheet currency



Analytical financial performance ratios

Indicator	2006	2007	2008
Overall capital turnover ratio (number of cycles)	1.14	0.67	0.61
Current asset turnover ratio (number of cycles)	4.13	1.93	1.77
Receivables turnover ratio (days)	40.70	68.34	69.81
Sales margin	7.1%	5.8%	4.95%
Production margin	7.6%	6.2%	5.21%
Return on aggregate capital	2.5%	0.68%	0.88%

Overall capital turnover ratio (number of cycles)	Reflects the turnover rate of the organization's total capital (in cycles per period) Sales proceeds / Balance-sheet total (a mean value for the period under review)
Current assets turnover ratio (number of cycles)	Shows the turnover rate of the organization's total current assets (both tangible and monetary) Sales proceeds / Section II total (Current assets) (a mean value for the period under review)
Calculated capital turnover (days)	Indicates the efficiency with which the proceeds from sales are used, and the quality of work with debtors Mean receivables due up to 12 months X 360 / Sales proceeds
Sales margin (%)	Shows the profit per unit of sales (Profit on sales / Sales proceeds) X 100%
Production margin (%)	Shows the profit per unit of costs spent on production and realization of products (Profit on sales / Production cost of sold goods, work, services) X 100%
Return on aggregate capital (%)	Shows how efficiently the aggregate capital is used (Net profit / Balance-sheet currency (a mean value for the period under review)) X 100%

5

Engineering Support of Production

5.1. Procurement of Fuel

The MOSENERGO fuel balance includes natural gas employed as primary fuel and coal and black fuel oil used as back-up fuel.

Taken as a whole, MOSENERGO's total fuel consumption in 2008 reduced by 1.4% as compared to the 2007 level.

In 2008 natural gas for MOSENERGO's TEPs was supplied by OOO "Mosregiongaz" under long-term agreements establishing it as the only source of the fuel.

The gas combustion share in the Company's fuel balance stepped up by 0.2 points as compared to values of 2007 due to approval of the possibility to extract gas on working days up to 10% in excess of the established daily limit from the volume not extracted previously.

In the reporting year OOO "Mosregiongaz" in addition to the above-limit gas supplied gas from independent providers (commercial) in the volume 167.2 mln m³ at a price lower than

the above-limit gas price by 10.5 RUR per thousand m³, which resulted in the estimated economy of RUR 1.8 million.

With the aim to achieve the target on creation of back-up fuel reserves black fuel oil was transported between power plants, which contributed to costs reduction for purchase of additional black fuel oil. The estimated saving totaled about RUR 95.0 million.

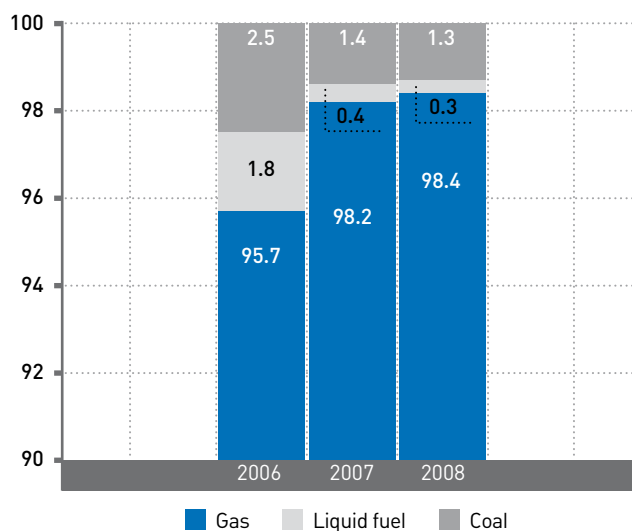
The cost reduction task was realized through tender organized for suppliers of back-up fuel.¹ The saving effectiveness of regulated fuel procedures in 2008 worked out RUR 13.2 million.

Within the framework of the claims work with fuel suppliers and transport organizations the Company put 26 claims and suits (actions) for the total amount of RUR 5.2 million. All claims and suits were satisfied.

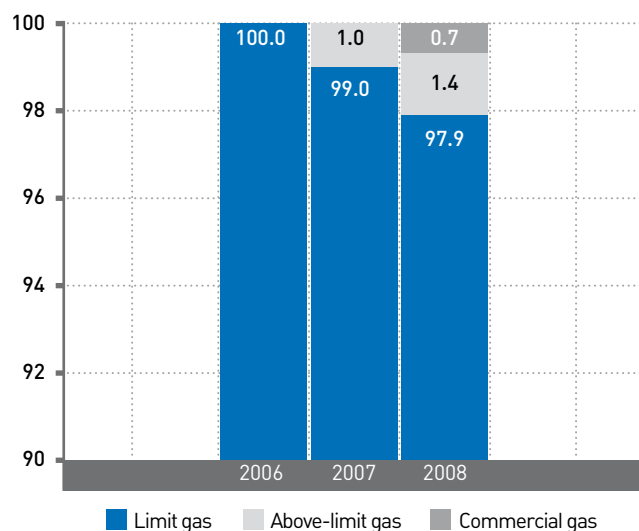
Reliable procurement of fuel was promoted by the following factors:

- supply of above-limit and commercial gas in the volume 470.2 mln m³ per year. The Company conducts permanent

Structure of fuel consumption, %



Structure of gas consumption, %



¹ p. 44

monitoring of prices for various kinds of fuel and in 2008 took the possibility to supply above-limit and commercial gas in order to optimize the average price for useable fuel;

- build up of sufficient stock of back-up fuel on MOSENERGO TEPs due to timely delivery of coal, black fuel oil and diesel fuel in accordance with the concluded agreements;
- daily optimization of fuel regimes;
- timely adjustment of gas volumes supplies with the aim to prevent application of punitive penalties;
- purchase of electric energy on the wholesale market of electric energy and power;
- development and implementation of a special program of black fuel oil consumption for maintenance support and examination in spring-summer period of 17 fuel oil tanks with the total capacity 140.1 thousand tons.

Fuel Consumption by MOSENERGO TEPs,
thou tfe

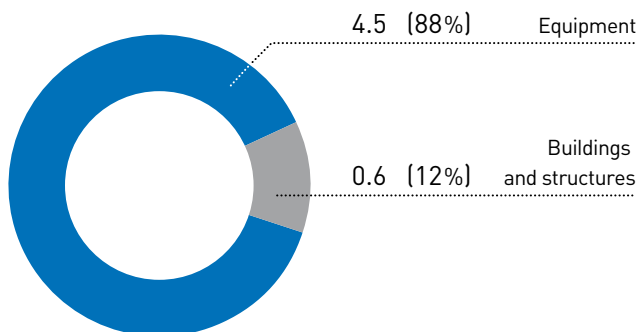
Fuel type	2006	2007	2008
Gas	25,504.0	25,443.0	25,126.8
Black fuel oil, diesel oil	474.2	91.7	74.7
Coal	676.4	363.2	323.9
Total	26,654.6	25,897.9	25,525.4

5.2. Maintenance Efforts

Introduction from 01.07.2008 of the wholesale energy market contributed to increase of the maintenance efforts significance as they provide the pre-determined level of power generated by each TEP resulting in upgrade of the general efficiency of the fuel and energy system on the wholesale market.

The schedules of the equipment maintenance have to be conformed with OAO "SO UES", approval being mandatory.

Breakdown of costs for TEP repair,
RUR billion



Repairs are performed by the personnel of MOSENERGO power plants, specialized repair branches, as well as by third party contractors.

To optimize application of funds allocated for repair, the Company carries out pre-repair diagnostics of the equipment.

Conclusion of repair contracts under the most favorable conditions for the Company is preceded by regulated competitive procedures.²

In 2008 the costs of repair of the Company's equipment, buildings and structures totaled RUR 5.1 billion (including maintenance personnel labor costs).

The conducted maintenance measures improved technical and economical indicators and ensured compliance with normative limits of the majority of boilers and turbines.

Realization of the annual TEP equipment maintenance program

Equipment	Maintenance		
	Capital repairs	Intermediate overhaul	Current repairs
Heat-Mechanic equipment			
Packages	3	5	11
Turbines	5	5	74
GTU	2	3	3
Energy tanks	7	13	76
PVK	2	–	86
Electrical equipment			
Generators	14	14	79
Transformers	22	Not determined in the NTD	32
Switches 100–500 kV	9	9	10
oil	4	9	–
air	5	–	–

The scheduled operations, examinations and replacement of equipment under reliability improvement and technical re-equipment program effective in MOSENERGO were performed completely.

The maintenance efforts included: overhaul of fuel-transporting equipment of MOSENERGO TEPs and examination and repair of liquid fuel tanks.

Two water-cooling towers have been overhauled and 6 cooling towers have been inspected, 27 stacks have been inspected and overhauled, vamped 45 thousand sq. meters of roofing of production buildings, 40 thousand sq. meters of the production buildings facades and the engineering structures of 73 buildings and structures have been examined.

² p. 44



The thorough repair campaign contributed largely to the Company's successful management of the 2008/2009 autumn/winter peak loads.

Certain maintenance operations carried out by in-house service personnel of power plants were passed to the branches, or CRMZ (Central Repair and Mechanical Work) and MERE (Mos-electroremenergo) within the frameworks of the continuing campaign on maintenance reform, with that, personnel of power stations has been transferred to these branches. Due to this the manpower of the in-house maintenance personnel of the TPP decreased by 1,170 employees.

5.3. Procurement Activities

The priority principles of the procurement policies of MOSENERGO are based on quality and reliability, pari-passu ranking of suppliers as related to offering possibilities, and immediate work with suppliers.

The unified common procurement policy covering requirements of MOSENERGO is realized by the Central Procurement Commission (CPC) of the Company, the current members of which are approved by the Board of Directors.

Structure and Cost of Purchases [RUR, mln]

Business area	2007	2008	Deviation
Fuel	36,697.4	45,543.4	8,846.0
Capital construction	13,016.1	6,540.4	- 6 475.7
Technical upgrade and re-construction	5,222.1	5,785.7	563.6
Maintenance activities	2,552.0	2,236.9	- 315.1
Property management services	5.5	2.4	- 3.1
Other purchases	1,742.9	2,407.4	664.5
Total	59,236.0	62,516.2	3,280.2
Limited gas excluded	23,237.2	17,946.3	- 5,290.9

Procurement procedures in MOSENERGO in 2008 were carried out in compliance with the Annual Complex Purchase Program (ACPP) approved by the Board of Directors providing for control over targeted and effective utilization of financial and technical tools and increase of transparency of the Company's economic operations.

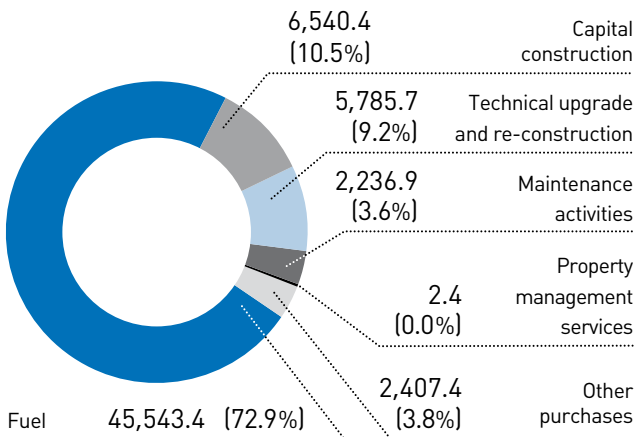


With a view to securing rights and legal interests of the Company's shareholders and investors, the Company posts information about its procurement activities on its website¹ that also provides a possibility of sending e-mails to CPC of the Company.

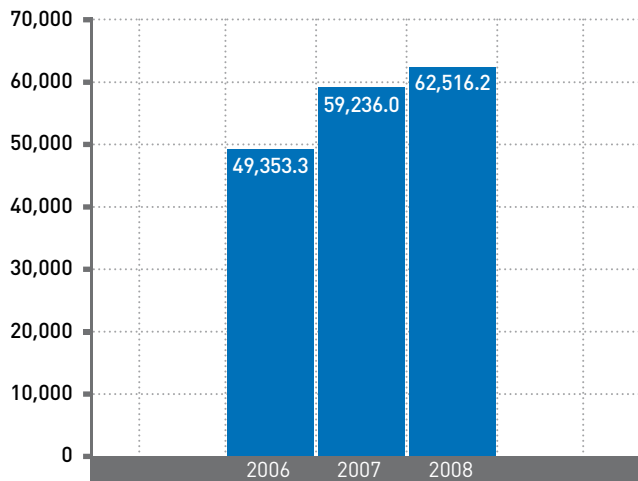
Potential suppliers and contractors are invited to participate in MOSENERGO purchase procedures through open electronic trad-

ing floor of the informational, analytical, trading and operational system "Market of Products, Services and Technologies for Power Industry", located at www.b2b-energo.ru, as well as through posting copies of procurement information (notices).

Breakdown of purchases by business areas, RUR mln



Development of purchase volumes, RUR mln



6

Technologies and Innovations

6.1. Engineering Policy and Energy Efficiency

Implementation of advanced technologies and solutions is undertaken at all stages of the technological cycles and is carried out in the following spheres:

- increase of reliability and cost efficiency of the equipment;
- implementation of automated technological process management systems;
- noise abatement and lowering air pollution .

The year 2008 saw commissioning of two power generating units with employment of CCPU at TEP-21 and TEP-27. High performance CCPU units with the 57–59% efficiency ratio in the condensation cycle ensure saving of 25% of gas as well as reduction of harmful substances emissions in the atmosphere.

Modernization of turbine-generator set of PT-80/100–130 type at TEP-12 and TEP-26 has been undertaken, a turbine-generator T-100-130 set at TEP-23 is replaced by a new one of the type T-100/120-130-5 with upgrade of capacity. The conducted actions have improved efficiency of these power plants equipment operation.

TEP-8, 11, 16, 17, 20, 21, 22, 23 and 25 continued implementation the use of fluid actuated clutches. Adjustment of performance of pumps equipped with fluid actuated clutches results in reduction of the electric energy consumption for auxiliaries of the electric power plants.

Six new automatic process control systems of tracking substations have been commissioned during the reporting year at four Company's TEPs.

Specialized organizations that are very experienced in the power industry are engaged to take part in equipment checks and in implementation of advanced technologies.

To increase the MOSENERGO's power plants performance, Firm ORGRES developed a technical design assignment for the automatic unit for TEP-27 own auxiliaries. The unit function is to restore operable state of the power plant in the event of

the emergency shutdown of primary power plant equipment. A control scheme and operational regimes of TEP equipment for auxiliaries were considered and analyzed followed by evaluation of the equipment working modes in the considered variants as well as of changes in the equipment and control systems of TEP required in case of their implementation.

Under agreement with Saint-Petersburg subsidiary of the International Energy Academy activities have been performed at TEP-12 with a view to transfer the PT-80 turbine condenser cooling with circulating water from two-pass to one and a half pass regime ensuring production of a more effective vacuum.

A subsidiary of OAO NTC-Energetika – VNIIE developed for MOSENERGO principles and algorithms of settings of the control systems of the power plant units for voltage auxiliaries. The invariability of the power plant auxiliaries was analyzed in the event of voltage decline in the system, a plan of measures preventing generators shedding when voltage reduction occurs, principles and algorithms with respect to voltage of automated equipment were developed.

In the reporting year under an agreement with OAO "NPO CKTI" the Company continued implementation and testing of forced steam cooling systems (FSCS) of RSD-1 medium pressure rotors on turbine-generator sets T-250/300-240. The installation of FSCS on turbines No.5 at TEP-23, No.4 at TEP-25 and No.4 at TEP-26 will result in increase of the remaining life of the rotor, maneuverability and economic efficiency of the turbine due to reduction of leak-ins and vacuum pickups.

Energy Saving Program Implementation

MOSENERGO participates in implementation of energy saving programs of Moscow and the Moscow region with respect to power generation objects.

Within the frameworks of the programs realization the Company's power plants performed scheduled maintenance works connected with elimination of air suction in air-gas ducts of

tanks, sealing vacuum systems of turbine condensers, cleaning heating surfaces, and conservation and preservation of equipment. Plants conducted unscheduled works connected with refurbishments, replacement of old and introduction of new energy-efficient equipment and new technological schemes. The Company placed high emphasis on measures connected with optimization of loads on the power station equipment and its operation modes.

Automated power resource controlling and metering systems play significant role in increase of the Company's power plants efficient performance on the electric and thermal energy developing markets.

In 2008 TEP-21 and TEP-26 commissioned automated thermal energy control and metering systems (ASKUT). The economic efficiency due to improving accuracy of measurements of thermal energy generated with steam on the above-stated power plants in 2008 was estimated at more than RUR 1.3 million. Construction and start-up and commissioning connected with ASKUT at TEP-17 and TEP-22 were implemented. Commissioning in commercial service of ASKUT at TEP-17 and TEP-22 is scheduled for QII 2009.

In 2008 the aggregate costs for energy saving measures implementation in MOSENERGO amounted to RUR 274.7 million.

Energy-saving measures taken by MOSENERGO in 2008 resulted in saving fuel and energy resources (fuel and electric energy) on conversion in equivalent fuel in the amount of 67.8 thousand tons of fuel equivalent (tfe) or RUR 143.0 million.

6.2. Information Technologies and Telecommunications

The year 2008 saw large-scale changes in information technologies' support of business processes. The strategic target of MOSENERGO IT is creation of Corporate Information System (CIS). On December 4, 2008 the Managing Committee adopted a three-year program "Control standards and CIS implementation change». To coordinate activities of all participants engaged in the program realization the General Directorate set up a design office. The SAP company software has been chosen as the corporate platform.

Activities of 2008 are a preliminary stage for implementation of a new corporate information system and include the following components:

- automation of accounting and tax reporting – accomplishment of works on development of the Automated Accounting and Tax Reporting System based on the complex system «1C: Predpriyatiye» 8.0 in Teplosbyt, a MOSENERGO affiliate, and its branches;
- automation of managerial accounting – implementation of the "Agreements" module of the information system "Budgeting" providing for centralization of payment accounting. A fixed assets accounting system under IFRS standard has been implemented;
- expansion of representation in the Internet global network – the new official MOSENERGO website executed in the cor-

porate style of the major shareholder – OAO "Gazprom" has been launched;

- automation of human resources management – construction and introduction into service on 13 TEPs of the automated system "Salary and Human Resources Management";
- production processes management – 6 power plants of the Company have implemented a system of real-time accounting of defects, applications and TEP equipment conditioning, large-scale automation of Teplosbyt and its branches are initiated. Transfer of a part of OIS (Operative Information System) for new technological platforms have been completed resulting in a considerable increase of efficiency of systems on the whole;
- over the year 2008, the Automated Electric Energy Information, Control and Measuring System (AISKUE) was certified. On March 3, 2008, the system was put into commission. Completion of the system is scheduled for the end of QI Y2009.

Within the frameworks of IT Reform Strategy liquidation of the Information Computing Center as MOSENERGO subsidiary was completed in 2008. The Company carries out transfer for outsourcing of standard corporate IT services.

In 2008 MOSENERGO continued improving and developing of communication systems in the following areas:

- completion of Stage III of the primary communication network reconstruction, receiving the permission of Rossvyazcomnadzor RF for the equipment handling;
- creation of a trunk data transfer network (TDTN) as the basis of the Company's information infrastructure.

The trunk data transfer network TDTN and trunk access nodes based on the Gigabit Ethernet technology has been implemented and has covered the following Company affiliates: HEP-1, TEP- 8, 9, 11, 12, 16, 20, 21, 22, 23, 25, 27 and 28, Teplosbyt, Avtokhozyaystvo.

Creation of own broad-banded high-speed TDTN channels made it possible for MOSENERGO to cease taking on lease other operators' communication channels.

MOSENERGO conducts "turnkey" modernization of Telemechanics and Communication System (TMCS). In 2008, the Company conducted joint complex TMCS testing with Moscow RDU and put into commercial operation TMCS systems at all MOSENERGO power plants.

Heat production

62.4 mln. Gcal

Electricity generation

64.3 bln. kWh

МОСЭНЕРГО



Investments in Production

7.1. Fulfillment of Investment Program

MOSENERGO's investment activities are connected with introduction of new capacities, replacement of the worn equipment and its refurbishment as well as construction and refurbishment of buildings and facilities is based on commissioning of high-performance CCPU heating units as well as on replacement of the worn-out heating equipment for equipment of gas-steam cycle.

In 2008 two power units CCPU-450T are commissioned on TEP-21 and TEP-27.

The Company places huge investments in construction of new power units. Actual costs for construction of new production capacities amounted to RUR 22,610.6 million or 76.1% of the total performance of the investment program. The largest new construction facilities in 2008 were combined cycle power units at TEP-21 and TEP-27 as well as the power unit CCPU-420 (combined cycle gas turbine) at TEP-26, commissioning of which is scheduled for 2009-2010.

Structure of capital investments in nominal stock by areas

RUR mln

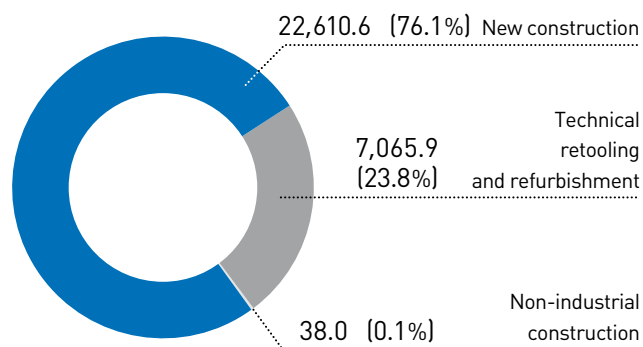
Name	2006	2007	2008
New construction	8,065.8	21,692.8	22,610.6
Technical retooling and refurbishment	6,572.8	7,981.6	7,065.9
Non-industrial construction	64.1	172.3	38.0
Total	14,702.7	29,846.7	29,714.5

Fulfillment of the Investment Program in 2008 for the Key New Capital Construction

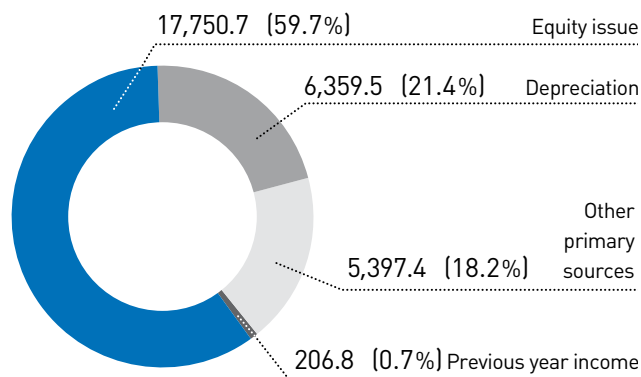
(RUR' mln)

Facility	Plan	Actually	Year of commissioning
TEP-27. Construction of a power unit No.4 based on CCPU-450T	8,345.8	8,953.5	2008
TEP-26. Extension of TEP with installation of CCPU-420, power unit No. 8	5,063.0	2,906.6	2009
TEP-21. Extension of TEP with installation of CCPU-450T, power unit No. 11	4,918.5	5,067.4	2008
TEP-12. Extension of a power unit based on CCPU-420	821.3	871.4	2011
TEP-25. Extension of TEP based on CCPU	821.3	843.2	2009
TEP-16. Extension and technical retooling with installation of a heating steam and gas power unit	821.3	982.2	2009
TEP-20. Extension of a power unit based on CCPU-420	821.3	863.5	2009
TEP-26. Closed distribution unit (CDU) with voltage 10 kV	593.8	484.3	2009
TEP-1. Closed distribution unit with voltage 20/10/6 kV	400.0	13.4	2010
TEP-27. Construction of power unit No.3 CCPU-450T	370.0	823.3	2009
TEP-22. Construction of dry ashes storage facility (ashes transportation, drying and shipping systems from the ash-disposal area)	339.5	92.0	2009
TEP-22. Construction of MDU-10 kV	338.0	39.9	2010
TEP-16. Extension of MDU-10 kV and construction of CDU-20 kV and CDUE-110 kV	297.6	135.6	2009
TEP-26. Upgrade of reliable operation of ODU with installation of the second auto-transformer No.1 AT 500/220 kV	237.7	128.9	2009
Other objects	792.8	405.4	2009
Total by key objects	24,981.9	22,610.6	

Structure of capital investments in the nominal stock by areas,
RUR mln



Structure of capital investments by sources of financing
RUR mln





Key Completed Facilities under the Technical Retooling Program in 2008

Subsidiary	Works performed in 2008
TEP-12	The turbine-generator set PT-80/100-130 No. 9 was modernized. Modernization of the air-gas channels of low and medium pressure cylinders with replacement of a rotor
TEP-16	Peak laminar-type boilers were implemented. Additional generation of electric power 10-15 MW on thermal consumption
TEP-23	The turbine-generator set T-100-130 No. 2 was reconstructed. Replacement for a new and up-to-date model of T-110-120-130 with an air cooling generator Increase of the installed capacity: electric - by 10 mW, thermal - 15 Gcal/h
TEP-26	The turbine-generator set ПТ-80/100-130 No.1 was modernized. Modernization of the air-gas channels of low and medium pressure cylinders with replacement of a rotor



7.2. Investment Strategy

MOSENERGO's investment strategy is based upon the actual development of power and capacity consumption, availability of material funds, resource of the operating equipment and scheduled commissioning of steam and gas units.

The investment program of 2009 was developed with due account of provisions of Regulations on drawing up of one-year, three-years and ten-years programs approved at the Resolution of the Executive Board of MOSENERGO in 2008.

The Company ordered power equipment of Siemens AG for construction of four power units CCPU. Currently, specialists of the Company prepare complex technical and economic assessment of power unit construction by results of which the resolutions will be adopted.

Implementation of the investment project "Installation of Gas-Turbine Unit -65 with an exhaust-heat boiler at TEP-9" is suspended until a decision about the source of its financing has been taken.

In 2010 under the program of electro-technical equipment reliability upgrade MOSENERGO plans commissioning power plant No.8 at TEP-26, as well as bringing the new distribution units into operation.

8

Social Responsibility

8.1. Human Resources Work

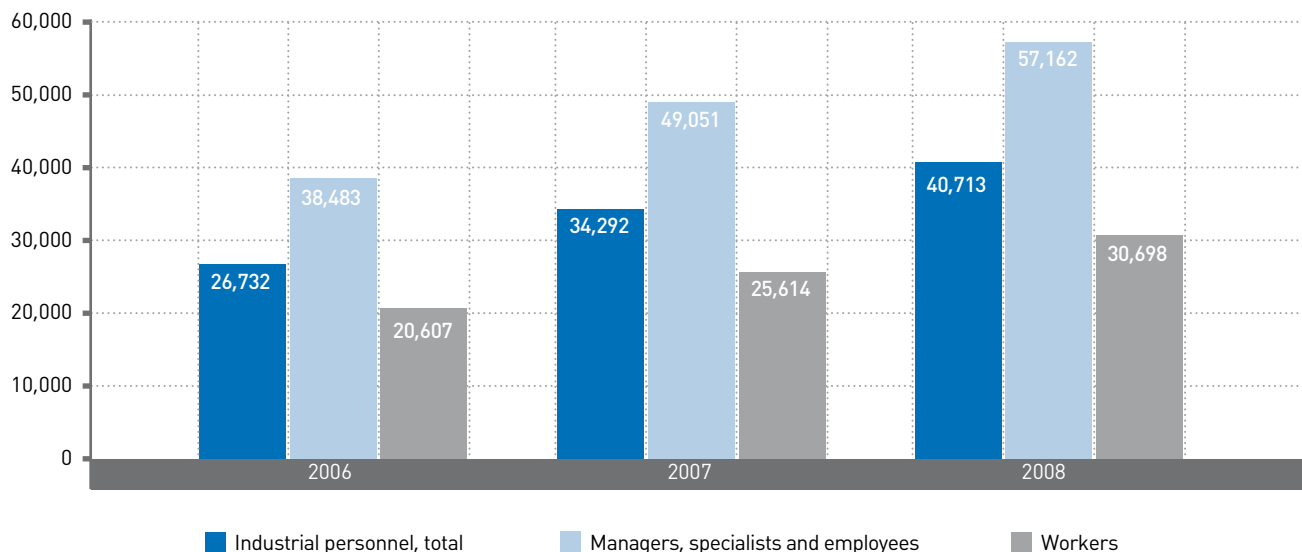
The key principles of the human resources policy pursued in the Company in 2008 included efficiency and flexibility in personnel management as well as adjustment to changes of external economic factors.

The maximum return on human resources investments based on a complex employee motivation for achievement of the Company's targets as well as creation of the attractive employer image on the market was set as the objective of the human resources policy.

The major components of the human resources policy in the Company include:

- engaging and retaining of highly qualified personnel;
 - motivation and remuneration;
 - development and training.
- Over 2008 the Company's staff on payroll reduced by 2,964 persons (17.9 %) and made 13,580 employees. The rundown is determined with reorganization of the Company comprising the following steps:
- optimization of the affiliates performance and creation of a single EPC-contractor of MOSENERGO (transfer and redundancy of personnel earlier employed by the Company affiliates – MESR, MEP and OZAP);
 - re-structuring of the IT structure of MOSENERGO;
 - re-organization on PPTK and SKTB VKT – affiliates of MOSENERGO;

Dynamics of the average monthly wage of the industrial personnel, RUR





- centralization of legal support of MOSENERGO activities;
- re-organization of medical services;
- merger of MOSENERGO affiliates LAPS-3 and TEP-6, TEP-21 and TEP-28 with subsequent redundancy of administrative personnel;
- redundancy of the internal maintenance personnel of electric power stations.

The Company has a labor motivation system, which covers all personnel of the Company and includes emoluments, social benefits and guaranties.

In 2008 the principles of material incentives were based upon the performance indicators approved by the Board of Directors for General Director and the Company for the year and each quarter.

The average monthly wage of the industrial personnel of the Company in 2008 increased by 18.7% and amounted to RUR 40,713. The growth of the average salary is accounted for the scheduled indexation from 01.10.2007 of the base rate of a first class worker by 11.1% as well as increase of wages of the leading energy professions workers targeted at preservation of personnel and reduction of low-qualified workers on the Company's payroll.

Throughout 2008 work was continued to improve training and skills of MOSENERGO employees, to upgrade and increase education and material resources of affiliates and to implement technical training aids in the educative process.

MOSENERGO's human investments in 2008 totaled RUR 48.4 million. A total of 6,008 workers and 3,908 managers and specialists were trained and improved their professional qualification.

In 2008 training departments of operating personnel of TEP-9 and TEP-16 power plans were equipped with TEP computer-based simulator of a cross-linked station for the total amount of RUR 8.0 million.

With a view to improving staffing levels of operating personnel MOSENERGO organized training in its non-commercial education center of manpower training with subsequent employment by the most urgent professions. Throughout QIV 2008 33 people were trained and employed by electric power stations of the Company. 36 persons with subsequent employment on the Company's power plants will complete their training by the end of April 2009.

8.2. Occupational Health and Safety

A monthly single Labor Safety Day, scheduled and unscheduled workplace inspections are arranged on the Company's power plants.

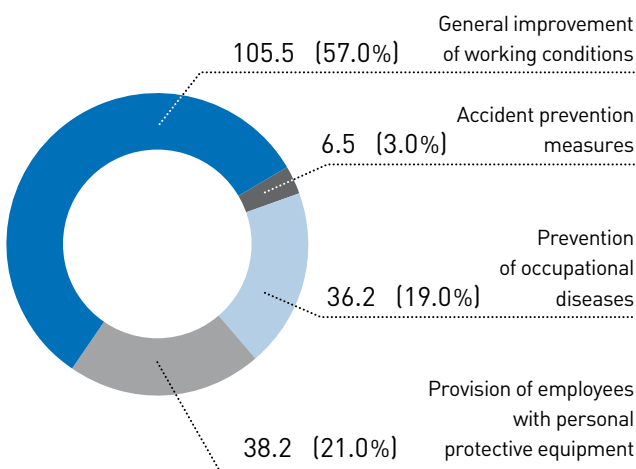
The Company organizes obligatory pre-employment medical check-up as well as periodical health examination within the whole period of labor activity.

Psychologists conduct psycho-physiological testing of operating personnel hired by MOSENERGO. In 2008 356 people passed the testing. Physiologists analyze erroneous actions of the operating personnel in MOSENERGO branches and issue proposals and recommendations with the purpose to prevent job-related accidents through fault of personnel.

RUR 186.4 million were spent for labor protection measures in 2008, occupational safety costs per worker made RUR 11.8 thousand, a RUR 0.9 thousand increase versus the year 2007. In 2008 the Company increased expenses for operational safety in production. In particular, costs for provision of employees with personal protective equipment and prevention of occupational diseases stepped up from RUR 64.9 million in the year 2007 to RUR 74.4 million in 2008.

MOSENERGO strives to boost responsibility and interest of each employee in creation of safe labour conditions, compli-

Breakdown of labour protection costs,
RUR mln



ance with legislative provisions and accident-prevention rules. Guarantees on labour protection are established in the Collective Agreement between MOSENERGO and employees.

8.3. Social Programs

MOSENERGO pursues an efficient social policy based on specific features of the industry and the Company's possibilities.

The Company concludes a collective agreement with the Moscow municipal and regional committees of Electroprofsoyuz trade union.

The social policy priorities of MOSENERGO include:

- medical attendance and insurance;
- recreation of children at recreational camps;
- retirement insurance.

The Company provides mandatory social insurance of employees against casualties and the voluntary medical insurance. In 2008 with a view to expanding the range and improving the quality of medical services a system of medical service of the Company's employees was re-organized. Medsanchast', a branch of MOSENERGO is being liquidated. Employees of the Company are granted the right to choose one of the healthcare establishments of Moscow and the Moscow region in accordance with the list offered by an insurance company based on vicinity of location.

In 2008 well-directed efforts were taken to arrange for child recreational process. 776 children passed their holidays at MOSENERGO recreational camps during the summer season, holidays of 53 children were arranged in the sanatorium and health camp on the Black Sea coast.

A new retirement program covering a greater number of employees was implemented in MOSENERGO starting from August 1, 2008 and the amended version of Provision on Non-State Pension Fund Scheme was approved with the purpose of upgrading the level of social protection of MOSENERGO personnel. Key principles of the program include a voluntary effort and pari passu participation of the Company and employees in formation of the non-state retirement benefits of personnel.

8.4. Environmental Protection

MOSENERGO maintains beneficial cooperation with Russian organizations, scientific and educatory institutions carrying out effective work in the sphere of environmental protection and ecology safety insurance.¹

Environmental protection issues are resolved by the Company in close interaction with state bodies regulating the nature protection activities of the companies of the Moscow Area.

In 2008 MOSENERGO environmental action costs were RUR 195.3 million, reduction being due to effective carrying out of competitive procedures.

The Company's environmental measures taken in 2008 resulted in:

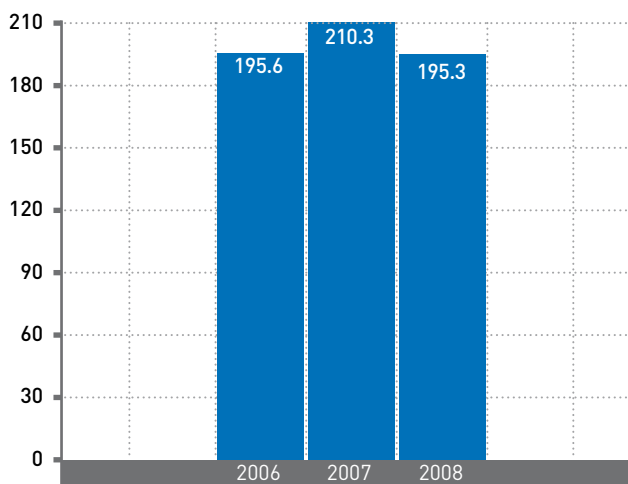
- reduction of pollutant emissions by the Company's power plants against the level of 2007 from 55.8 to 53.5 thousand tons, or by 4.1 %, including reduction of pollutant emissions in Moscow TEPs by 2.9 thousand tons or by 9.4 %;
- waste water disposal in surface waters made 463.4 mln m³, from them – pure waters under the standard quality 447.5 mln m³, waters treated to the standard quality 15.9 mln m³;
- total amount of wastes reduced by 20.3 thousand tons and amounted to as much as 198.3 thousand tons.

In all power plants of the energy system established standards of wastes in 2008 were not exceeded by any of ingredients.

The compliance certification of MOSENERGO carried out in 2008 confirmed that the Environmental Management System complies with the ISO 14001:2004 international standard. The audit was conducted by the certification body "Bureau Veritas Certification".

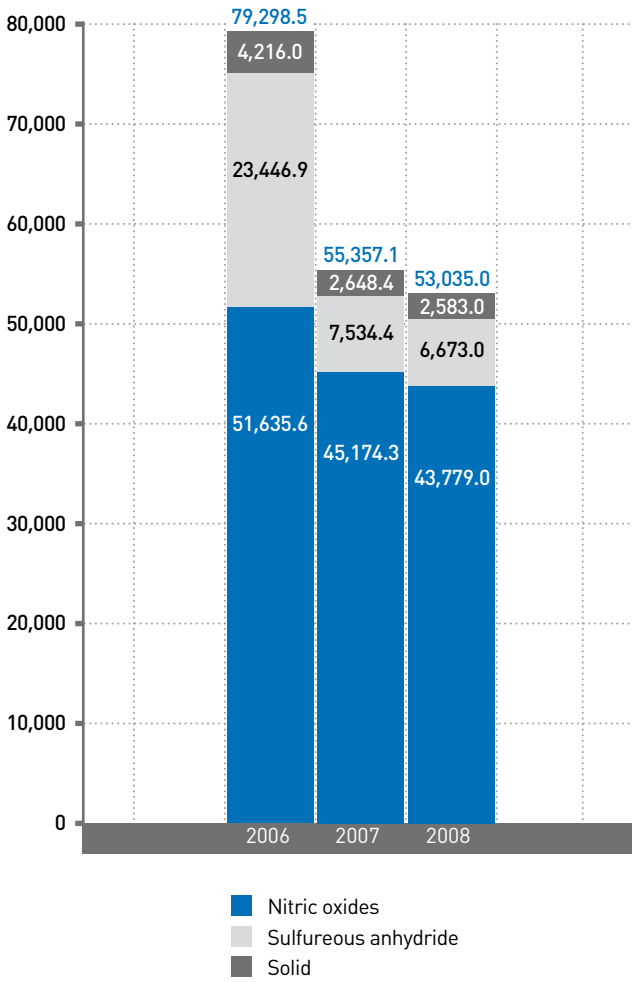
Environmental action costs

RUR mln

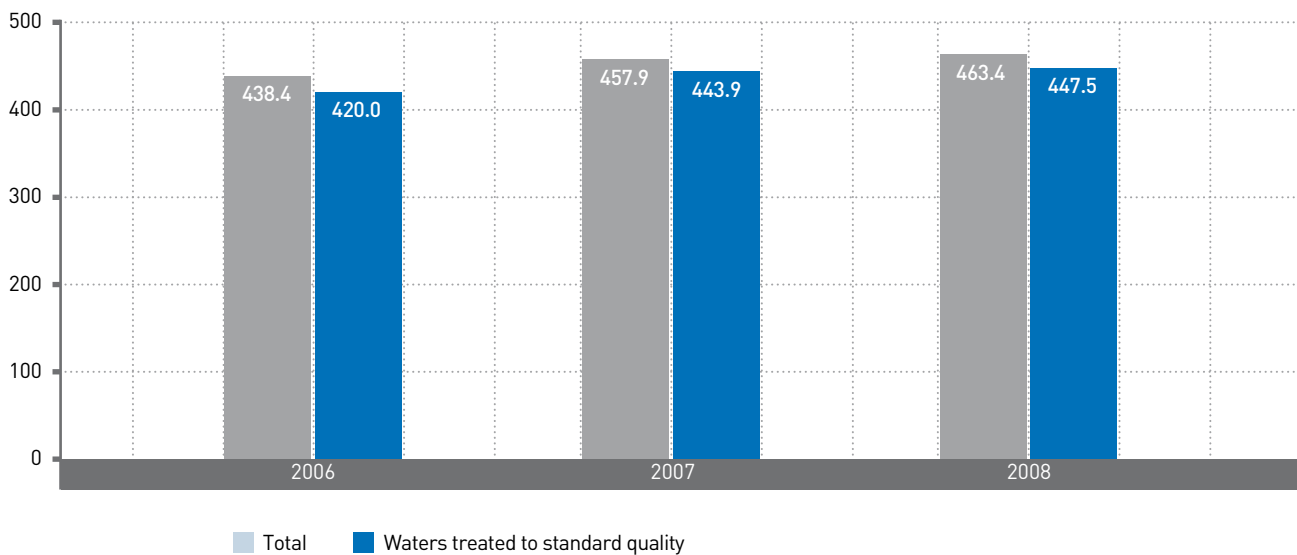


¹ 5

Emissions of major pollutants from the TEPs of MOSENERGO, tons



Waste water disposal, mln m³



9

Corporate Governance

MOSENERGO regards the corporate governance as a tool for making the Company activities more efficient, including: enhancement of assets value, maintenance of financial stability and profitability as well as consolidation of the Company's reputation.

9.1. Corporate Governance Principles

The major corporate governance principles of the Company are formulated in Corporate Governance Code of MOSENERGO and are based on the regulatory and legal acts that include the legislation of the Russian Federation, Charter of the Company,¹ Corporate Conduct Code recommended for application by the Order of the Federal Commission for Securities Market No. 421/p dated 04.04.2002.

The year 2008 witnessed restructuring of the organizational framework of MOSENERGO corporate governance bodies in order to focus issues of legal groundwork, corporate governance and Company's property management in a single functional block of General directorate. Issues of corporate governance in the Company pertain to the scope of authorities of the Company's Deputy Director General on Legal Issues, Property and Corporate Relations Director and the Corporate Governance Department.

The Annual General Shareholder Meeting in 2009 will be proposed to consider a new version of the Charter of MOSENERGO as well as internal documents of the Company regulating supervision and corporate governance bodies, approval of which falls within the scope of authorities of the General Shareholder Meeting, the amended and supplemented versions being targeted at furtherance of improvement of corporate governance procedures.

The most significant tasks in the corporate governance spheres include:

- active participation of MOSENERGO in management of subsidiaries as well as dependent entities, non-commercial and other organizations in which the Company holds a participatory interest;
- separation of non-core activities, optimization of the Company's structure, reduction of administrative costs;
- active involvement of representatives of principal shareholders, Company's specialists and independent experts in work of the committees set up within the Board of Directors;
- transparency and disclosure of the Company's information.

MOSENERGO is an open company in terms of information disclosure that abides while pursuing its activities by corporate governance principles adopted in the civilized business, principles of social responsibility to the society and reliable partnership in relations with government bodies.

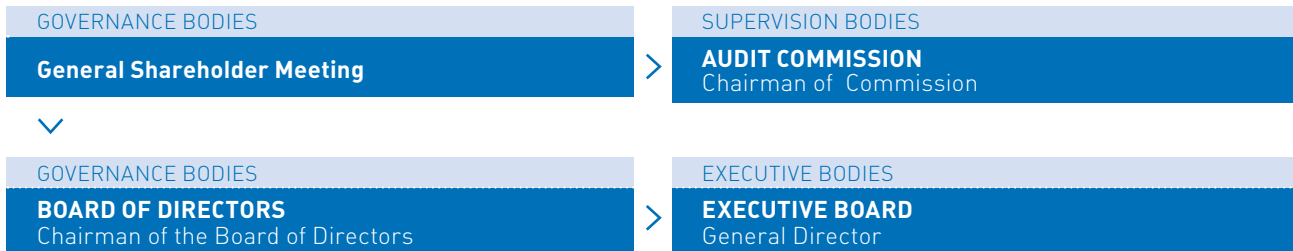
Information policies of MOSENERGO are aimed at operative and comprehensive disclosure of reliable information about the Company's activities and at free access to this information of all interested parties: shareholders, investors, representatives of public authorities, mass media and so on.

Information policies of MOSENERGO over the year 2008 were realized through 11 press-tours in the Company's subsidiaries, organization of 9 briefing meetings with the Company directors, 69 press-releases, more than 900 publications in printed editions and 25 TV items on federal and regional video-channels. MOSENERGO participated in 5 regional and international exhibitions.

MOSENERGO's official site is the most important source of information and an effective means of communication (<http://www.mosenergo.ru>). The site posts the most accurate and copious information about the Company's activities and enables the Company to react in a timely manner to requests of shareholders, representatives of public authorities and mass media sources. Quarterly and annual reports of the Company to shareholders, quarterly issuer's reports, accounting state-

¹ 3

Governance structure of MOSENERGO



ments by IFRS and RFRS, data with potential consequences on the value of securities and other necessary information are available on the site.

9.2. Shareholder Meeting

The General Shareholder Meeting is the supreme management body of MOSENERGO and allows shareholder a possibility to obtain information about the Company's activities, its achievements and plans as well as to realize their right to participate in the Company's management. Procedures of the General Meeting are consistent with the legislation of the Russian Federation, the Company's Charter, and the Regulation on the Order of Preparation and Holding of General Shareholder Meetings of MOSENERGO.² The established procedure provides for pari passu ranking of all Company's shareholders.

The General Meeting of MOSENERGO's shareholders was held on May 21, 2008 to discuss the Company's performance in 2007.³ The Shareholder Meeting approved: the annual report of the Company for 2007, the annual financial statements, the profit and loss statement based on the financial year results, distribution of the Company's profit based on the annual returns of 2007, the amended Regulation on payment to members of the Board of Directors of MOSENERGO of remunerations and compensations. The Shareholder Meeting elected the Board of Directors of the Company and the Audit Commission, approved ZAO PricewaterhouseCoopers Audit as its auditor. With due account of payment by the Company of dividends on ordinary shares by results of Q1 2007 in the amount of RUR 296,290 thousand the Shareholder Meeting adopted a resolution not to pay dividends on ordinary shares of the Company by results of 2007.

² 6

³ p. 136

A resolution on payment of remuneration and compensations to members of the Board of Directors and Audit Commission was passed.

9.3. Board of Directors

The Board of Directors of MOSENERGO is executing general strategic administration of the Company and supervision of executive bodies in the interests of the Company and its shareholders. Authorities of the Board of Directors are governed by the Federal Law 208-Ф3 "On Joint Stock Companies" dated 26.12.1995, the Company's Charter and Provision on the Order of Convocation and Holding of the Board of Directors Meetings.⁴

The new composition of the Board of Directors was elected at the Shareholders General Meeting of MOSENERGO dated May 21, 2008.

As a result of the change of the shareholder with the controlling participatory interest in MOSENERGO and discontinuation of activities of RAO UES of Russia the governance bodies of the Company underwent significant changes in terms of their composition.

The Shareholders General Meeting terminated the authorities of P.N. Aksyonov, A.A. Matveev, A.Y. Kopsov, A.A. Negomedzyanov, W. Skribot, P.S. Smirnov and S.S. Fil.

The following new members were elected to the Board of Directors of MOSENERGO: P.P. Biryukov, A.A. Mityushov, V.N. Silkin, E.V. Sklyarov, D.V. Fyodorov, N.G. Shulginov and V.G. Yakovlev.

A newly elected Board of Directors elected K.G. Seleznyov as its Chairman and Yu.A. Udaltsov as Deputy Chairman.

In 2008 the Board of Directors of MOSENERGO held 21 meetings at which 314 matters were addressed.

⁴ 7

Board of Directors

Elected on the Shareholders Annual General Meeting of MOSENERGO held on May 21, 2008



**Kirill
Gennadievich
Seleznyov**
Chairman of the Board of Directors,
MOSENERGO, Member of the
Executive Board, Head of Marketing,
Gas and Liquid Hydrocarbons
Department of
OAO "Gazprom", Director general
of OOO "Mezhregiongaz"

Previous offices
(over the last 5 years):
Chairman of the Board of Directors,
MOSENERGO, Member of the Executive
Board, Head of Marketing, Gas and
Liquid Hydrocarbons Department of
OAO "Gazprom", Director General,
OOO "Mezhregiongaz"



**Pyotr
Pavlovich
Biryukov**
First Deputy Mayor of Moscow,
Head of the Complex of Municipal
Services of Moscow

Previous offices
(over the last 5 years):
Prefect, Member of the Moscow
Government

Offices of the members of the Board of Directors are indicated as of 31.12.2008



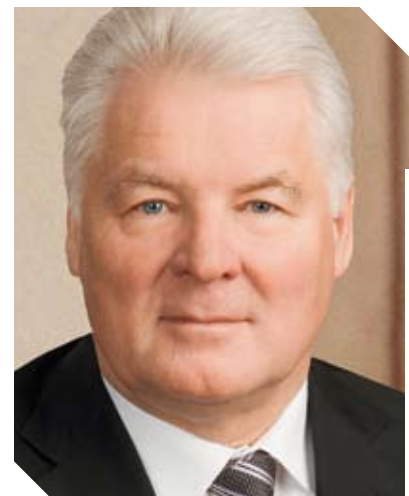
**Bogdan
Vladimirovich
Budzulyak**
Chairman of the Board of the
Non-commercial Partnership
"Assistance in Promoting Innovative
Technologies for Anticorrosion
Protection of Oil and Gas Production
Facilities"

Previous offices
(over the last 5 years):
Member of the Executive Board,
Head of Gas Transportation,
Underground Storage and Usage
Department, OAO "Gazprom"



**Anatoly
Anatolievich
Gavrilenko**
General Director, ZAO "Leader"

Previous offices
(over the last 5 years):
Strategic and Finance Planning
Director, ZAO "Alor Invest"



**Valeriy
Alexandrovich
Golubev**
Deputy Chairman of the Executive
Board, OAO "Gazprom"

Previous offices
(over the last 5 years):
Member of the Executive Board,
Head of Investment and Construction
Department,
OAO "Gazprom"; Director General,
OOO "Gazkomplektimpex"



**Alexey
Alexandrovich
Mityushov**
Director General,
OOO "Gazpromenergo";
Director General, OAO "OGK-6"

Previous offices
(over the last 5 years):
Head of Property Management and
Corporate Work Department, Head of
Property Management Department,
OOO "Mezhregiongas"; Manager,
OOO "Nevka S-Peterburg"



**Olga
Petrovna
Pavlova**
Member of the Executive Board,
Head of Property and Corporate
Relations Department,
OAO "Gazprom"

Previous offices
(over the last 5 years):
Deputy Head of Economic
Administration of the President of the
Russian Federation



**Vladimir
Nikolaevich
Silkin**

Deputy Mayor of Moscow in the Government of Moscow, Head of the Complex of Property and Land Relations of the Moscow Government, Head of the Property Department of Moscow

Previous offices
(over the last 5 years):
Minister of the Moscow Government;
Head of the Property Department of
the Government of Moscow; Senior
Deputy Prefect of the North-Eastern
Administrative District of Moscow



**Evgeniy
Victorovich
Sklyarov**

**Head of the Fuel and Energy
Department of the Moscow
Government**

Previous offices
(over the last 5 years):
Vice-President,
OAO "Mospromstroyaterialy"



**Yuri
Arkadievich
Udaltsov**

**Member of the Board of Directors,
MOSENERGO**

Previous offices
(over the last 5 years):
Member of the Executive Board, Head
of the Reform Management Center,
RAO UES of Russia
Head of Corporate Strategy
Department, Head of Energy Reform
Department of RAO UES of Russia



Denis Vladimirovich Fyodorov
Head of the Electric Energy Sector Development and Electric Energy Marketing Subdivision of Marketing, Gas and Liquid Hydrocarbons Department, OAO "Gazprom"

Previous offices (over the last 5 years):
Counselor to Director General of OOO "Mezhregiongaz"; 1st rank specialist, Head of Administration, OOO "EvrosibEnergoproekt", 1st category Engineer, RAO UES of Russia



Nikolay Grigorievich Shulginov
Deputy Chairman of Board of Directors, OAO "SO UES"

Previous offices (over the last 5 years):
Deputy Chairman of the Executive Board, member of the Executive Board, Technical Audit Director, OAO "SO-CDU UES"



Vitaliy Georgievich Yakovlev
General Director, MOSENERGO

Previous offices (over the last 5 years):
Deputy Director General for Corporate Policy, MOSENERGO, Senior Vice-President, President, OAO "Vostokgazprom", Director General, OAO "Tomskgazprom" (second employment); Manager Assistant, Manager of Audit Department, ZAO "KPMG"

Board of Directors

(Elected on the Shareholders Annual General Meeting of MOSENERGO held on May 21, 2008)

Full Name	Year of birth	Education	Citizenship	Shareholding in the Company, %	Date of first election in the Company's Board of Directors
Kirill Gennadievich Seleznyov	1974	Higher	Russia	Holds no MOSENERGO shares	15.05.2007
Pyotr Pavlovich Biryukov	1951	Higher	Russia	Holds no MOSENERGO shares	21.05.2008
Bogdan Vladimirovich Budzulyak	1946	Higher, professor, Doctor of Engineering, Academician	Russia	Holds no MOSENERGO shares	15.05.2007
Anatoly Anatolievich Gavrilenko	1972	Higher	Russia	Holds no MOSENERGO shares	28.06.2005
Valeriy Alexandrovich Golubev	1952	Higher, Doctor of Economics	Russia	Holds no MOSENERGO shares	15.05.2007
Alexey Alexandrovich Mityushov	1975	Higher	Russia	Holds no MOSENERGO shares	21.05.2008
Olga Petrovna Pavlova	1953	Higher, Candidate of Laws	Russia	Holds no MOSENERGO shares	15.05.2007
Vladimir Nikolaevich Silkin	1957	Higher, Candidate of Engineering	Russia	Holds no MOSENERGO shares	21.05.2008
Evgeniy Victorovich Sklyarov	1955	Higher, Candidate of Economics	Russia	Holds no MOSENERGO shares	21.05.2008
Yuri Arkadievich Udaltsov	1961	Higher, Candidate of Mathematics and Physics	Russia	0.0084675 %	28.06.2004
Denis Vladimirovich Fyodorov	1978	Higher, Candidate of Economics	Russia	Holds no MOSENERGO shares	21.05.2008
Nikolay Grigorievich Shulginov	1951	Higher, Candidate of Engineering	Russia	0.0011929 %	21.05.2008
Vitaliy Georgievich Yakovlev	1972	Higher	Russia	Holds no MOSENERGO shares	21.05.2008

The most significant resolutions of the Board of Directors adopted in 2008 include:

- decision on partial revaluation of the Company's fixed assets;
- approval of a business-plan and key performance targets of the Company for 2008;
- approval of the Company's Insurance Coverage Program;
- approval of material terms of the Agreement with Siemens AG for reservation of production capacities for manufacture of equipment for steam and gas units construction on the Company's electric power supply stations;
- decision about public borrowing realized through issue of bonds of MOSENERGO;
- decision on termination of authorities of the Company Director General A.Y. Kopsov and appointing V.G. Yakovlev for the position of Director General;
- approval of Provisions on affiliates of the Company with amendments and supplements;
- decisions on issues of preparation to the Shareholders Annual General Meetings, including issuing of recommendations to the Shareholders General Meeting on distribution of profit and approval of the report on the Company's performance results in 2007;
- change of the Company's organizational structure;
- approval of the Committees of the Board of Directors composition.

In addition to the above-said issues the following matters were considered:

- MOSENERGO participation in other organizations;
- approval of existing terms and conditions of transactions acknowledged interested-party transactions and transactions concluded in a foreign currency;
- status of MOSENERGO representatives in affiliated and dependent companies;
- other issues falling within the scope of authorities of the Company's Board of Directors.

The Board of Directors approved 26 interested-party transactions.

The Company didn't conclude transactions acknowledged pursuant to Federal Law "On Joint Stock Companies" as major transactions as well as other transactions requiring application of the order of approval of major transactions in accordance with the Company's Charter.

Information on decision taken by the Board of Directors of MOSENERGO as well as information about interested-party transactions is available on the Company's website.

Pursuant to the Provision on the Order of Convocation and Holding of the Board of Directors Meetings¹ approved by the Shareholders General Meeting, Minutes No.1 dated May 31, 2006 members of the Board of Directors obtain remunerations and are compensated for expenses incurred while performing duties of members of the Board of Directors.

The amount, types and the order of payment of remunerations and compensations to members of the Board of Directors of MOSENERGO are determined by Provision on Remuneration and Compensations to Members of the Board of Directors approved at the Shareholders General Meeting dated May 21, 2008.

In accordance with the Federal Law dated July 27, 2004 "On Civil Service in the Russian Federation" (as amended) this Provision

will not be applied to members of the Board of Directors who are civil servants (representatives of the Moscow Government).

The Provision establishes the following types of remunerations to members of the Board of Directors:

1. Remuneration for the participation in the meetings of the Board of Directors.

A member of the Board of Directors is remunerated for participation in meetings of the Board of Directors held as co-presence in the amount of ten minimum monthly base rates of the first category worker established in the industrial agreement on rates effective in the electric energy complex of the RF (hereafter – the Agreement).

The remuneration of a member of the Board of Directors for participation in meetings of the Board of Directors held as meetings in absentia makes seven minimum monthly base rates of the first category worker established in the Agreement.

The ground for payment of the remuneration is the fact of a Director's participation in/presence at the meeting conducted either in person or in absentia recorded in the Minutes of the Board meeting.

2. Bonus depending on achievement the net profit value.

A member of the Board of Directors is remunerated in the event the Company achieves a net profit in the reporting year as evidenced by the annual financial statements approved by the Annual General Meeting of Shareholders.

This remuneration is paid within a month after carrying out annual General Meeting of Shareholders.

3. Bonus on the market capitalization.

A member of the Board of Directors is remunerated at the rate of 0.0085% from the markup to the market value of the Company less the increment of net assets of the Company calculated for the period from election of a member of the Board of Directors till the moment of election of a new Board of Directors.

The total amount of remunerations paid to the members of the Board of Directors in 2008 totals RUR 14,099,649.

Information about Work of Committees of the Board of Directors

In 2008 the most important issues to be addressed by the Company's Board of Directors were preliminary considered by Committees of the Board of Directors. The mission of Committees includes: that preliminary consideration of matters falling within the scope of their competence placed on the agenda of the day of the Company's Board of Directors and preparation of recommendations for the Board of Directors. Regulations of activities, the order of formation and the term of authorities of Committees within the Board of Directors are determined by separate resolutions of the Board of Directors.

Audit Committee

Members of the Audit Committee approved by Resolutions of the Board of Directors dated June 09, 2008, and August 14, 2008: Chairman – O.P. Pavlova; members: A.A. Gavrilenko, V.N. Silkin, D.V. Fyodorov and N.G. Shulginov.

In 2008 the Audit Committee developed and submitted for consideration of the Board of Directors recommendations on the following issues: review of the annual financial statements of the Company, consideration of a candidate for the position of MOSENERGO's auditor, determination of remuneration to be paid to the Company's auditor. The Committee analyzed financial statements of the Company and the internal auditor report

Data on members of the Board of Directors

whose tenure in office was terminated by a decision of the Annual Meeting of Shareholders on May 21, 2008

Pyotr

Nikolayevich

Aksenov

First deputy Head of Moscow city building policy, development and reconstruction Department

Previous offices (over the last 5 years):

First Deputy Mayor of Moscow in Moscow Government, Head of Municipal Services and Facilities of Moscow

Year of birth – 1946

Education – Higher, candidate of economics

Citizenship – Russia

Holds no MOSENERGO shares

Date of the first election in MOSENERGO

Board of Directors – 28.06.2004

Anatoly

Yakovlevich

Kopsov

Chairman of Executive Board, MOSENERGO, Director General, MOSENERGO

Previous offices (over the last 5 years):

Director, Capital Construction Directorate, RAO UES of Russia Corporate Center, Director for Construction of Generation Facilities, RAO UES of Russia

Year of birth – 1942

Education – Higher, doctor of technical

sciences, professor

Citizenship – Russia

Holds 0.0015% shares

Date of the first election in MOSENERGO

Board of Directors – 22.04.1996

Aleksey

Anatolievich

Matveyev

Deputy Chairman of Executive Board, OAO "Gazprombank"

Previous offices (over the last 5 years):

Adviser to Chairman of Executive Board, OAO "Gazprombank"; Managing Director, ZAO "Troika Dialog Investment Company"

Year of birth – 1963

Education – Higher

Citizenship – Russia

Holds no MOSENERGO shares

Date of the first election in MOSENERGO

Board of Directors – 28.06.2004

Alexander

Alexandrovich

Negomedzyanov

First Deputy Director General for Financial and Economic Issues, Logistics and Sales, MOSENERGO

Previous offices (over the last 5 years):

Deputy Managing Director, Executive Director, Business Unit No. 1, RAO UES of Russia; Director of Operations, RAO UES of Russia; Head of the Connection Fee Department, RAO UES of Russia

Year of birth – 1952

Education – Higher

Citizenship – Russia

Holds no MOSENERGO shares

Date of the first election in MOSENERGO

Board of Directors – 26.05.2006

Wolfgang

Skribot

Managing Director, Corporate Finance Department, OAO "Gazprombank"

Previous offices (over the last 5 years):

Deputy Director General, OOO "Gazprombank-Invest"; Director, Corporate Finance Department, ZAO "OFG"

Year of birth – 1966

Education – Higher

Citizenship – Austria

Holds no MOSENERGO shares

Date of the first election in MOSENERGO

Board of Directors – 26.05.2006

Pavel

Stepanovich

Smirnov

Member of Executive Board, RAO UES of Russia

Previous offices (over the last 5 years):

Member of Executive Board, RAO UES of Russia

Year of birth – 1952

Education – Higher, candidate of legal

sciences, doctor of economics

Citizenship – Russia

Holds no MOSENERGO shares

Date of the first election in MOSENERGO

Board of Directors – 18.05.2001

Sergey

Sergeyevich

Fil

Head of Department of Corporate Events, Business Unit No. 1, RAO UES of Russia

Previous offices (over the last 5 years):

Acting Head of Corporate Events Section, Chief Specialist, Leading Specialist, Category 1 Specialist, Corporate Governance Department, RAO UES of Russia

Year of birth – 1980

Education – Higher

Citizenship – Russia

Holds no MOSENERGO shares

Date of the first election in MOSENERGO

Board of Directors – 26.05.2006



for compliance with the effective RF legislation, international financial reporting standards (IFRS) and other normative and legal acts and standards. The Committee produced recommendations to the Company's Board of Directors on improvement of systems for drawing up of the Company's statements.

Strategy and Investments Committee

Pursuant to the Resolution of the Board of Directors dated June 9, 2008 the Strategy and Development Committee and the Investments Committee were united to form the Strategy and Investments Committee.

Members of the Strategy and Investments Committee approved by the Resolution of the Board of Directors dated June 9, 2008 and September 1, 2008: Chairman – D.V. Fyodorov, members of the Committee: E.V. Andreeva, S.V. Antonova, V.A. Dyomina, M.K. Zavrieva, A.S. Ivannikov, I.V. Ignatov, A.V. Iliencko, S.R. Prokurov, A.V. Rogov, V.Y. Tul'skiy, D.Y. Tushunov.

In 2008 the Company's Committee considered the following issues: approval of the Company's business-plan for the year 2009; approval of the Company's Investment Program for 2009; principles of business-planning and key performance indicators of the Company estimation; development of the Company's organizational structure; return of VAT by payments effected through additional issuance of shares in 2007 and allocation and utilization of obtained facilities.

Human Resources and Remuneration Committee

Members of the Human Resources and Remuneration Committee appointed by Resolution of the Board of Directors on June 9, 2008 and September 1, 2008: Chairman – A.A. Gavrilenko, members of the Committee: V.A. Golubev, Y.A. Udaltsov, D.V. Fyodorov.

In 2008 the Committee considered the following issues: introduction of amendments and supplements in the current Provision on Remuneration and Compensations to Members of the MOSENERGO Board of Directors; determination of major terms and directions of the Company's insurance protection; approval of the Company's Insurance Protection Program for 2009.

Reliability Committee

Members of the Reliability Committee appointed by Resolution of the Board of Directors dated June 9, 2008 and August 14, 2008: Chairman – V.V. Sergeev, members of the Committee: I.D. Alyushenko, I.V. Belousenko, G.G. Gasangadzhiev, B.P. Modin, S.A. Pronin, A.Y. Putenikhin, A.M. Trinoga, S.A. Tsarev.

In 2008, the Committee considered the following issues: on the model of the MOSENERGO investment activities efficiency upgrade; about the state of the boiler stock of MOSENERGO; on identification of matters of special importance at development of the technical policy of MOSENERGO. The Committee also evaluated scope of works for preparation for the fall-winter maximum load season 2008/2009.



9.4. Executive Bodies

MOSENERGO's day-to-day operations are administered by a sole executive body represented by Director General, and a collegial executive body represented by the Executive Board, that is accountable to the General Meeting of shareholders and to the Board of Directors of the Company.

Director General is elected by the Board of Directors of the Company. Members of the Executive Board of the Company are nominated by the General Director of the Company and elected by the Board of Directors in the number determined by the Board of Directors.

In accordance with the Company's Charter the Director General executes functions of the Chairman of the Executive Board of the Company.

The rights and duties of the General Director and members of the Executive Board with regard to the administration of day-to-day operations of the Company are determined by the Russian Federation legislation, the Company Charter, Articles of the Executive Board,¹ as well as provisions of employment contracts concluded by each of them with the Company.

The Company's Executive Board is responsible for:

- provision of compliance with rights and lawful interests of the Company shareholders;
- elaboration of offers on the Company's development strategy;

- realization of financial and economic policy of the Company, elaboration of solutions on important issues of its day-to-day operation and coordination of work of its subdivisions;
- increase of efficiency of work in systems of internal control and risk monitoring;
- guarantee of achievement of high level of profitability of the Company's assets and maximum income from the Company's activities.

In 2008 the Executive Board held 48 meetings where it discussed issues related to the day-to-day operations and prospects of the Company. Of all meetings of the Executive Board one was extended (with participation of heads of structural subdivisions of the General Directorate and the Company's branches) and 9 were held by absentee voting.

The Executive Board at its meetings regularly considered such questions as:

- financial standing of the Company;
- technical and economic performance of the Company and sales results;
- fuel stockpiling and payment for fuel;
- progress of the capital construction and remedial maintenance versus the plan;
- results of the fall and winter period and preparation to the next fall and winter period;
- concept of MOSENERGO development; and
- appointment of directors of MOSENERGO affiliates.

Executive Board

[as of 31.12.2008]

Vitaliy Georgievich Yakovlev
Chairman of the Executive Board, General Director of MOSENERGO

Previous offices (over the last 5 years):
Deputy General Director for Corporate Policy, MOSENERGO;
First Vice-President, President of OAO "Vostokgazprom", General director OAO "Tomskgazprom" (second employment); assistant of the manager, manager of the audit department, OAO "KPMG"
Year of birth – 1972
Education – Higher
Citizenship – Russia
Holds no MOSENERGO shares

Elena Victorovna Andreeva
Deputy General Director on Sales, MOSENERGO

Previous offices (over the last 5 years):
Director of MOSENERGO WEM;
Chief Manager of the geographical division Russia, Head of Directorate of Operative Economic Analysis and Forecasting of the Department of NOREM sales of Trading Block, Deputy Head of the Department of NOREM sales – Head of Administration of Operative Economic Analysis and Forecasting of Trading Block, ZAO "INTER RAO EUS"; Leading Expert, Head of revenues tariffication and services realization of Finance and Economy Administration; Head of Legal Groundwork Department, Head of Department of Tariff Regulation, OAO "System Operator – Central Supervisory Control of EUS"
Year of birth – 1974
Education – Higher
Citizenship – Russia
Holds no MOSENERGO shares

Svetlana Vladimirovna Antonova
Deputy General Director on Legal Issues, MOSENERGO

Previous offices (over the last 5 years):
Lawyer, Partner of the Law Office "Kazakov and Partners"; Head of the Legal Department, Head of the legal section, OOO "Legal Company "Chastnoye Pravo"
Year of birth – 1974
Education – Higher
Citizenship – Russia
Holds no MOSENERGO shares

Dmitry Alexandrovich Barshak
Director of TEP-21, an affiliate of MOSENERGO

Previous offices (over the last 5 years):
Director of Thermal Engineering Unit of MOSENERGO, Deputy Chief Engineer for Thermal Engineering of MOSENERGO
Year of birth – 1956
Education – Higher, Candidate of Engineering
Citizenship – Russia
Holds 0.0017716% of MOSENERGO shares

Ivan Vasilievich Galas
Director TEP-20, an affiliate of MOSENERGO

Previous offices (over the last 5 years):
Chief Engineer of TEP-23 – an affiliate of MOSENERGO
Year of birth – 1955
Education – Higher, Candidate of Engineering
Citizenship – Russia
Holds 0.0009% of MOSENERGO shares

Yuriy Efimovich Dolin
Deputy General Director for Capital Construction and Procurement, MOSENERGO

Previous offices (over the last 5 years):
Deputy General Director for Logistics and Procurement, MOSENERGO;
Deputy Managing Director, Executive Director, Business Unit No. 1, RAO UES of Russia; Head of the Fuel Supply Department, RAO UES of Russia
Year of birth – 1949
Education – Higher
Citizenship – Russia
Holds 0.0002302% of MOSENERGO shares

**Nikolay
Alekseevich
Zroichinkov**
Director of TEP-23, an affiliate of
MOSENERGO

Previous offices (over the last 5 years):
Director of TEP-23, an affiliate of
MOSENERGO
Year of birth – 1954
Education – Higher, Doctor of Engineering
Citizenship – Russia
Holds 0.0079677% of MOSENERGO shares

**Alexander
Sergeevich
Ivannikov**
Deputy General Director for Financing
and Budgeting, MOSENERGO

Previous offices (over the last 5 years):
Deputy General Director for Finance,
MOSENERGO, Deputy General
Director for Economy and Finance
of OAO “TGK-1”; Head of Investment
Policy Administration, First Deputy
Head of Committee, Head of Defense
Industries Department of Industrial
Policy Administration, 3d class Acting
Counselor of State of Saint-Petersburg
of the Industrial Policy and Trade
Committee of the Government of Saint-
Petersburg
Year of birth – 1966
Education – Higher, Candidate of
Engineering
Citizenship – Russia
Holds no MOSENERGO shares

**Naum
Mikhailovich
Sandler**
Director of Mosenergoproekt
Institute – an affiliate of MOSENERGO

Previous offices (over the last 5 years):
Director of Mosenergoproekt Institute –
an affiliate of MOSENERGO
Year of birth – 1941
Education – Higher, Candidate of
Engineering
Citizenship – Russia
Holds 0.0199326% of MOSENERGO shares

**Vladimir
Valentinovich
Sergeev**
First Deputy General Director – Chief
Engineer, MOSENERGO

Previous offices (over the last 5 years):
Director of TEP-20, an affiliate of
MOSENERGO
Year of birth – 1957
Education – Higher, Candidate of
Engineering
Citizenship – Russia
Holds 0.014% of MOSENERGO shares

**Anna
Sergeevna
Tsaregorodtseva**
Deputy General Director on
Human Resources Management,
MOSENERGO

Previous offices (over the last 5 years):
Human Resources Director,
MOSENERGO; Manager on Staff
Recruitment of OOO “ANT-Inform”,
Commercial Director of OOO “Industrial
Systems Martena”
Year of birth – 1976
Education – Incomplete higher
Citizenship – Russia
Holds no MOSENERGO shares

**Lev
Mikhailovich
Tsenin**
Director of Mosenergospetsremont –
an affiliate of MOSENERGO

Previous offices (over the last 5 years):
Director of Mosenergospetsremont –
an affiliate of MOSENERGO; General
Director of OOO “GrandStroy”; Director
of Construction Administration of RAO
UES ZAO “SITEH Corporation”; chief
Engineer, AOZT “Park”
Year of birth – 1957
Education – Higher
Citizenship – Russia
Holds 0.0008912% of MOSENERGO shares

In 2008 the Executive Board considered and approved the Business Ethics Code of MOSENERGO,¹ Regulations for development of a one-year, three-year and ten-year investment programs of MOSENERGO.

The Executive Board discussed prospects of development of the market of thermal energy. The discussion resulted in elaboration of an additional complex of measures on expansion of present of MOSENERGO on the thermal energy market.

The Executive Board considered the issue of optimization of the Company's organizational structure. The Executive Board proposed for approval of the Board of Directors the issue on liquidation of TEP-6, TEP-28, PPTK, OZAP,

SKTB VKT, MESR, MEP and Medsanchast' as affiliates of MOSENERGO.²

In 2008 the Executive Board of MOSENERGO developed and proposed for consideration of the Board of Directors a draft of the Insurance Coverage Program for 2009 and Annual Complex Procurement Schedule for 2009.

The amount of payments to the General Director of MOSENERGO is determined in accordance with the Regulation on Stimulating Remuneration of MOSENERGO's General Director approved by the Board of Directors on September 19, 2005 as amended and approved by the Board of Directors on August 14, 2006.

Data on members of the Executive Board

whose tenure in office was terminated in 2008

whose tenure in office was terminated by a decision of the Board of Directors dated March 31, 2008

Vladimir Anatolyevich Kimerin
General Director,
OAO Mosenergosbyt, Deputy
General Director for Energy Sales,
MOSENERGO (pluralistically)

Previous offices (over the last 5 years):
Deputy Head of Department - Head of Section, First Deputy Head of Department, Head of Department, Deputy Managing Director, Executive Director, Business Unit No. 1, RAO UES of Russia
Year of birth - 1963
Education - Higher
Citizenship - Russia
Holds no MOSENERGO shares

whose tenure in office was terminated by a decision of the Board of Directors dated April 14, 2008

Anatoly Yakovlevich Kopsov
Chairman of the Executive Board of
MOSENERGO, General Director of
MOSENERGO

Previous offices (over the last 5 years):
Director, Capital Construction Directorate, RAO UES of Russia Corporate Center, Director for Construction of Generation Facilities, RAO UES of Russia
Year of birth - 1942
Education - Higher, Doctor of Engineering, Professor
Citizenship - Russia
Holds 0.0015% of MOSENERGO shares

Aleksey Nikolayevich Karev
Director of the CRMZ, a MOSENERGO branch

Previous offices (over the last 5 years):
Director of the CRMZ, a MOSENERGO branch
Year of birth - 1941
Education - Higher, Doctor of Engineering, Academician
Citizenship - Russia
Holds 0.0113% of MOSENERGO shares

Vasily Yakovlevich Krivonosov
Deputy General Director
for General Affairs, MOSENERGO

Previous offices (over the last 5 years):
First Deputy General Director, OAO "Volgaenergosnabkomplekt"; Deputy General Director, Acting Deputy General Director for General Affairs; Head of the Marketing Section, OAO "Vladimirenergo"
Year of birth - 1955
Education - Higher
Citizenship - Russia
Holds no MOSENERGO shares

The Regulation on Stimulating Remuneration of MOSENERGO's General Director provides for a compensation plan comprising:

- The official salary;
- Bonus payments on a quarter-end and year-end basis are effected depending on achievement of key performance indicators approved for the joint-stock company on the whole.

Remunerations to members of the Executive Board are determined by the resolution of the Board of Directors in shares from the established salary. Remunerations to members of the Executive Board who are simultaneously members of the Board of Directors of the Company are paid only as to the members of the Executive Board.

The amount of remunerations, benefits and compensations for the performance of functions paid to all members of the Executive Board in 2008 totaled RUR 2,364,990.

The Board of Directors has approved on June 9, 2008 the personal composition of the Executive Board.

By resolution of the Board of Directors held on February 16, 2009 a composition of the Executive Board was changed: Y.E. Dolin, N.M. Sandler and L.M. Tsenin were recalled from members of the Executive Board and new members – A.I. Dmitriev – Deputy General Director for Procurement and Production Set Provision and V.Y.Tulskiy – Investments Director were appointed.

whose tenure in office was terminated by a decision of the Board of Directors dated June 9, 2008

Alexander Alexandrovich Negomedzyanov
First Deputy General Director for Financial and Economic Issues, Logistics and Sales, MOSENERGO

Previous offices (over the last 5 years):
 Deputy Managing Director, Executive Director, Business Unit No. 1, RAO UES of Russia; Director of Operations, RAO UES of Russia; Head of the Connection Fee Department, RAO UES of Russia
 Year of birth – 1952
 Education – Higher
 Citizenship – Russia
 Holds no MOSENERGO shares

Yuriy Leonidovich Guskov
Director of TEP-21, a MOSENERGO branch

Previous offices (over the last 5 years):
 Director of TEP-21, a MOSENERGO branch
 Year of birth – 1938
 Education – Higher, Candidate of Engineering
 Citizenship – Russia
 Holds no MOSENERGO shares

Tatiana Petrovna Dronova
Chief Accountant, MOSENERGO

Previous offices (over the last 5 years):
 Deputy Head of the Accounting and Reporting Department, Rosenergoatom Concern, Ministry of Atomic Energy of the Russian Federation
 Year of birth – 1954
 Education – Higher
 Citizenship – Russia
 Holds 0.0017% of MOSENERGO shares

Anatoly Pavlovich Kuleshov
Director for Capital Construction, MOSENERGO

Previous offices (over the last 5 years):
 Deputy General Director for Capital Construction, MOSENERGO; Director of PPTK, a MOSENERGO branch
 Year of birth – 1954
 Education – Higher
 Citizenship – Russia
 Holds 0.0030% of MOSENERGO shares

Sergey Yurievich Rumyantsev
Deputy General Director for Market, MOSENERGO

Previous offices (over the last 5 years):
 Deputy Chairman of the Executive Board for Finances and Payments, NP "ATS"; Finance Director, ZAO "DitGaz"
 Year of birth – 1956
 Education – Higher, Candidate of Economics
 Citizenship – Russia
 Holds no MOSENERGO shares

9.5. Audit Commission

The Audit Commission of MOSENERGO is a standing internal audit body of the Company established with the aim to:

- Exercise control over financial and economic activities of the Company;
- Ensure supervision over the compliance of the conducted business transactions with the Russian Federation law and the Company's Charter, as well as to
- Perform an independent evaluation of financial standing of the Company.

The Audit Commission carries out its activities on the basis of the Provision on Audit Commission of MOSENERGO¹ approved by the Shareholder's General Meeting held on May 30, 2002.

The Audit Commission has carried out documentary verification (audit) of the financial and economic activities of MOSENERGO in 2008.

Based on the audit and on the Company's Auditor's report, the Audit Commission drew up its Opinion that confirms the authenticity of data contained in the Company's statements and other financial documents for the year 2008. Copies of this Opinion are sent to the Board of Directors and the Company's Director General.

The amount of and procedure for payment of remunerations and compensations to the members of the Audit Commission are established in accordance with the Regulation on Payment

of Remuneration and Compensations to the Members of MOSENERGO's Audit Commission approved by the Shareholder's General Meeting on May 30, 2002.

Members of the Audit Commission receive lump-sum remuneration in the amount of a three minimum monthly base wages of a first class worker.

For each conducted audit (revision) of the financial statements of the Company each member of the Audit Commission is entitled to an additional compensation in the amount up to twenty monthly base wages of a first class worker.

Members of the Audit Commission are compensated for the expenses incidental to their participation in the meetings of the Audit Commission and auditing at the rates of reimbursement of business travel expenses as in effect at the time of holding the meeting or auditing.

The amount of remunerations paid to the Chairman of the Audit Commission is increased by 50 %.

The total amount of remunerations, benefits and compensations paid by the Company to the members of MOSENERGO's Audit Commission for 2008 made RUR 382,157.

¹ 10

Audit Commission

**Andrey
Victorovich
Belobrov**

Deputy Head of Internal Audit and Affiliates Activities Control Department – Head of Gas Supplying Organizations Control and Maintenance Department, OAO “Gazprom”

Previous offices (over the last 5 years):
Head, Deputy Head of Kaliningrad regional department of Russian Transport Inspectorate
Year of birth – 1958
Education – Higher
Citizenship – Russia
Holds no MOSENERGO shares

**Rafael
Vladimirovich
Ishutin**

Head of Internal Audit and Affiliates Financial Activities Control Department of the Administration Unit, OAO “Gazprom”, Professor of Economic Cybernetics and Economic and Mathematical methods of Saint-Petersburg State Economy and Finance Institute (second employment)

Previous offices (over the last 5 years):
Head of Internal Audit and Affiliates Activities Control Department of the Administration, OAO “Gazprom”, Professor of Economic Cybernetics and Economic and Mathematical methods of Saint-Petersburg State Economy and Finance Institute (second employment); Professor of Department of Finance, Credit and Insurance of the Russian Entrepreneurship Academy (second employment), Professor of Economic Theory and World Economy Department of Saint-Petersburg State Economy and Finance University (second employment)
Year of birth – 1971
Education – Higher, Doctor of Economics, Professor
Citizenship – Russia
Holds no MOSENERGO shares

**Vitaliy
Anatolievich
Kovalev**

Deputy Head of Subdivision for Control of Gas Supply Arrangement of Department of Internal Audit and Affiliates Financial Activities Control Department of the Administration Unit, OAO “Gazprom”

Previous offices (over the last 5 years):
Head of Department of Chief Control Administration of the President of RF
Year of birth – 1955
Education – Higher
Citizenship – Russia
Holds no MOSENERGO shares

**Anatoliy
Nikolaevich
Klyuchnikov**

Deputy Head of Subdivision for Control of Gas Supply Arrangement of Department of Internal Audit and Affiliates Financial Activities Control Department of the Administration Unit, OAO “Gazprom”

Previous offices (over the last 5 years):
Deputy Head of Subdivision for Control of Gas Supply Arrangement of Department of Internal Audit and Affiliates Financial Activities Control Department of the Administration Unit, OAO “Gazprom”
Year of birth – 1951
Education – Higher
Citizenship – Russia

**Irina
Nikolaevna
Milyutina**

Chief Expert of the Corporate Control Subdivision of the Property and Corporate Relations Department, OAO “Gazprom”

Previous offices (over the last 5 years):
Specialist-Expert, Consultant of the Secretarial Board of the Head of the RF President Administration
Year of birth – 1973
Education – Higher
Citizenship – Russia
Holds no MOSENERGO shares

10 Changes in the Company's Organizational Structure Introduced in 2008

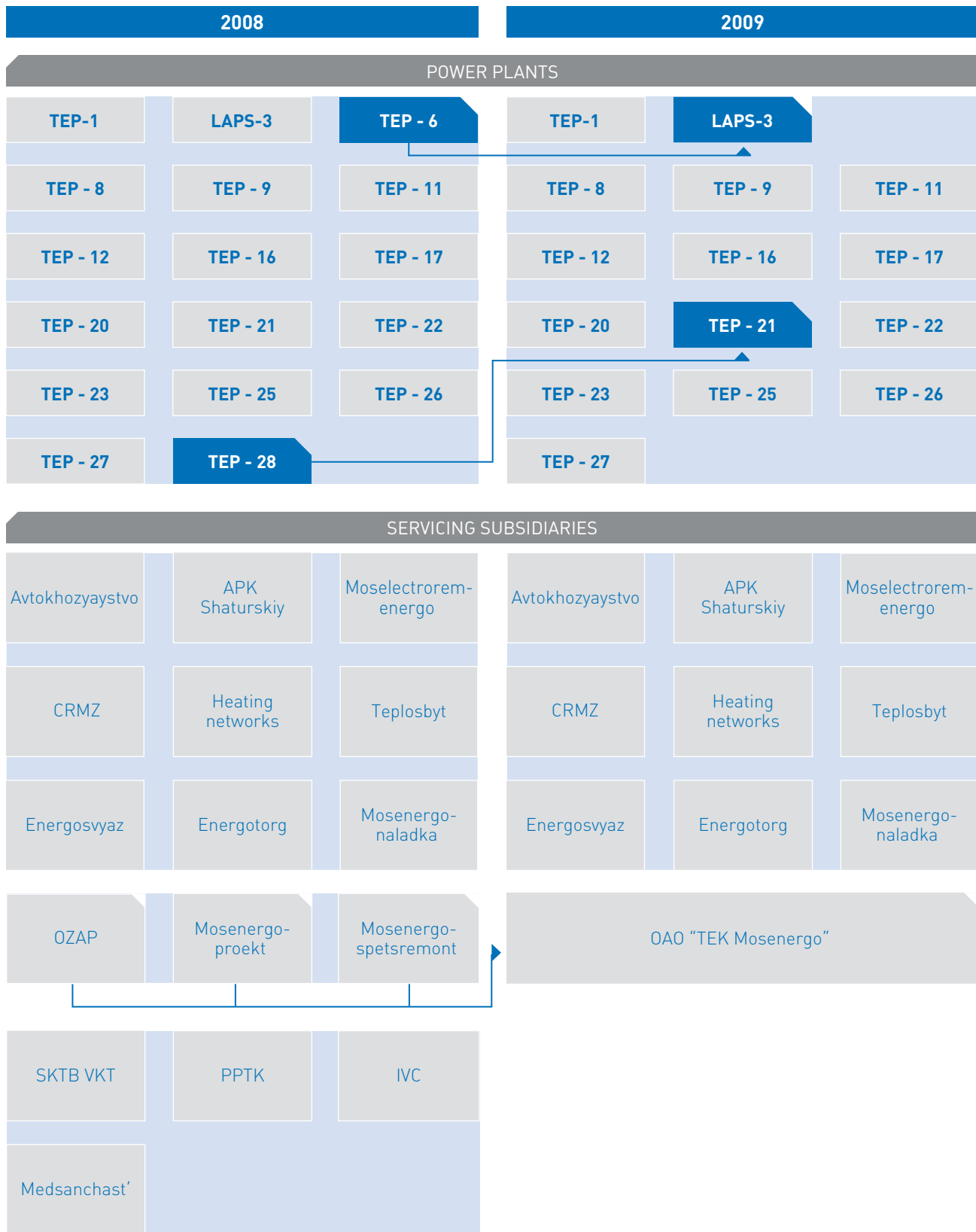
With the purpose of achieving strategic aims and addressing of current tasks of MOSENERGO the management structure of projects realized by the Company is improved. Concentration of functions on design, equipment procurement, construction, start-up and commissioning of power objects in MESR, MEP, OZAP affiliates and the subsidiary OAO "TEK MOSENERGO" is realized through creation of EPC-contractor MOSENERGO – a subcontractor implementing "turnkey" investment projects on construction of new production capacities.

With the aim of optimizing the Company structure and power plants management-associated costs reduction in 2008 decisions were taken to merge affiliates of MOSENERGO: R.E. Clason LAPS-3 and TEP-6 as well as TEP-28 and TEP-21 with subsequent liquidation of TEP-6 and TEP-28 as the Company's affiliates.

Measures targeted at optimization of the organizational structure and property management of MOSENERGO include preparation to liquidation of the following affiliates: SKTB VKT, PPTK, IVC and Medsanchast. Completion on re-organization of MOSENERGO structure is scheduled for 2009.

A part of functions executed by the liquidated affiliates will be included in the scope of responsibilities of other affiliates and the executive bodies of MOSENERGO, and some functions will be carried out by specialized contractor organizations under outsourcing agreements in line with modern concepts of business-processes organization.

MOSENERGO's Reforming Scheme



SKTB VKT — Special construction and technological bureau of high-voltage and cryogenic technology
 PPTK — Industrial – Technological Completing Enterprise
 IVC — Information Computing Center
 OZAP — Experimental Plant for automation Means and Device
 CRMZ — Central repair and mechanical works



Proceeds from sales of commercial output RUR

94.8
bln. RUR

Profit from sales of commercial output RUR

4.7
bln. RUR

Shares and Stock Market

11.1. Share Capital

As of December 31, 2008 the Company's charter capital totals RUR 39,749,359,700. The Company made the equity offering in the amount 39,749,359,700 ordinary registered shares at the face value RUR 1 (one) each. Each ordinary registered share entitles the shareholder, its holder, the equal scope of rights in accordance with the effective legislation of the Russian Federation.

Following the completed re-organization of RAO UES of Russia dated July 01, 2008 the minority equity participation of MOSENERGO, earlier held by RAO UES of Russia and accounted on the Balance Sheet of OAO "Mosenergo Holding", was converted in shares of MOSENERGO based on conversion ratios approved at the Shareholders' General Meetings of RAO UES of Russia and MOSENERGO. Pursuant to Resolution of the MOSENERGO Shareholders' General Meeting conversion of shares within re-organization of

RAO UES of Russia was carried out with respect to shares obtained as a result of their repurchase from shareholders voting "against" or failing to participate in the voting on the re-organization issue.

Due to the fact that the Company's ordinary shares repurchased at the shareholders' request were sufficient in the amount to be converted in shares of OAO "Mosenergo Holding" in the order and on conditions determined by Resolution of the Shareholders' Extraordinary Meeting of MOSENERGO on re-organization, the additional emission of shares within re-organization of RAO UES of Russia was not required for the Company.

In order to implement the legislation requirements concerning the securities market and with the purpose of completing re-organization of RAO UES of Russia and MOSENERGO, on August 14, 2008 the Federal Service on Financial Markets registered, the decision on issue of securities by OAO "Mosenergo Holding" merging to MOSENERGO.

Structure of MOSENERGO share capital

	Share in share capital, %	
	As of 31.12.2007	As of 31.12.2008
OAO "Gazprom"	53.47	53.47
RAO UES of Russia	15.01	0
Property Department of the City of Moscow	21.16	21.16
Legal entities and nominal holders	6.95	21.05
Individuals	3.41	3.97
The issuer's ledger account*	0	0.35

* shares re-purchased from MOSENERGO shareholders who at the Shareholders' Extraordinary Meeting dated December 28, 2007 on the issue of the Company re-organization through merger voted «Against» or failed to participate in the voting. Pursuant to the effective legislation the repurchased shares are placed at the Company's disposal, but they do not entitle the holder to a right of vote neither to the dividends accrual.

Changes in the structure of the charter capital are due to completion of re-organization of RAO UES of Russia.

11.2. Securities Market

MOSENERGO shares circulate by major trading systems of the Russian stock market – ZAO Moscow Interbank Currency Exchange (MICEX) Stock Exchange and OAO RTS Stock Exchange (RTS).

In October 1995 MOSENERGO implemented an ADR (American depositary receipts) program for the Company's shares.

Within re-organization of RAO UES of Russia conducted in July 2008 a program of global depositary receipts (GDR) was implemented for MOSENERGO shares in accordance with Rule 144-A and Regulation S for the purposes of exchange of depositary receipts of RAO UES of Russia for corresponding receipts of MOSENERGO.

The Bank of New-York Mellon is the program depository.

MOSENERGO shares are included in the basis of calculation of the following stock exchange indices:

OAO RTS Stock Exchange

RTSI Stock Exchange Index

RTSeu Electric Energy Industrial Index

ZAO MICEX Stock Exchange

MICEX index Stock Exchange Index

MICEX PWR Index of Energy Generating Companies' Shares

MICEX MC Capitalization Index

MICEX CBI Corporate Bonds Market Index

Detailed information on regulations and basis of calculation is available on the site of OAO RTS Stock Exchange: www.rts.ru and ZAO MICEX Stock Exchange: www.micex.ru.

MOSENERGO regularly takes measures aimed to enhance investment attraction and capitalization of the Company in pursuance of the requirements of Russian and international laws imposed on the companies whose shares are traded at stock markets. The Company implements measures on provision of the necessary level of public awareness and transparency of the Company's business, compliance with the norms of corporate conduct, protection of shareholder interests and potential investors.

Due to alteration of London Stock Exchange requirement to disclosure of information by foreign issuers whose securities are registered in the International Order Book of the London Stock Exchange, on September 2, 2008 MOSENERGO has signed an obligation on compliance with information disclosure requirement (Form F-1) of the London Stock Exchange.

The Company shares are included in the following quotation lists of the trade institutors: ZAO MICEX Stock Exchange – quotation list "A", and OAO RTS Stock Exchange – list "A2".

Company's depositary receipts programs

	Depositary receipts programs		
	ADR	GDR	
	Level 1	Reg. S	144A
Bank-depository	The Bank of New York Mellon		
Ratio	1: 100	1 : 50	1 : 50
Quotation stock sticker	AOMOY	AOMOY	AOMOY
Volume of program in% from charter capital as of 31.12.2008	0.87 %	0.15%	0.33%
Additional information on ADR program	www.adrbnymellon.com		
Information on permission of the Federal Service on Financial Markets of Russia for circulation of shares outside the Russian Federation.	No permission was required as of the moment of ADR Program registration	A permission of the Federal Service on Financial Markets of Russia for circulation of up to 20% of MOSENERGO ordinary shares outside the Russian Federation	

Codes of MOSENERGO securities in major Russian trading systems

MOSENERGO shares	OAO RTS Stock Exchange	MSGN
MOSENERGO bonds, series 01	ZAO MICEX Stock Exchnage	RU000A0JNMN6
MOSENERGO bonds, series 02	ZAO MICEX Stock Exchnage	RU000A0GN9B5



Trading in MOSENERGO shares during 2008 was characterized by an equidirectional dynamics of share prices. On the whole dynamics corresponded to trends of the stock exchange market exposed to influence of the situation on the international capital market and oil prices as well as to influence of market expectations with respect to completion of RAO UES of Russia re-organization.

The Russian stock exchange market disruption on the background of the international financial crisis of 2008 caused 6-fold reduction in the Company's capitalization that as of the end of the year was estimated at RUR 37.7 billion. But decrease in the Company's capitalization was less significant as compared to other power generating companies of the industry. Fundamental values and indicators of the stock exchange market testify that the Company's stock price as of the moment is greatly underestimated.

In addition to shares, two series of MOSENERGO bonds circulated:

- Series 01 – volume of issue RUR 5 billion, circulation term: 5 years, buy-back option: 3 years and profitability: 7.54% per annum;
- Series 02 – volume of issue RUR 5 billion, circulation term: 5 years, buy-back option: 6 years and profitability: 7.65% per annum.
- Series 02 bonds are traded from May 2006, Series 01 bonds – from March 2007. The total result of trading in bonds

of both series in 2008 made RUR 4,576.7 million. The current bond price makes on the average 99% from the face value of the issue.

MOSENERGO bonds are included in the quotation list "A" of the first level of ZAO MICEX Stock Exchange.

As a result of completion of the early redemption of bonds presented for payment undertaken on June 06, 2008 pursuant to Resolution taken at the Extraordinary Shareholder Meeting on the Company reorganization (Minutes No.1 dated 11.01.2008) 4,629,329 Series 01 bonds and 4,782,914 Series 02 bonds for the total nominal value RUR 9,412 million remained in circulation.

11.3. Dividends

In 2007 the Company calculated and paid dividends on MOSENERGO shares by results of the Company operation in Q1 of 2007. Accrual and payment of dividends on MOSENERGO shares were carried out in accordance with Resolution of the Shareholders' Extraordinary General Meeting dated June 22, 2007.

Pursuant to the Resolution of the Shareholders' General Meeting of MOSENERGO held on May 21, 2008 dividends on ordinary shares of the Company by results of 2007 were not paid.



Trading Volume of MOSENERGO's Shares in 2008 in Major Trading Systems

OAQ RTS Stock Exchange, USD thousand	6,569.5
ZAO MICEX Stock Exchange, RUR mln	5,080.0
European (London) over-the-counter market*, USD thousand	15,030.0

* Trading volume of depository receipts issued for the Company's shares

Market capitalization of MOSENERGO

	Price per share, RUR	Number of shares	Capitalization,* RUR
as of 31.12.2006	5.266	28,249,359,700	148,761,128,180
as of 31.12.2007	5.929	39,749,359,700	235,673,953,661
as of 31.12.2008	0.948	39,749,359,700	37,682,392,996

* Market capitalization is calculated according to ZAO MICEX Stock Exchange data on the market price per share as disclosed by ZAO MICEX Stock Exchange on the date of completion of the respective reporting period and the number of MOSENERGO shares issued

	UOM	2006	2007
Accrued dividend	RUR thousand	600,000	296,290
Ratio of dividends accrued per share to a share	%	0.3	0.2
Ratio of total dividends to net profit	%	39	40

12

Accounting Statements

12.1. MOSENERGO Management's Opinion on Accounting Statements

This management's opinion will be considered together with the accounting statements of the Company drawn up in accordance with the current accounting rules in the Russian Federation.

The Company's management bears full responsibility for preparation of accounting statements to give a true and fair view of MOSENERGO's property status, financial results and cash flow for the year ended on December 31, 2008.

The Company has a system of auditing its financial and economic activities. Members of the Audit Commission were approved by the General Meeting of Shareholders on May 21, 2008.

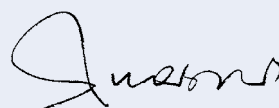
The accounting statements for 2008 were examined by ZAO "PricewaterhouseCoopers Audit", an independent private firm of auditors, approved as the Company auditor by the General Meeting of Shareholders held on May 21, 2008.

The Audit Committee of the Board of Directors of MOSENERGO is set up with the purpose to assist the Board of Directors of the Company in decision taking pertaining to audit and reporting. Responsibilities of the Committee include but not limited to: analysis of the Company's statements and results of the external audit for compliance with the requirements of the current legislation of the Russian Federation.

Based on the results of the conducted audits, MOSENERGO's management has obtained appropriate reports.

The annual accounting statements of MOSENERGO for the year ended on December 31, 2008 were approved on March 01, 2009 on behalf of the management by:

General Director



V.G. Yakovlev

Chief Accountant



S.A. Suraev

12.2. Opinion Of the Audit Commission On results of the audit of financial and economic activities of MOSENERGO in 2008

08.05.2009

Moscow

The Audit Commission elected by the Shareholders' General Meeting on 21.05.2008, has audited and analyzed financial and economic activities of the Company in 2008 in accordance with the approved schedule of operations.

While conducting the audit we reviewed the annual report for the year 2008, the balance sheet and annex to the balance sheet, the profit and loss statement, the auditor's report of ZAO PricewaterhouseCoopers Audit, statutory documents and ordinances of MOSENERGO.

The 2008 accounting statements were prepared in accordance with requirements of the Federal Law of the RF dated 21.11.1996 No. 129-ФЗ "On accounting", Ordinance of the Ministry of Finance of the RF dated 29.07.1998 No. 34н "On approval of Provision on accounting and accounting statements in the Russian Federation", Ordinance of the Ministry of Finance of the RF dated 22.07.2003 No.67н "On forms of accounting statements of companies".

Accounting in the Company was conducted on the basis of Ordinance of OAO "Gazprom" dated 27.12.2007 No. 337 "On approval of Provision on accounting of OAO "Gazprom", its affiliated companies for 2008", and Ordinance of MOSENERGO dated 17.12.2007 No. 614.

Authenticity of the accounting statements in the audited period is the responsibility of the Company's management.

The analysis of the structure of assets and liabilities of the Company shows stability of its financial state in the reporting period.

The Company implemented a system of internal control of correctness of accounting, compliance with all norms and regulations at preparation of financial statements.

On 01.03.2009 ZAO PricewaterhouseCoopers Audit submitted its Auditors' Report on accounting statements prepared in accordance with the Russian accounting standards with the following reservation. Revaluation of certain groups of fixed assets was recognized in the accounting statements not simultaneously but as of 01.02.2007 and as of 01.01.2008 or was not accounted at all. In opinion of auditors, except for the adjustments related to fixed assets revaluation, the Company's accounting statements fairly present in all material aspects the Company's financial state as of 31.12.2008 and financial and economic performance for the period from January 01 to December 31, 2008, in accordance with the requirements of the legislation of the Russian Federation applicable to preparation of financial (accounting) statements.

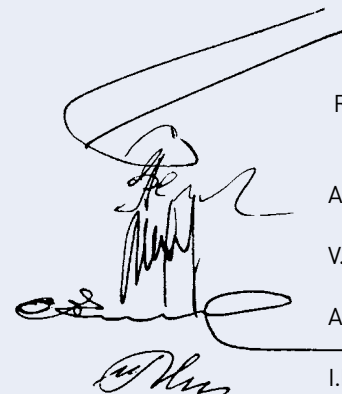
In the reporting period the Company initiated a criminal case that is currently pending a court decision against OOO "Byuro pravovykh issledovaniy" with regard to infliction of damage to the Company amounting to more than RUR 300.0 mln.

Based on results of the audit of the financial and economic activities of MOSENERGO with due account of the stated revaluation of fixed assets and circumstances of the pending criminal case, the audit commission concludes that:

- the annual accounting statements of the Company are prepared in accordance with the legislation of the Russian Federation and in all material aspects show reliable disclosure of the financial status of the Company as of 31.12.2008;
- no violations of regulatory legal acts in the exercising of financial and economic activities, in the course of carrying out maintenance of accounting records and preparation of statements that might have a material effect on the financial operations results of the Company are detected;
- the financial information disclosed in the Company's annual report is authentic and complies with the data of financial (accounting) statements.

Chairman of the Audit Commission

Members of the Audit Commission



R.V. Ishutin
A.V. Belobrov
V. A. Kovalyov
A.N. Klyuchnikov
I.N. Milyutina

AUDIT REPORT
on Statutory accounting reports

To the shareholders of Open Joint Stock Company of Energy and Electrification «Mosenergo»:

Auditor

ZAO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by the Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on August 22, 2002.

Audit license № E000376 issued by the Ministry of Finance of the Russian Federation on 20 May 2002. The license is valid until 20 May 2012.

Member of the Institute of Professional Accountants and Auditors of Russia and of the Audit Chamber of Russia.

Client

Open Joint Stock Company of Energy and Electrification «Mosenergo» (short name – MOSENERGO).

115035, Russian Federation, Moscow, Raushskaya Nab., 8.

State registration certificate № 012.473 issued by Moscow Registration bureau on 6 April 1993.

Certificate on entry to the Unified State Register of legal entities regarding the legal entity registered before 1 July 2002 No. 1027700302420 issued by Moscow city district Inspectorate of the RF Ministry of Taxes and Levies on 11 October 2002.

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the Auditor's report is provided as a free translation from Russian, which is the official and binding version. The English translation of enclosed statutory accounting statements does not contain the English translation of the Explanatory Notes, which are included in the official Russian version of the Auditor's report.

ZAO PricewaterhouseCoopers Audit
 Kosmodamianskaya Nab: 52, Bid. 5
 115054 Moscow
 Russia
 Telephone +7 (495) 967 6000
 Facsimile +7 (495) 967 6001

AUDIT REPORT

on Statutory accounting reports of Open Joint Stock Company of Energy and Electrification «Mosenergo»

To the shareholders of Open Joint Stock Company of Energy and Electrification «Mosenergo»:

- 1 We have audited the attached Statutory accounting reports of Open Joint Stock Company of Energy and Electrification «Mosenergo» (hereinafter referred to as the Company) for the period from 1 January up to 31 December 2008. Statutory accounting reports of the Company consist of Balance Sheet, Profit and Loss Account, Flow of Equity and Funds Report, Cash Flow Statement, Supplement to the Balance Sheet, Explanatory Notes (hereinafter all the reports together are called "Statutory accounting reports"). The Statutory accounting reports were prepared by the management of the Company in accordance with the legislation of Russian Federation applicable to Statutory accounting reports. Such Statutory accounting reports differ to a significant extent from those prepared in accordance with International Financial Reporting Standards.
- 2 Preparation of the Statutory accounting reports is the responsibility of management of the Company. Our responsibility as auditors is to express our opinion on the fair presentation, in all material respects, of these Statutory accounting reports based on our audit.
- 3 We conducted our audit in accordance with The Federal Law "On auditing activity", Federal Auditing Standards, International Standards on Auditing and our internal standards.

Our audit was planned and performed to obtain reasonable assurance about whether the Statutory accounting reports are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statutory accounting reports, assessing compliance with accounting principles, techniques and rules of Statutory accounting reports preparation, evaluating significant estimates made by the management of the Company and the overall Statutory accounting reports presentation. We believe that our audit provides a reasonable basis for our opinion on these Statutory accounting reports.

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditor's report is provided as a free translation from Russian, which is the official and binding version. This English translation does not contain the English translation of the explanatory notes, which is included in the official Russian version of the auditor's report.

AUDIT REPORT

- 4 The last revaluation of all groups of fixed assets was performed as at 1 January 2002. Revaluation of fixed assets during 2003-2006 years was not performed. As at 1 January 2007 the Company performed revaluation of two groups of fixed assets, gross book value of which was 42% of the total fixed assets gross book value as at 31 December 2006. This is the result of the Company's management decision taken in the beginning of 2007 year and caused us to qualify our audit opinion on the accounting reports for the period from 1 January up to 31 December 2007. As at 1 January 2008 the Company performed revaluation of three other groups of fixed assets, gross book value of which was 7% of the total fixed assets gross book value as at 31 December 2007. However, changes in the economy which took place during the period since 1 January 2002 indicate material change of the revalued (replacement) cost of not revalued fixed assets, which has not been recognized in the Company's 2007 and 2008 statutory financial statements.
- 5 In our opinion, except for the effect of such adjustments, if any, as might have been required had we been able to examine sufficient evidence regarding the matters referred to in the preceding paragraph, the statutory accounting reports of the Company, attached to this Audit report, have been properly prepared to present fairly, in all material respects, the financial position of the Company as of 31 December 2008 and financial results of its operations for the period from 1 January through 31 December 2008 in accordance with the legislation of Russian Federation applicable for Statutory accounting reports.

1 March 2009

Director of joint stock company

R. Sood

Statutory auditor
Certificate No K 019320
for general audit (termless)

A.V. Myshenkov

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditor's report is provided as a free translation from Russian, which is the official and binding version. This English translation does not contain the English translation of the explanatory notes, which is included in the official Russian version of the auditor's report.

12.4. Balance Sheet as at 31 December 2008

RUR'000

ASSETS	Indicator code	As the beginning of the reporting year	As the end of the reporting period
I. NONCURRENT ASSETS			
Intangible assets	110	80	115
Fixed assets	120	69,608,875	93,031,794
Construction in progress	130	22,804,484	20,226,432
Long-term financial investments	140	82,997	119,511
Deferred tax assets	145	813	8,278
Sundry noncurrent assets	150	68,782	219,658
Section I TOTAL	190	92,566,031	113,605,788
II. CURRENT ASSETS			
Inventories,	210	4,765,817	4,679,143
including:			
stock, supplies and other similar valuables	211	4,400,165	4,323,331
rearsers and fatteners	212	93,655	112,405
expenditures for work in progress (distribution costs)	213	81,761	81,475
finished products and goods for reselling	214	29,828	25,823
deferred expenses	216	160,408	136,109
Value-added tax on purchased valuables	220	421,827	938,790
Receivables (expected to be paid in more than 12 months from the reporting date),	230	4,284,992	4,108,217
including:			
buyers and customers	231	1,215	–
Receivables (expected to be paid within 12 months from the reporting date),	240	15,908,823	20,851,990
including:			
buyers and customers	241	5,152,374	7,261,375
Short-term financial investments	250	26,200,544	13,484,312
Monetary assets	260	8,217,590	2,820,332
Sundry current assets	270	113,542	214,286
TOTAL by Section II	290	59,913,135	47,097,070
BALANCE	300	152,479,166	160,702,858

RUR'000

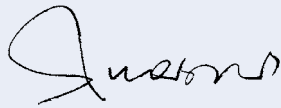
LIABILITIES	Indicator code	As the beginning of the reporting year	As the end of the reporting period
III. CAPITAL AND RESERVES			
Charter capital	410	39,749,360	39,749,360
Stockholder equity purchased from stockholders	411	–	(898,804)
Additional capital	420	81,081,889	81,053,167
Reserve capital, including:	430	688,621	725,595
reserve funds built up in compliance with the legisla- tion	431	688,621	725,595
Retained earnings (uncovered loss)	470	1,231,912	2,603,272
TOTAL by Section III	490	122,751,782	123,232,590
IV. LONG-TERM LIABILITIES			
Loans and credit facilities	510	16,715,194	14,743,910
Deferred tax liabilities	515	1,038,024	1,324,023
Other long-term liabilities	520	152,000	95,000
TOTAL by Section IV	590	17,905,218	16,162,933
V. SHORT-TERM LIABILITIES			
Loans and credit facilities	610	1,043,159	8,193,698
Accounts payable: including:	620	9,768,996	12,929,882
suppliers and contractors	621	7,273,111	9,004,666
accrued payroll	622	294,417	338,055
debts payable to public extra-budgetary funds	623	53,706	63,497
arrears of taxes and levies	624	414,346	942,077
other accounts payable	625	1,733,416	2,581,587
Arrears of revenues payable to members (founders)	630	561	554
Deferred incomes	640	57,587	64,313
Other short-term liabilities	660	951,863	118,888
Section V TOTAL	690	11,822,166	21,307,335
BALANCE	700	152,479,166	160,702,858

Statement of Valuables on Off-Balance Sheet Accounts

RUR'000

Parameter	Indicator code	As the beginning of the reporting year	As the end of the reporting period
Fixed assets taken on lease, including:	910	25,958	118,454
on long-term leasing	911	13,227	85,606
Inventory taken for safe custody	920	14,698	19,862
Bad debts written-off to losses	940	2,007,690	1,984,532
Security for liabilities and payments received	950	7,369,422	7,289,077
Security for liabilities and payments issued	960	344,638	380,503
Depreciation of housing stock	970	4,180	4,434

Head of Company



V.G. Yakovlev

Chief Accountant



S.A. Suraev

"01" March 2009

12.5. Profit and Loss Statement for 2008

RUR'000

Parameter	Line code	For the reporting period	For the analogous period of the previous year
I. Operating income and expenditures			
Proceeds from sales of goods, products, works, services (net of VAT, excises and similar mandatory payments)	010	94,779,370	78,324,744
Production cost of goods, products, works, services sold	020	(89,980,958)	(73,681,185)
Gross profit	029	4,798,412	4,643,559
Business expenses	030	(110,911)	(92,611)
Management expenses	040	–	–
Income (loss) from sales	050	4,687,501	4,550,948
II. Other income and expenditure			
Interest receivable	060	1,510,644	1,482,712
Interest payable	070	(1,208,340)	(523,797)
Revenues from interest in other organizations	080	7,878	121,321
Other income	090	19,113,787	19,046,775
Other expenses	100	(21,891,401)	(22,029,412)
Pre-tax profit (loss)	140	2,220,069	2,648,547
Deferred tax assets	141	7,465	552
Deferred tax liabilities	142	(285,999)	(459,669)
Profit tax- related expenses – current	150	(1,198,150)	(1,449,960)
Other analogous obligatory payments	151	628,336	–
Net profit (loss) of the reporting period	190	1,371,721	739,470
FOF REFERENCE			
Standing tax liabilities (assets)	200	943,868	1,273,426
Basic earnings (loss) per share	201	0.0346	0.0211
Diluted earnings (loss) per share	202	–	–

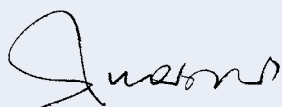
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Item-wise breakdown of separate losses and income

RUR'000

Parameter	Line code	For the reporting period	For the analogous period of the previous year
Penalties, fines and forfeits recognized or imposed by decision of the court (arbitration):			
profit	210	19,461	56,974
loss	211	15,910	86,696
Profit (loss) of previous years:			
profit	220	273,291	279,801
loss	221	264,374	192,734
Reimbursement for losses inflicted by non-fulfillment or improper fulfillment of obligations:			
profit	230	2,489	175
loss	231	389,332	63,081
Deviations in rates of exchange for transactions in foreign currency:			
profit	240	155,861	54,733
loss	241	267,049	28,740
Allocations to valuation reserves:			
loss	250	2,477,410	1,586,057
Writing off of accounts receivable and payable with expired period of limitation			
profit	260	2,608	4,566
loss	261	1,754	64,227

Head of Company



V.G. Yakovlev

Chief Accountant



S.A. Suraev

"01" March 2009

12.6. Capital Change Report for 2008

I. Change in Capital

RUR'000

Indicator		Charter capital	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Stockholder equity purchased from shareholders	Total
item	code						
Balance as of December 31 of the year preceding the previous year	010	28,249,360	8,896,312	612,435	1,924,917	–	39,683,024
2007 (previous year)							
Result from revaluation of fixed asset items	012	x	18,478,983	x	(534,654)	–	17,944,329
Changes in accounting rules	013	x	–	x	(10)	–	(10)
Balance as of January 1 of the previous year	020	28,249,360	27,375,295	612,435	1,390,253	–	57,627,343
Net profit	025	x	x	x	739,470	–	739,470
Dividends	026	x	x	x	(896,290)	–	(896,290)
Allocations to the Reserve fund	030	x	x	76,186	(76,186)	–	–
Increase of the capital value for the account of:	040	11,500,000	49,339,676	–	79,026	–	60,918,702
additional issue of shares	041	11,500,000	49,220,000	x	x	–	60,720,000
other	044	–	119,676	–	79,026	–	198,702
Decrease of the capital value for the account of:	050	–	(79,026)	–	(2)	–	(79,028)
other	054	–	(79,026)	–	(2)	–	(79,028)
Balance as of December 31 of the year preceding the previous year	060	39,749,360	76,635,945	688,621	1,236,271	–	118,310,197

Indicator		Charter capital	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Stockholder equity purchased from shareholders	Total
item	code						
2008 (reporting year)							
Result from revaluation of fixed asset items	062	x	4,445,944	x	(4,464)	–	4,441,480
Changes in accounting rules	063	x	–	x	105	–	105
Balance as of January 1 of the reporting year	100	39,749,360	81,081,889	688,621	1,231,912	–	122,751,782
Net profit	105	x	x	x	1,371,721	–	1,371,721
Allocations to the Reserve fund	110	x	x	36,974	(36,974)	–	–
Increase of the capital value for the account of:	120	–	–	–	36,613	–	36,613
reorganization of the legal entity	123	–	x	x	7,891	–	7,891
other	124	–	–	–	28,722	–	28,722
Decrease of the capital value for the account of:	130	–	(28,722)	–	–	(898,804)	(927,526)
reorganization of the legal entity	133	–	x	x	–	(870,825)	(870,825)
purchase of own shares	134	–	–	–	–	(27,979)	(27,979)
other	135	–	(28,722)	–	–	–	(28,722)
Balance as of December 31 of the reporting year	140	39,749,360	81,053,167	725,595	2,603,272	(898,804)	123,232,590

II. PROVISIONS

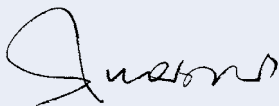
RUR'000

Parameter		Balance	Received	Used	Balance
name	code				
Reserve funds formed in compliance with the legislation:					
Reserve capital					
data of the preceding year	150	612,435	76,186	–	688,621
data of the reporting year	151	688,621	36,974	–	725,595
Valuation reserves:					
bad debt provision					
data of the preceding year	160	1,110,217	1,579,218	(1,300,170)	1,389,265
data of the reporting year	161	1,389,265	2,365,361	(2,033,410)	1,721,216
provision for impairment of financial investments					
data of the preceding year	162	5,403	–	(4,759)	644
data of the reporting year	163	644	–	(198)	446
provision formed in connection with the consequences of business contingencies					
data of the preceding year	166	–	6,839	–	6,839
data of the reporting year	167	6,839	112,049	–	118,888

Reference Information

RUR'000

Indicator		Balance as at the beginning of the accounting year		Balance as at the beginning of the accounting year	
Name	Code				
1) Net Assets	200	122,809,369		123,296,903	
		Budgetary funds		From extra-budgetary funds	
		for the reporting period	for the previous period	for the reporting year	for the previous year
2) Received for core activities spending – total	210	342,386	400,258	547	2,317
including:					
Others	212	342,386	400,258	547	2,317

Head of Company  V.G. Yakovlev

Chief Accountant  S.A. Suraev

"01" March 2009

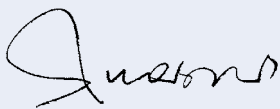
12.7. Cash Flow Statement for 12 months 2008

RUR'000

Indicator		for the reporting period	for the same period of the previous year
Name	Code		
Opening cash balance	010	8,233,767	4,959,751
Cash flow for day-to-day operation			
Cash received from buyers, customers	020	107,541,482	88,371,170
Other incomes (proceeds)	050	5,958,199	3,250,601
Cash allocated for:			
payment for purchased goods, works, services, raw materials and other current assets	150	(80,759,020)	(68,869,043)
payment for labor	160	(6,384,388)	(5,595,180)
payment of dividends, interest	170	(1,537,801)	(2,409,745)
payment of interest	1701	(1,537,778)	(1,585,279)
payment of dividends	1702	(23)	(824,466)
settlements in respect of taxes and levies	180	(5,655,549)	(6,020,442)
social payments	183	(865,577)	(494,346)
other expenses (payments)	190	(10,598,948)	(7,254,189)
allocations to state off-budget funds	1901	(1,347,860)	(1,238,636)
payment of advances	1903	(4,209,322)	(2,866,356)
other expenses	1904	(5,041,766)	(3,149,197)
Net cash from day-to-day operations	200	7,698,398	978,826
Cash flow in investment activities			
Proceeds from sales of fixed assets and other non-current assets	210	10,530	63,624
Proceeds from sales of securities and other financial investments	220	15,408,152	17,038,413
Dividends received	230	8,461	110,403

Indicator		for the reporting period	for the same period of the previous year
Name	Code		
Interest received	240	990,856	924,468
Redemption of deposits	260	26,312,674	12,371,838
Placement of deposits	270	(15,520,000)	(23,300,000)
Acquisition of fixed assets, of income yielding investments into tangible assets and of intangible assets	290	(28,669,808)	(26,502,249)
Acquisition of securities and other financial investments	300	(53,245)	(31,326,550)
Borrowings granted to other organizations	310	(13,375,000)	–
Other expenses	320	(2,183,591)	(4,437,200)
payment of advances	3202	(1,658,178)	(3,901,700)
other expenses	3203	(525,413)	(535,500)
Net cash from investment activities	340	(17,070,971)	(55,057,253)
Cash flow in financial activities			
Proceeds from issuing shares and other equity securities	350	–	60,720,000
Proceeds of loans and credit facilities granted by other organizations	360	11,080,932	7,793,089
Other incomes	380		20,467
Repayment of loans and credit facilities (net of interest)	390	(5,447,159)	(11,120,495)
Extinction of financial lease obligations	400	(116,889)	(74,844)
Other expenses	405	(1,558,327)	(3,565)
Net cash from financial activities	410	3,958,557	57,334,652
Net increase (decrease) in cash and cash equivalents	420	(5,414,016)	3,256,225
Cash balance as of the end of the accounting period (closing cash balance)	430	2,819,751	8,215,976
Effect of foreign exchange rate changes against the ruble	440	17,791	(10,314)

Head of Company



V.G. Yakovlev

Chief Accountant



S.A. Suraev

"01" March 2009

12.8. Annex to the Balance Sheet for 2008

Intangible assets

RUR'000

Indicator		Availability as of the beginning of the reporting period	Received	Retired	Availability as of the end of the reporting period
Item	Code				
Intellectual property objects (exclusive rights to intellectual property results)	010	96	51	–	147
including:					
with the holder to trademark and service mark, name of the place of origin of the goods	014	96	51	–	147
Total	045	96	51	–	147

Indicator		As of beginning of the reporting period	As of the end of the reporting period
Item	Code		
Depreciation of intangible assets, total	050	16	32
including with the holder to trademark and service mark, name of the place of origin of the goods	051	16	32

Fixed Assets

RUR'000

Indicator		Availability as of the beginning of the reporting period	Received	Retired	Availability as of the end of the reporting period
Item	Code				
Buildings	110	22,054,287	8,587,493	(79,776)	30,562,004
Facilities and transfer devices	111	47,067,330	2,916,978	(40,250)	49,944,058
Machines and equipment	112	128,393,789	18,249,056	(792,590)	145,850,255
Transport vehicles	113	483,477	10 401	(12,198)	481,680
Production and household tools	114	217 504	34 846	(4,787)	247 563
Productive livestock	116	130 681	74 687	(45,754)	159 614
Perennial plantings	117	84	–	–	84
Other types of fixed assets	118	35 601	520	(3,287)	32 834
Land and objects of nature management	119	85	145	–	230
Total	130	198,382,838	29,874,126	(978,642)	227,278,322

Indicator		As of beginning of the reporting period	As of the end of the reporting period
Item	Code		
Depreciation of fixed assets, total	140	128,773,963	134,246,528
including:			
buildings and facilities	141	39,376,245	41,544,507
machines, equipment, transport vehicles	142	89,285,273	92,555,911
others	143	112,445	146,110
Fixed assets items given on lease, total	150	31,471,816	31,523,510
including:			
buildings	151	738,469	653,799
facilities	156	30,409,424	30,398,154
machines, equipment, transport vehicles	152	323,298	471,101
others	153	625	456
Fixed asset items laid up	155	271,448	170,090
Fixed asset items received on lease, total	160	25,958	118,454
including:			
buildings and facilities	161	3,546	3,546
machines, equipment, transport vehicles	162	22,324	114,908
others	163	88	–
Real estate accepted for operation and undergoing state registration	165	18,323	5,856,500
FOR REFERENCE	Code	As of beginning of the reporting period	As of the end of the reporting period
Result of revaluation of fixed asset items:	170	4,441,480	17,944,329
original (replacement cost) value	171	17,724,960	72,903,957
depreciation	172	13,283,480	54,959,628
	Code	As of beginning of the reporting period	As of the end of the reporting period
Change in the value of fixed asset items as a result of additional construction, additional equipment, refurbishment, and partial liquidation	180	23 646 473	26 748 597

Financial Investments

RUR'000

Indicator		Long-Term		Short-Term	
Item	Code	as of the beginning of the reporting period	as of the end of the reporting period	as of the beginning of the reporting period	as of the end of the reporting period
Contributions to charter (joint-stock) capitals of other organizations, total	510				
including those of subsidiaries and related business companies	511	78,511	54,487	–	–
State and municipal securities	515	18	–	–	–
Securities of other organizations, total	520	–	9,378	–	–
including debt securities (bonds, bills of exchange)	521	–	9,378	–	–
Borrowings granted	525	–	–	15,200,544	13,443,600
Deposits	530	–	–	11 000 000	–
Others	535	105	–	–	40,712
Total	540	83,641	119,957	26,200,544	13,484,312
Out of the total amount, financial investments that have a current market value:					
Contributions to charter (joint-stock) capitals of other organizations, total	550	–	27,182	–	–
Total	570	–	27,182	–	–
FOR REFERENCE					
For financial investments that have a current market value, change in the value as a result of evaluation adjustment	580	–	61,982	–	–



Accounts Receivable and Payable

RUR'000

Indicator		As of beginning of the reporting period	As of the end of the reporting period
Item	Code		
Accounts receivable:			
short-term, total	610	17,298,088	22,573,206
including:			
settlements with buyers and customers	611	6,344,328	8,792,529
advances granted	612	8,967,826	12,337,057
others	613	1,985,934	1,443,620
long-term, total	620	4,284,992	4,108,217
including:			
settlements with buyers and customers	621	1,215	
advances granted	622	4,206,966	4,020,277
others	623	76,811	87,940
Total	630	21,583,080	26,681,423
Accounts payable:			
short-term, total	640	10,812,155	21,123,580
including:			
including: settlements with suppliers and contractors	641	7,273,111	9,004,666
advances received	642	854,918	1,473,355
settlements on taxes and levies	643	414,346	942,077
loans	644	806,817	7,966,999
borrowings	645	236,342	226,699
others	646	1,226,621	1,509,784
long-term, total	650	16,867,194	14,838,910
including:			
loans	653	6,715,194	5,331,667
borrowings	654	10,000,000	9,412,243
others	655	152,000	95,000
Total	660	27,679,349	35,962,490

Operating Expenses (by cost elements)

RUR'000

Indicator		for the reporting year	for the previous year
Item	Code		
Material expenses	710	69,918,918	57,933,072
Labor costs	720	7,981,381	6,627,533
Allocations for social needs	730	1,550,908	1,284,667
Depreciation	740	6,359,512	4,631,381
Other costs	750	4,281,150	3,307,842
Total for cost elements	760	90,091,869	73,784,495
Change in balances (increase [+], reduction [-]):			
of work in progress	765	(286)	9,355
of expenses of future periods	766	126,577	60,831

Security

RUR'000

Indicator		Balance of the beginning of the reporting period	Balance of the end of the reporting period
Item	Code		
Received, total	810	7,369,422	7,289,077
including:			
Property pledged	820	57,080	52,385
from it:			
fixed asset items	821	38,124	29,885
Other	823	18,956	22,500
Issued, total	830	344,638	380,503
including:			
Property pledged	840	1,259,349	5,820,687
from it:			
fixed assets items	841	1,259,349	5,820,687

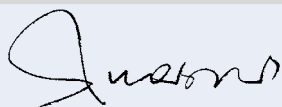
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State Assistance

RUR'000

Indicator	For the reporting period	For the analogous period of the previous year	За аналогичный период предыдущего года
Item	Code		
Budget funds received in the reporting year, total	910	342,311	398,857
including:			
Subsidies in agriculture	911	17,876	15,899
Others	912	324,435	382,958

Head of Company



V.G. Yakovlev

Chief Accountant



S.A. Suraev

"01" March 2009

12.9. Explanatory Note of MOSENERGO to Annual Accounting Statements for 2008

I. General Information

1. Background Information

The open joint-stock company of energy and electrification "Mosenergo" (MOSENERGO) is an Area's energy company with scope of activity covering electricity generation and power for supply of electricity to the Wholesale market, heat energy generation and sales to end users in Moscow and Moscow Region.

MOSENERGO was registered in the Russian Federation on April 6, 1993 under Resolution No. 169-P issued by the State Property Management Committee on March 26, 1993. As a result of privatisation of the Russian power industry, the state-owned company MPO "Mosenergo" was re-incorporated as an open joint-stock company, with individual assets and liabilities previously under control of the Ministry of Fuel and Energy of the Russian Federation being transferred to the company's Balance Sheet.

The Certificate of state registration number 012.473 is issued by Moscow Registration Chamber on April 6, 1993.

The Certificate of Record in the Uniform State Register of Legal Entities about the legal entity registered before July 1, 2002 under No. 1027700302420 dated October 11, 2002, is issued by the Moscow Administration of the Ministry of Taxation of the Russian Federation.

The Company's shares are listed on the Moscow Interbank Currency Exchange and RTS Stock Exchange.

QAO "Gazprom" is a holder of 53.47% shares in the Company. The government of Moscow represented by the Moscow Property Department owns 21.16% shares in the Company.

Nominal shareholders and legal entities share fraction in the Company makes 21.05%, including 0.06% of the Company's shares purchased under the trust agreement.

Individuals own 3.97% of the Company's shares.

MOSENERGO is the owner of 0.35% shares in the Company posted on its personal account.

The Company's registered address: 8, Raushskaya Naberezhnaya, Moscow, 115035.

The Company's staff on payroll made 16,725 persons in 2008 (17,492 – in 2007).

2. Affiliates (Structural Subdivisions)

MOSENERGO included 33 affiliates represented as local units and structural subdivisions as of December 31, 2008.

No.	Affiliate, Structural Subdivision	Registered Address
1	P.G. Smidovich (TEP-1)	11 Sadovnicheskaya Str., Moscow, 115035
2	R.E. Klason (LAPS-3)	Electrogorsk, Moscow region, 142530
3	TEP-6	9 Moiseenko Str., Orekhovo-Zuevo, Moscow region, 142600
4	TEP-8	1, Ostapovskiy pr-d, Moscow 109316
5	TEP-9	12/Bldg.1, Avtozavodskaya Str., Moscow, 115280
6	M.Y. Ufaev TEP-11	32 Shosse Entuziastov, Moscow, 111024
7	TEP-12	16 Berezhkovskaya emb., Moscow, 123995
8	TEP-16	14 3-d Choroshevskaya Str., Moscow, 123298
9	TEP-17	19 Frunze Str., Stupino, Moscow region, 142800
10	TEP-20	13 Vavilova Str., Moscow, 117312
11	TEP-21	9 Izhorskaya Str., Moscow, 125412
12	TEP-22	5 Energetikov Str., Dzerzhinskiy, Moscow region, 140091
13	TEP-23	1/4 Montazhnaya Str., Moscow, 107497
14	TEP-25	16 General Dorokhova Str., Moscow, 119530
15	TEP-26	10 Vostryakovskiy proezd, Moscow, 117403
16	TEP-27	Chelobityevo, Mitischinskiy area, Moscow region, 141031
17	TEP-28	13 Izhorskaya Str., Moscow, 125412
18	Energosvyaz	15/2 Sadovnicheskaya Str., Moscow, 115035
19	Industrial-Technological Completing Enterprise (PPTK)	8 Raushskaya naberezhnaya, Moscow, 115035
20	Central Repair and Mechanical works (CRMZ)	10 Ryazanskiy prospect, Moscow, 109428
21	Experimental Plant for Automation Means and Devices (OZAP)	15 Bolotnaya emb., Moscow, 119072
22	Mosenergospetsremont (MESR)	5/9, Golyanovskaya Str., Moscow, 105094
23	Mosenergonaladka (MEN)	29/2, Bldg 16, 2nd Kozhukhovskiy proezd, Moscow, 115432
24	Moselektroremenergo (MERE)	10 Ryazanskiy prospect, Moscow, 109428
25	Special Construction-Technological Bureau for High-Voltage and Cryogenic Technology (SKTB VKT)	29/2, 2nd Kozhukhovskiy proezd, Moscow, 115432
26	Information-Computing Center (IVC)	16 Berezhkovskaya emb., Moscow, 123995
27	Avtokhozyaystvo (ATH)	18 Berezhkovskaya emb, Moscow, 121059
28	Teplosbyt	4/4 Aptekarskiy per., Moscow, 105005
29	Moscow Institute for Designing Power Generating Projects (MEP)	13/11, Sadovnicheskaya Str., Moscow, 115035
30	Sales and production enterprise of work supply (Energotorg)	18, Berezhkovskaya emb, Moscow, 121059
31	Agricultural plant Shatursky (APK Shatursky)	2, Petrovskoye settlement, Shaturskiy area, Moscow, 140711
32	Heat Networks	8, Raushskaya naberezhnaya, Moscow, 115035
33	Medical and sanitary department (Medsanchast)	11/Bldg.2 Sadovnicheskaya Str., Moscow, 115035

Within the reporting period Executive Bodies of MOSENERGO took decisions of July 7, 2008 and August 20, 2008 about combination of R.E. Klasson LAPS-3 and TEP-6 as well as TEP-28 and TEP-21 in 2009 with subsequent liquidation of TEP-6 and TEP-28 affiliates.

Within the frameworks of the program on organizational chart optimization and property management MOSENERGO started liquidation of the following branches: SKTB VKT, PPTK, MEN, IVC, OZAP, MESR, MEP and Medsanchast. Realization of these decisions on MOSENERGO reorganization is scheduled for 2009.

3. Basic Activities of the Company

Basic activities of the Company include: generation of electrical power and heat; activities on supply (sales) of electrical power and heat; activities on obtainment (purchase) of electrical power

from the electric power (capacity) wholesale market; activities on obtainment (purchase) of thermal energy; activities on maintenance of heating networks; design and estimate activities.

The Company also carries out other types of activities that include: communication services, information and computation services, agricultural activities; commercial activities and other.

4. Information about corporate governance, executive and control bodies

Based on Resolution of the Board of Directors dated March 31, 2008 (Minutes No.25) Yakovlev Vitaliy Georgievich is appointed Director General of the Company. Till 31 March 2008 the Company's General Director was Kopsov Anatoliy Yakovlevich.

Till Shareholders' Annual General Meeting dated May 21, 2008, the governing bodies of the Company included:

Board of Directors

No.	Full Name	Job position as of the moment of election in the Board of Directors of MOSENERGO
1	Pyotr Nikolayevich Aksenov	First Deputy Head of Moscow building policy, development and reconstruction department
2	Bogdan Vladimirovich Budzulyak	Member of the Executive Board, head of Gas Transportation, Underground Storage and Usage Department, OAO "Gazprom"
3	Anatoly Anatolievich Gavrilenko	General Director, ZAO "Leader"
4	Valeriy Alexandrovich Golubev	Deputy Chairman of the Executive Board of OAO "Gazprom"
5	Anatoly Yakovlevich Kopsov	Director General, MOSENERGO
6	Alexey Anatolievich Matveyev	Deputy Chairman of the Executive Board, ZAO JSB "Gazprombank"
7	Alexander Alexandrovich Negomedzyanov	Senior Deputy Director General for Financial and Economic Issues, Logistics and Sales, MOSENERGO, Deputy Chairman of the Executive Board
8	Olga Petrovna Pavlova	Member of the Executive Board, Head of Property and Corporate Relations Department, OAO "Gazprom"
9	Wolfgang Skribot	Managing Director of Corporate Finance Department, ZAO JSB "Gazprombank"
10	Kirill Gennadievich Seleznyov	Chairman of the Board of Directors MOSENERGO, member of the Executive Board, Head of Marketing, Gas and Liquid Hydrocarbons Department, OAO "Gazprom", Director General, OOO "Mezhregiongaz"
11	Pavel Stepanovich Smirnov	Member of the Executive Board, RAO UES of Russia
12	Yuriy Arkadievich Udaltsov	Member of the Executive Board, Head of the Reform Management Center, RAO UES of Russia
13	Sergey Sergeyeovich Fil	Head of the Department of Corporate Events, Business Unit No. 1, RAO UES of Russia

Audit Commission

No.	Full Name	Job position as of the moment of election in the Audit Commission of MOSENERGO
1	Andrey Victorovich Belobrov	Deputy Head of Internal Audit and Affiliates Control of Financial and Economic Activities Department – Head of Gas Supplying Organizations Control and Maintenance Department , OAO “Gazprom”
2	Rafael Vladimirovich Ishutin	Head of Internal Audit and Affiliates Control Department . OAO “Gazprom”
3	Oleg Victorovich Zabrodin	Chief Accountant of Smidovich TEP-1, an affiliate of MOSENERGO
4	Lyudmila Dmitrievna Kormushkina	Leading expert of the internal audit of the Corporate Center , RAO UES of Russia
5	Sergey Borisovich Sidorov	Chairman of the Audit Commission, MOSENERGO. Head of Internal Audit Department, Corporate Centre of RAO UES of Russia

Before Resolution of the Board of Directors dated June 09, 2008 (Minutes No.1), the Executive Board members included:

No.	Full Name	Job position as of the moment of election in the Executive Board of MOSENERGO
1	Dmitry Alexandrovich Barshak	Director for Thermal Engineering, MOSENERGO
2	Yuriy Leonidovich Guskov	Director of TEP-21, an affiliate of MOSENERGO
3	Yuriy Efimovich Dolin	Deputy General Director for Capital Construction and Procurement, MOSENERGO
4	Tatiana Petrovna Dronova	Chief Accountant, MOSENERGO
5	Alexander Sergeevich Ivannikov	Deputy Director General for Financial Issues, MOSENERGO
6	Aleksey Nikolayevich Karev	Director of the CRMZ (Central Repair and Mechanical work), an affiliate of MOSENERGO
7	Vladimir Anatolievich Kimerin	General Director, Mosenergosbyt, Deputy General Director for Energy Sales, MOSENERGO
8	Anatoly Yakovlevich Kopsov	Chairman of the Executive Board, General Director, MOSENERGO
9	Vasily Yakovlevich Krivonosov	Deputy General Director for General Affairs, MOSENERGO
10	Anatoly Pavlovich Kuleshov	Director for Capital Construction, MOSENERGO
11	Alexander Alexandrovich Negomedzyanov	Deputy Chairman of the Executive Board MOSENERGO. Senior Deputy General Director for Financial and Economic Issues, Logistics and Sales, MOSENERGO
12	Sergey Yurievich Rummyantsev	Deputy General Director for Economics, MOSENERGO
13	Vladimir Valentinovich Sergeyev	Senior Deputy General Director – Chief Engineer, MOSENERGO

The resolution of the Board of Directors dated April 14, 2008 (Minutes No.26) introduced amendments in the composition of the Executive Board and discharged from office the following members of the Executive Board:

1. Anatoly Yakovlevich Kopsov;
2. Alexander Alexandrovich Negomedzyanov;
3. Aleksey Nikolayevich Karev;
4. Vasily Yakovlevich Krivonosov

Following the results of voting at the Shareholders' Annual General Meeting held on May 21, 2008 the following persons were elected in the Board of Directors of MOSENERGO:

Board of Directors

No.	Full Name	Job position as of the moment of election in the Board of Directors of MOSENERGO
1	Pyotr Pavlovich Biryukov	First Deputy Mayor of Moscow, Head of the Complex of Municipal Services of Moscow
2	Bogdan Vladimirovich Budzulyak	Member of the Executive Board, Head of Gas Transportation, Underground Storage and Usage Department, OAO "Gazprom"
3	Anatoly Anatolievich Gavrilenko	General Director, ZAO "Leader"
4	Valeriy Alexandrovich Golubev	Deputy Chairman of the Executive Board , OAO "Gazprom"
5	Alexey Alexandrovich Mityushov	Director General , OAO "Gazpromenergo"
6	Olga Petrovna Pavlova	Member of the Executive Board, Head of Property and Corporate Relations Department , OAO "Gazprom"
7	Kirill Gennadievich Seleznyov	Chairman of the Board of Directors, MOSENERGO. Member of the Executive Board, Head of Marketing, Gas and Liquid Hydrocarbons Department, OAO "Gazprom", Director general, OOO "Mezhregiongaz"
8	Vladimir Nikolaevich Silkin	Deputy Mayor of Moscow in the Government of Moscow, Head of the Complex of Property and Land Relations of the Moscow Government, Head of the Property Department of Moscow
9	Evgeniy Victorovich Sklyarov	Head of the Fuel and Energy Department of the Moscow Government
10	Yuri Arkadievich Udaltsov	Member of the Executive Board, Head of the Reform Management Center, RAO UES of Russia
11	Denis Vladimirovich Fyodorov	Head of the Electric Energy Sector Development and Electric Energy Marketing Subdivision of Marketing, Gas and Liquid Hydrocarbons Department, OAO "Gazprom"
12	Nikolay Grigorievich Shulginov	Deputy Chairman of Board of Directors, OAO "SO UES"
13	Vitaliy Georgievich Yakovlev	General Director , MOSENERGO

Audit Commission

No.	Full Name	Job position as of the moment of election in the Audit Commission of MOSENERGO
1	Andrey Victorovich Belobrov	Deputy Head of Internal Audit and Affiliates Control Department – Head of Gas Supplying Organizations Control and Maintenance Department, OAO "Gazprom"
2	Rafael Vladimirovich Ishutin	Chairman of the Audit Commission of MOSENERGO. Head of Internal Audit and Affiliates Control Department, OAO "Gazprom"
3	Anatoliy Nikolaevich Klyuchnikov	Deputy Head of Department, Head of Subdivision for Control of Gas Supply Arrangement of Department of Internal Audit and Control of Financial and Economic Activities of Subsidiaries and Administrative Unit Organizations, OAO "Gazprom"
4	Vitaliy Anatolievich Kovalev	Deputy Head of Subdivision for Control of Gas Supply Arrangement of Department of Internal Audit and Control of Financial and Economic Activities of Subsidiaries and Administrative Unit Organizations, OAO "Gazprom"
5	Irina Nikolaevna Milyutina	Chief Expert of the Corporate Control Subdivision of the Property and Corporate Relations Department, OAO "Gazprom"

Following the results of voting at the meeting of the Board of Directors held on June 09, 2008 (Minutes No.1), the following persons were elected in the Executive board of MOSENERGO:

No.	Full Name	Job position as of the moment of election in the Executive Board of MOSENERGO
1	Elena Viktorovna Andreeva	Deputy Director General for Sales, MOSENERGO
2	Svetlana Vladimirovna Antonova	Deputy Director General for Legal Issues, MOSENERGO
3	Dmitry Alexandrovich Barshak	Director of TEP-21 a MOSENERGO affiliate
4	Ivan Vasilievich Galas	Director of TEP-20 a MOSENERGO affiliate
5	Yuriy Efimovich Dolin	Deputy General Director for Capital Construction and Procurement, MOSENERGO
6	Nikolay Alexeevich Zroychikov	Director of TEP-23 – an affiliate of MOSENERGO
7	Alexander Sergeevich Ivannikov	Deputy Director General of MOSENERGO on financial issues and budgeting
8	Naum Mikhailovich Sandler	Director of Mosenergoproekt – an affiliate of MOSENERGO
9	Vladimir Valentinovich Sergeyev	Senior Deputy General Director-Chief Engineer, MOSENERGO
10	Anna Sergeevna Tsaregorodtseva	Deputy Director General for Human Resources, MOSENERGO
11	Lev Mikhailovich Tsenin	Director of Mosenergospetsremont – an affiliate of MOSENERGO
12	Vitaliy Georgievich Yakovlev	Chairman of the Executive Board, General Director of MOSENERGO

II. Material Aspects of Accounting Policies

The Company's accounting report has been prepared on the basis of following accounting policies.

1. Basis for Preparation

Financial statements are prepared on the basis of current accounting and reporting rules of the Russian Federation, in particular, Federal Law No. 129-ФЗ «On Accounting» dated November 21, 1996 Provisions for Accounting and Reporting in the Russian Federation approved by Ordinance No. 34н issued by the RF Ministry of Finance on July 29, 1998 as well as other normative acts that form the system of regulation of accounting and reporting of companies in the Russian Federation.

The Company's accounting policy is approved by Ordinance of the Company dated December 17, 2007 No. 614. The above-stated policy correspond in all material aspects the Provision on Accounting Policy of OAO "Gazprom", its affiliates and organizations approved by Ordinance of OAO "Gazprom" No. 337 dated December 27, 2007.

Valuation of the property, liabilities and economic transaction is denominated in rubles, the legal tender of the Russian Federation.

The Company's assets and liabilities are valued in financial statements at the actual cost of their purchase.

Exceptions:

- fixed assets,
- financial investments by which the current market value might be determined,
- assets for which impairment provisions were established as legally provided for.

2. Foreign Currency Denominated Assets and Liabilities

Economic transactions denominated in a foreign currency (including those subject to payment in rubles) were recognised at the official rouble exchange rate established by the Central Bank of the Russian Federation effective as of the transaction date. Cash amounts in foreign currency and deposit accounts with banks and cash department, financial investments into short-term securities and float including issued and received foreign currency denominated loans were recognised in financial statements as calculated on the basis of official exchange rates as of December 31, 2008. As of this date, the exchange rates were RUR 29.3804 for 1 USD (RUR 24.5462 as of December 31, 2007), RUR 41.4411 for Euro 1 (RUR 35.9332 as of December 31, 2007).

Foreign Exchange Deviations arising in revaluation of transactions with foreign currency denominated assets and liabilities subject to payment in foreign currencies and rubles over the year (as well as of the reporting date) are applied to the financial result as other revenues and expenses and accounted in financial statements separately.

3. Current and Non-Current Assets and Liabilities

In the accounting Balance Sheet financial investments, accounts payable and receivable, including indebtedness under credit and loans, are recognised as current where their maturity (repayment period) does not exceed 12 months after the reporting date.

Other assets and liabilities are shown as non-current.

4. Intangible Assets

In the financial statements, intangible assets are shown at their initial cost minus depreciation accumulated over the period of their useful life.

Depreciation of intangible assets with a fixed term of useful life is calculated by a straight-line method depending on the term of useful life.

Amortization of intangible assets with an indefinite term of useful life and purchased after January 01, 2008 is not accrued. In relation to similar assets purchased before January 01, 2008 the term of their useful life is established as 20 years.

5. Fixed Assets

Fixed assets include assets that comply with requirements of Provision of Accounting "Accounting of Fixed Assets" (RFPS (Russian Financial Reporting Standards) 6/01) approved by the Ordinance of the Ministry of Russia dated March 30, 2001 No.26н, taken for accounting in the established order from the moment of introduction into service and objects taken for accounting included in the fixed assets group only after transfer of documents for state registration of title.

Revaluation of fixed assets is carried out in the order established by the legislation on the basis of the corresponding instruction of the Director. Results of the revaluation of fixed assets items as of the first day of the reporting period are subject for accounting separately. Results of the revaluation are not included in the accounting statements of the previous reporting year and taken for accounting at generation of the Balance Sheet as of the beginning of the reporting year.

Fixed assets purchased before January 01, 2002 are reported in the Balance Sheet at the replacement asset value determined as of the date of revaluation as of January 1, 2002 net of depreciation value. Fixed assets purchased from January 1, 2002 through December 31, 2006 are to be recognized at their initial cost less the depreciation amount accumulated through the whole period of their useful life. The analysis of the current (replacement) cost showed that the cost of the fixed assets as of January 01, 2008 considerably differs from the market value of the property, due to this by the Company's Board of Directors (Minutes No.18 dated January 28, 2008) and Ordinance of MOSENERGO No.105 dated March 3, 2008 "On revaluation of fixed assets" was decided to revalue the group of fixed assets "Substations, autotransformers, transformers, switchers, over-voltage limiters, disconnect switches, arresters, reactors, synchronous compensators, high-frequency rejectors, equipment of outdoor switchgears, RUSN, OUT and others", "Pumps, compressors, ventilation equipment, electric motors, equipment of makeup demineralizers and fuel supply, diesel generators" and "Constructing machines, lifting mechanisms, specialized transport".

Fixed assets that were purchased from January 01, 2008 through December 31, 2008 and fixed assets not be subject to revaluation as of January 01, 2008 are recorded at their initial cost net of depreciation value accrued through their useful life.

For fixed assets acquired before January 01, 2002 depreciation was accrued on the basis of standards approved by USSR Government Resolution No. 1 072 dated October 22, 1990 "On unified norms of depreciation deductions for complete restoration of fixed assets of USSR economy" and for

fixed assets acquired after January 1, 2002 depreciation was accrued in accordance with norms calculated on the basis of useful life terms of objects set by the Company. Classification of fixed assets included into depreciation groups approved by the Resolution No. 1 dated January 1, 2002 of the Government of the Russian Federation is used as one of the sources of information about useful life of objects. The useful life periods adopted by the Company for consolidated groups of fixed assets are represented further:

Fixed Assets Groups	Useful lives of objects recorded on Balance Sheet (number of years)	
	before 01.01.2002	from 01.01.2002
Buildings	from 55 and more	from 20 and more
Constructions	8 – 50 years	5 – 30 years
Machinery and equipment	10 – 30 years	2 – 30 years
Transport means and other fixed assets	5– 50 years	3 – 30 years
Objects of social sphere	5 – 50 years	5 – 50 years

Depreciation by fixed assets is accrued by a straight-line method.

No depreciation is accrued on:

- land and object of natural management;
- land improvement facilities and other similar objects purchased before January 01, 2006;
- housing facilities purchased before January 1, 2006 (with the exclusion of objects used for rendering of corresponding services income by which is recorded as the result on ordinary types of activities or as included in other income);
- objects of social state sphere;
- fully amortized facilities which were not written off the Balance Sheet.

Fixed assets accepted for use under the lease agreement are accounted on off-balance items (in accordance with the agreement).

The company Balance Sheet includes objects of social state sphere in the fixed assets group. The above-stated objects were acquired by the Company as a result of a privatization of the Russian energy industry without the ownership right transfer and in accordance with the then effective order were accounted with the formation of a reserve of social fund facilities in the amount of the depreciated book value of these objects. With the transfer of these objects to municipal authorities (and other types of retirement) their depreciated book value is recorded as diminution of the social fund. Accounting of social sphere objects in fixed assets of the Company is a deviation of effective rules but according to the governing bodies of the Company this order ensures reliable disclosure of the property state of the Company as these objects are used in accordance with their designation and the Company is responsible for their integrity and safety.

Leased items of fixed assets with the exclusion of land lots are recorded as off-balance items at the cost established in the lease

agreement less of VAT. Leased land lots and lots obtained on unlimited utilization basis are recorded on their cadastre value. In the event the cost of the leased property is lacking in the lease agreement (including operating facilities lease agreements) the above-stated property is accounted on off-Balance Sheet items at the value determined by the Company independently.

Fixed assets contracted on lease, transferred for prolonged storage and those under the state registration process are recorded in Appendix to the Balance Sheet at their net depreciated value.

6. Construction in progress

Construction in progress includes objects of real property finished in construction and accepted in operation, by which documents on registration of property rights in Uniform State Register are not transferred.

Objects not requiring assembly but kept in the storehouse are recorded in the construction in progress objects by a separate item.

7. Financial Investments

Financial investments are accepted for accounting at the actual acquisition costs.

Securities (with the exception of individually identified, including bills of exchange and depository certificates), with undeterminable market value, are accounted in the Balance Sheet on retirement by FIFO method.

Other financial investments, including individually identified securities with undeterminable market value (bills of exchange), are accounted on retirement at the initial cost of each unit.

Investments in equity securities listed on the stock exchange the market value is determined in the established order by the trade organizer are subject for revaluation at the current market value as of the end of the reporting year. The deviation between the value of these securities of the current reporting date and their previous valuation will be recorded as other revenues and expenses.

Financial investments with undeterminable current market value are recognized in accounting books as of the end of the reporting period by their book value less the impairment provisions for the deviation between the book and estimated value that are to be set up for financial investments which show a sustainable depreciation. A review of financial investments for impairment is performed once a year on December 31 of any reporting year, once there is indication of depreciation. On determination of the impairment provisions value the Company on the basis of the available information determines the cost of financial investments with a sustainable depreciation and builds up a reserve for the impairment of financial investments for the for amount of the deviation between the book and estimated value. The total amount of the built-up provision is accounted on other expenses item.

Incomes and expenses on financial investments are recognized in the Profit and Loss Statement as other revenues and expenses. The Company set up provisions for impairment of financial investments, with the total amount applied to other expenses.

In accordance with RFPS 3/2006 "Accounting of assets and liabilities denominated in foreign currency" long-term securities (except for shares) denominated in a foreign currency are revalues as of the date of transaction in the foreign currency as well as of the reporting date.

8. Inventories

Inventories at their accounting are assessed at their actual acquisition costs.

Stock of materials market value of which as of the end of the year was lower than the actual acquisition cost due to the sustainable (long-term) reduction of prices and that are used at production, the current market value of which as of the reporting date was lower than its actual production cost are recorded in the accounting statements at the market value.

Valuation of inventories at their retirement is carried out by the average cost method.

Goods purchased by MOSENERGO affiliates are accounted on "Goods" item in the accounting statements in the following order:

- in retail trade and catering branches – at retail (sale) prices;
- in wholesale trade and other affiliates – at purchase price (acquisition price).

Inventories also include objects complying with conditions of inclusion to fixed assets with the acquisition cost not more than RUR 20,000 (inclusive) per item, including objects (accessories and tools) that on transfer in production are not consumed at once but serve within a period not exceeding 12 months and written off simultaneously.

Inventories also include special tools, special accessories (special equipment) and special working garments irrespective of their useful life.

Write-off of the value of special tools, special accessories and special equipment is carried out by a straight line method depending on the useful life of these objects.

Write-off of special working garments the useful life of which in accordance with norms of issuing exceeds 12 month is taken to expenses by a straight-line method depending on the useful life of special working garments, special footwear and other personal protection means.

9. Production Costs, Production in Progress and Finished Products

Production in process is valued at actual production cost.

Finished products are assessed at the Balance Sheet at the reduced production prime cost inclusive of expenses connected with use in the production process of fixed assets, raw materials, fuel, energy, labour resources and other production costs.

General running costs are written off on a monthly basis as administrative costs in the full amount for results of financial and economic activities with breakdown by types of sales commensurate with the specific weight of proceeds from sales of products (works, services) in their total amount.

Commercial expenses include sales costs. Transport expenses included in the sales expenses are written off in proportion to the cost (quantity) of goods less the part that falls to the balance of the goods remained unsold.

10. Deferred Expenses

Deferred expenses incurred by the Company are to be written off evenly over the periods to which they are attributable. Duration of the period is determined as of the moment the deferred expenses are booked on the balance.

Software to be written-off for expenses in more than 12 months after the reporting date is recorded as an item of the non-current assets.

11. Trade Receivables

Trade receivables is determined on the basis of prices stipulated by agreements between the Company and buyers (customers) taking into account any available discounts (additions) and VAT.

Debts not paid when due under agreements and not provided by relevant guarantees or otherwise are recorded net of accrued provisions for doubtful (bad) debts. These provisions are a conservative estimate by the Company's management of debts which are unlikely to be paid for. The bad debt provisions are attributable to other costs.

Bad debts are written off the Balance Sheet once they are recognized with their consequent record at the off-balance account within 5-year time.

12. Cash assets

In accordance with RFPS 3/2006 "Accounting of Assets and Liabilities the Cost of which is Accounted in Foreign Currency" information about cash flow in foreign currency for the purposes of preparation of the Cash Flow Statement is calculated at the exchange rate of the Central Bank of the Russian Federation as of the date of the financial statement drawing up.

13. Charter, Additional and Reserve Capital

Charter capital is shown as an amount of ordinary shares purchased by their holders at par value. The amount of the charter capital corresponds to the one specified in the Company's charter.

In accordance with legislative provisions and the Article of Association of the Company MOSENERGO builds up a Reserve capital in the amount of 5% from the charter capital. The amount of annual deductions in the Reserve fund is established at the resolution of the Shareholders' General Meeting in the amount no less than 5% of the Company's net profit.

The additional capital is built up at the expense of additional value of fixed assets as determined by revaluation, premium realized from sale of the Company's shares at a price exceeding their par value, received donations, expended accumulation fund resulting from commissioning fixed assets financed at the expense of profit generated by the Company.

14. Borrowings and Loans Received

Extra expenses incurred by the Company to receive borrowings and loans for investment assets are included in the costs of the latter.

Extra expenses incurred by the Company to receive borrowings and loans for current assets are recorded in other costs on their usage basis.

Extra expenses incurred by the Company to receive borrowings and loans for current assets that were partially used for investment purposes, are included in the cost of the latter in the corresponding proportion.

Interest paid by the Company by borrowed funds used for financing of capital construction objects (including reconstruc-

tion and modernization) are included in the construction in progress group on the accrual basis.

Liabilities recorded in the financial statements as long-term and supposed for repayment in the reporting period are accounted in the short-term group.

15. Provisions for Deferred Expenses and Contingency

The Company sets up provisions for deferred expenses for contingent factors of economic activities.

Amounts of the built up provisions for deferred expenses for contingent factors are attributable to other costs.

16. Deferred taxes

The Company records in the financial statements and accounting reports differed taxes and liabilities, constant tax assets and liabilities – amounts capable of influence the amount of the current tax in the current and/or consequent reporting periods.

Amounts of deferred tax assets and tax liabilities are reflected in the Balance Sheet in detail in non-current assets (Line 145 “Deferred tax assets”) and in long-term liabilities (Line 515 “Deferred tax liabilities”) respectively.

Amounts of tax overpayment in the budget by the profit tax reflected in accordance with requirements of RFPS 18/02 are recognized deferred tax assets, recorded in the Balance Sheet in Line 240 “Accounts receivable” as in the economic sense they present accounts receivable and not deferred tax assets.

17. Recognition of Income

Proceeds from sales of products and services were acknowledged, for the purposes of accounting, as the products had been dispatched (or services had been rendered) and settlement documents were presented to the buyers. These proceeds are reflected in the Profit and Loss Statement net of value-added tax, export duties, and other similar mandatory charges.

Recognized as other income of the Company are:

- proceeds from participating interests (including dividends);
- proceeds from sales of fixed and other assets, other than cash (save for foreign currency), products, goods;
- interest received for granting cash assets of the organization, as well as interest for use of cash assets by a bank deposited on the organization’s account with the bank;
- interest received on acquired bills of exchanges of third parties – in accordance with the interest provision in the bill of exchange on presentation of it for payment.

18. Changes in the Accounting Policies

Changes in the accounting policies of the Company for 2008

Inventories include objects complying with conditions of inclusion to fixed assets with the acquisition cost not more than RUR 20,000 (inclusive) per item, including objects (accessories and tools) that on transfer in production are not consumed at once but serve within a period not exceeding 12 months as well as objects with useful life exceeding 12 months application of which doesn’t yield immediate economic profit (income).

Fixed assets at the cost less than RUR 10,000 (inclusive) per item put into operation before 2008 will be accounted by the Company as fixed assets items

Changes in the accounting policies of the Company for 2008

Starting from 2009 on the following normative acts on accountancy were enacted:

- RFPS 1/2008 “Company’s Accounting Policies”,
- RFPS 2/2008 “Civil Works Contracts Accounting”
- RFPS 15/2008 “Borrowings and Loans Related Costs Accounting”
- RFPS 21/2008 “Adjustment of Estimated Values”

As of the date of drawing up of accounting statements the Company can’t estimate the quantitative effect of transfer to new Provisions on Accounting. The Company believes that the effect of new RFPS application will result in insignificant changes as related to comparative values of 2008 in the accounting statements for 2009.

19. Introductory and Comparative Data

The data of the Balance Sheet as of January 01, 2008 are compiled by means of adjustment of the Balance Sheet of December 31, 2007 with due account of:

- adjustment of data presented in the Balance Sheet due to the revaluation of the following groups of fixed assets: “Substations, autotransformers, transformers, switchers, over-voltage limiters, disconnect switches, arresters, reactors, synchronous compensators, high-frequency rejectors, equipment of outdoor switchgears, RUSN (Balance-on Plant Switchgear), OUT and others”, “Pumps, compressors, ventilation equipment, electric motors, equipment of makeup demineralizers and fuel supply, diesel generators” and “Constructing machines, lifting mechanisms, specialized transport” (RUR 4,441,480 thousand);
- the order of exchange differences accounting due to changes introduced by RFPS 3/2006 (as amended by the Ordinance of the Ministry of Finance of the RF dated 25.12.2007 No. 147H) “Accounting of assets and liabilities denominated in foreign currency” (RUR 105 thousand);
- transfer of balances of deferred expenses that are attributable to expenses in more than 12 months after the reporting date (RUR 68,782 thousand);
- transfer of advances issued for capital construction set-off of which is expected in more than 12 months after the reporting date in long-term accounts receivable (RUR 4,206,966 thousand);
- transfer of debt to the Property Department of Moscow by facilities obtained for participatory construction in a group of accounts payable (RUR 523,461 thousand) and the balance of prepayment of subsidies with application of state regulated prices (fees) for sale of thermal energy to population (RUR 109,385 thousand).

Adjustment of Balance Sheet data
(RUR'000)

Article	Line code	Amount before adjustment as of 31.12.2007	Adjustment amount	Adjusted amount as of 01.01.2008
Fixed assets	120	65,167,395	4,441,480	69,608,875
Long-term financial investments	140	82,892	105	82,997
Other non-current assets	150	–	68,782	68,782
Total by Section I	190	88,055,664	4,510,367	92,566,031
Inventories	210	4,834,599	(68,782)	4,765,817
Accounts receivable (due in more than within 12 months after the reporting date)	230	78,026	4,206,966	4,284,992
Accounts receivable (due within 12 months after the reporting date)	240	20,115,789	(4,206,966)	15,908,823
Total by Section II	290	59,981,917	(68,782)	59,913,135
Total assets	300	148,037,581	4,441,585	152,479,166
Additional capital	420	76,635,945	4,445,944	81,081,889
Undistributed profit (uncovered loss)	470	1,236,271	(4,359)	1,231,912
Total by Section III	490	118,310,197	4,441,585	122,751,782
Accounts payable, total	620	9,136,150	632,846	9,768,996
Deferred income	640	690,433	(632,846)	57,587
Total by Section V	690	11,822,166	0	11,822,166
Total liabilities	700	148,037,581	4,441,585	152,479,166

III. Disclosure of Significant Reporting Indicators

1. Segment Information

Main business of the Company is power and heat generation which accounts for 90.57% of product (goods, services) sales. The Company is engaged in other business lines: design works, information and computation services, communication services, services on elimination of technological limitations on supply of electric and heat and connection of capacities and so on which are neither significant nor form separate reporting segments. Therefore operational segment information is not subject to disclosure.

The Company operates predominantly in the territory of the Moscow region and does not identify individual geographic segments.

2. Fixed assets

The Company carries out registration of rights for immovable property received in the legal succession order on reorganization. In accordance with the Article No. 4 of the Federal Law No. 122-ФЗ "On State Registration of Title to Real Estate and Related Transactions" dated 21.07.1997 immovable property transferred in settlement of the charter capital of the Company is subject for state registration in authorities of the Ministry of Justice of the Russian Federation. In addition the Company carries out registration of title to real estate objects accounted on the Balance Sheet of MOSENERGO at the moment of setting up MOSENERGO and due to other established practices.

The Company as of December 31, 2008, is the owner of 176.2 km of heating networks (172 km as of December 31, 2007) the title for which is not registered in the established order. The total balance value of the above-stated assets as of December 31, 2008 makes RUR 2,702,387 thousand (RUR 2,787,207 thousand as of December 31, 2007).

In accordance with the concluded lease agreement the property is transferred to OAO "Moscow Heating Network Company" on lease.

(RUR'000)

Name	As of December 31, 2007	As of December 31, 2008
Depreciable value of fixed assets the title for which is subject for obligatory state registration, total:	25,484,370	36,480,109
including:		
Fixed assets cost, the title for which is registered in the established order	25,466,047	30,623,609
Cost of Fixed assets accepted for operation and pending registration	18,323	5,856,500

The value of social state sphere objects as of December 31, 2008 makes RUR 20,851 thousand (RUR 20,851 thousand as of December 31, 2007). In 2008 the Company didn't transfer objects of social sphere to municipal bodies. The transfer of a considerable amount of objects of state social sphere is expected in 2009.

As of December 31, 2008 the fixed assets leased by the Company made RUR 32,848 thousand (12,987 thousand in the year 2007). The above-stated property is accounted on off-Balance Sheet items.

In 2008 the Company paid lease fees in the amount RUR 117,876 thousand, including:

- under the lease agreement with ZAO "Gazprombank Leasing" for delivery of the GTU package for TEP at Pavlovskiy Posad town of the Moscow region – RUR 88,758 thousand;
- under the property lease agreement with OOO "Leasing Company "Major" for delivery of the imported mechanical transport – RUR 26,480 thousand;

- under the finance lease agreement (internal leasing) with 000 "Leasing Company TIEL" for delivery of Audi A8 D3 LWB Tip Quattro 4.2 FSI – RUR 2,276 thousand;
- under the finance lease agreement (internal leasing) with 000 "Leasing Company TIEL" for delivery of special equipment – RUR 362 thousand;

MOSENERGO holds on lease as of 31.12.2008 land allotments with the total space 1,169.9 Ha (1,126.9 Ha as of December 31, 2007) that are not recorded in value terms on Item 910 "Fixed Assets on Lease" of the statement about values on off-balance accounts.

Item 120 "Fixed Assets" of the Balance Sheet includes pledged fixed assets, the depreciable cost of which makes RUR 5,820,687 thousand (RUR 1,259,349 thousand by analogous objects as of December 31, 2007).

The Company transferred the following fixed assets in pledge to ensure performance of obligations under the loan agreements at the following values:

(RUR'000)

Parameter	As of December 31, 2007	As of December 31, 2008
Pledged value	1,163,827	5,424,882
Book value as of reporting date	1,259,349	5,820,687

In Annex to the Balance Sheet pledged fixed assets are recorded at their depreciable value.

3. Construction in progress

Item 130 of the Balance Sheet "Construction in Progress" includes:

(RUR'000)

Parameter	As of December 31, 2007	As of December 31, 2008
Construction in progress, total:	19,260,800	18,735,154
including:		
Immovable property objects completed in construction and commissioned, by which documents for title registration are not transferred to the Single State Register (at the depreciable value)	6,039,368	150,819
Equipment to installation	3,543,684	1,491,278
Total	22,804,484	20,226,432

4. Long-term financial investments

Financial investments are accounted in the Balance Sheet in the amount of RUR 119, 511 thousand net of the accrued provision for devaluation of the financial investment showing sustainable depreciation (RUR 82,997 thousand as of December 31, 2007). The value of financial investments by which the provision was accrued made RUR 446 thousand as of December 31, 2008 (RUR 2,814 thousand as of 31.12.2007), the amount of the

provision made RUR 446 thousand as of as of December 31, 2007 (RUR 644 thousand as of 31.12.2007).

Allocation of provision by groups of long-term financial investments is as follows:

(RUR'000)

The group of long-term financial investmets	Provision as of December 31, 2007	Provisions accepted as other income of the reporting period	Sums of provision used in the reporting year	Provision as of December 31, 2008
1. Investments in affiliate companies	202	(78)	(119)	5
2. Investments in other organizations	442	–	(1)	441
Total	644	(78)	(120)	446

Line 140 “Long-term financial investments” of the Balance Sheet includes:

- Financial investments with the current market value in the amount of RUR 27,182 thousand and RUR 0 thousand as of December 31, 2008 and December 31, 2007 respectively;
- Bills of exchange for the amount of RUR 9,378 thousand and RUR 0 thousand as of December 31, 2008 and December 31, 2007 respectively;
- Other financial investments with undeterminable market value for the amount of RUR 92,330 thousand as of December 31, 2008 (RUR 82,892 thousand as of December 31, 2007).

Within the reporting period the receipt of long-term financial investments made RUR 98,542 thousand, including:

- Shares of OAO “RusHydro” in number of 45,227,455 pieces at the cost of RUR 89,164 thousand with their subsequent revaluation to RUR 27,182 thousand;
- Bills of exchange of OAO “Ulyanovskenergo” valued at RUR 9,378 thousand.

Retirement of long-term financial investments in the reporting year made RUR 137 thousand (RUR 9,160 thousand in 2007).

The Company’s Board of Directors took a decision on December 25, 2008 (Minutes No.10) about cessation of its participation as a founder in OOO CB “Transinvestbank”. On the same day the Company filed an application for cessation of participation. As of December 31, 2008 investments in OOO CB “Transinvestbank” are recorded on other investments sheet item due to the fact that the Company’s withdrawal from participation has not been registered in the established order. Pursuant to Clause 26 of the Federal Law dated February 8, 1998, No. 14-FZ and the Charter of OOO CB “Transinvestbank” within six months upon termination of the financial year of application about withdrawal from the bank the latter is to pay to the Company the actual value of its share determined on the basis of the bank accounting statements over the year within which the withdrawal application was filed or, with consent of the bank participant, to give property in species at the same value. The corresponding receivables after their approval with OOO CB “Transinvestbank” will be acknowledged and are to be redeemed in 2009.

Objects of long-term financial investments as of December 31, 2008 are represented as follows:

(RUR'000)

Item No.	Company name	Core operations	Investment date	Contribution amount as of 31.12.2008	Amount of accrued provisions for impairment of financial investments as of 31.12.2008	Contribution amount as of 31.12.2007 with due account of accrued provisions	Share of MOSENERGO in the charter capital of the company, percent
Affiliate companies							
1	ОАО "Теплоэнергетическая Компания of MOSENERGO"	Sale, purchase and distribution of heat	2007	50,000	–	50,000	100
2	ЗАО "Energoinvest-ME"	Brokerage services	1994	2,249		2,249	90.0
3	ЗАО "Energiconsult"	Consultancy services, design activities, engineering services	1991	5	(5)	–	100
Total by affiliates				52,254	(5)	52,249	–
Dependent companies							
4	ОАО "Shatura Peat Digging Industrial Association"	Peat digging	1998	1,713	–	1,713	33.99
5	ООО "Seba-Energo"	Design and manufacture of instruments	1995	520	–	520	44.0
Total by dependent companies				2,233	–	2,233	–
Other investments							
6	ЗАО "Energogarant-Invest Ltd"	Investment, brokerage services	1998	3,000	–	3,000	12.0
7	ОАО "Energogarant"	Insurance	1993	1,565	–	1,565	0,18
8	ЗАО "Moscon"	Production waste disposal	1992	200	(200)	–	20.0
9	ЗАО "Telecomenergo"	Telecommunications	1999	150	(150)	–	15.0
10	ЗАО "Khoroshevskaya Power Company"	Construction of combined cycle TEP	1994	91	(91)	–	16.1
11	ООО "Transport Investment Bank", a commercial bank	Banking operation	1997	23,905	–	23,905	–
12	ОАО "RusHydro"	Electric energy generation	2008	27,181		27,181	0,018
13	Others	–	–	9,378	–	9,378	–
Total by other investments				65,470	(441)	65,029	–
Total				119,957	(446)	119,511	–

5. Inventories

The Company had not built up a provision for inventory impairment as of December 31, 2007 and as of December 31, 2008 the Company also didn't create a provision as the major volume of inventories without movement as of the stated dates belonged to emergency stock.

6. Deferred expenses

The sums corresponding to the following reporting periods are reflected in the deferred expenses included in the Balance Sheet.

Deferred expenses write-off of which for expenses is expected in the period exceeding 12 months after the reporting date are recorded in Line 150 "Non-Current Assets" of the Balance Sheet in the amount of RUR 219,658 thousand as of December 31, 2008 (RUR 68,782 thousand as of December 31, 2007):

(RUR'000)

Parameter	As of December 31, 2007	As of December 31, 2008
Purchase of software	68,782	219,658
Total	68,782	219,658

Deferred expenses write-off of which for expenses is expected in the period within 12 months after the reporting date are recorded in Item 216 "Deferred expenses" of the Balance Sheet

(RUR'000)

Parameter	As of December 31, 2007	As of December 31, 2008
Purchase of software	101,227	52,789
Life, property and responsibility insurance	25,212	39,542
Training of staff	16,536	25,636
Deferred vacation costs	9,629	8,521
Acquisition of licenses for certain types of activities	2,433	194
Others	5,371	9,427
Total	160,408	136,109

7. Value Added Tax on Acquired Tangible Assets

Item 220 of the Balance Sheet "Value Added Tax on Acquired Tangible Assets" includes the amount of the value added tax valued at RUR 938,790 thousand as of 31.12.2008 (RUR 421,827 thousand as of 31.12.2007).

Tax by own construction attributable to goods (works, services) acquired by the Company for execution of construction and assembling works as well as amounts of the tax presented to the Company in respect of acquisition of fixed assets and of capital construction in progress makes RUR 881,419 thousand as of 31.12.2008 (RUR 417,070 thousand as of 31.12.2007). From them RUR 202,490 thousand as of December 31, 2008 (RUR 212,781 thousand as of 31.12.2008) are attributable to objects construction of which started before January 1, 2006 and has not yet been commissioned.

8. Accounts receivable

Breakdown of Accounts Receivable by Item 230 "Accounts receivable (due in more than 12 months after the reporting date)" is represented in the following way:

(RUR'000)

No.	Parameter	As of December 31, 2007	As of December 31, 2008
1	Buyers, customers	1,215	–
2	Issued advances	4,206,966	4,020,277
3	Other debtors	76,811	87,940
Total		4,284,992	4,108,217

Item 230 "Accounts receivable (due in more than 12 months after the reporting date)" of the Balance Sheet includes advances issued to capital construction from the amount of RUR 4,020,277 thousand as of December 31, 2008 (RUR 4,206,996 thousand as of December 31, 2007), the amount of instalment issued to MOSENERGO employees for purchase of real estate reaches RUR 50,618 thousand as of December 31, 2008 (RUR 33,345 thousand as of 31.12.2007), as well as the amount of the claim to the Municipal Unitary Enterprise "Administration of the Single Customer of Communal Housing Services of Klin region" that makes RUR 37,322 thousand as of December 31, 2008 (RUR 49,609 thousand as of 31.12.2007).

The provision for doubtful debts with respect to accounts receivable (due in more than 12 months after the reporting date) has not been created.

Breakdown of Accounts Receivable by Item 240 "Accounts receivable (due in within 12 months after the reporting date)" is represented in the following chart:

(RUR'000)

No.	Parameter	As of December 31, 2007	As of December 31, 2008
1	Buyers, customers	5,152,374	7,261,375
2	Issued advances	8,967,826	12,337,057
3	Other debtors	1,788,623	1,253,558
Total		15,908,823	20,851,990

Item 240 of the Balance Sheet also includes the amount of cash advances for further settlements paid to other organizations pursuant to contractual provisions.

Accounts receivable of customers and buyers by Item 241 "Buyers, customers" of the Balance Sheet are recorded less

the bad debt provision, the amount makes RUR 1,531,154 thousand as of December 31, 2008 (RUR 1,191,954 thousand as of 31.12.2007).

Data concerning other debtors includes the overpaid amount of tax RUR 239,694 thousand as of December 31, 2008 (RUR 982,419 thousand as of December 31, 2007) and interest by loan issued by ZAO "Gaznergoprom-Invest" for the amount of RUR 694,954 thousand as of December 31, 2008 (RUR 0 thousand as of December 31, 2007).

The amount of accounts receivable by Item "Other accounts receivable" of the Balance Sheet less the provision for bad debts makes RUR 190,062 thousand as of December 31, 2008 (RUR 197,311 thousand as of 31.12.2007). Accrual of provision for bad debts is deviation from the established rules of accounting and reporting as set by Point 70 of Provision on Accounting in the Russian Federation approved by Ordinance of Ministry of Finance of the RF dated July 29, 1998 No.34H in accordance with which the Company might build up provisions for bad debts for settlements with other entities and physical bodies for products, goods and services. In the opinion of the Company's management bodies the deviation from rules allows a fair representation of the property status and financial results of the Company activities.

Flow of bad debt provisions is represented further:

(RUR'000)

Balance of bad debt provisions as of December 31, 2007	Bad debt provisions accrued in the reporting period	Written off to bad debt provisions in the reporting period	Provisions accepted as other revenues of the reporting period	Balance of bad debt provisions as of December 31, 2008
1,389,265	2,365,361	(61,671)	(1,971,739)	1,721,216

9. Short-term financial investments

Line 250 "Short-term financial investments" of the Balance Sheet makes RUR 13,484,312 thousand as of December 31, 2008 (RUR 26,200,544 thousand as of 31.12.2007). Short-term financial investments include:

- A loan granted in the amount of RUR 13,375,000 thousand as of December 31, 2008 (RUR 0 thousand as of December 31, 2007);
- A bill of exchange of third parties valued at RUR 68,600 thousand as of December 31, 2008 (RUR 15,200,544 thousand as of December 31, 2007). The above-stated bill of exchange is not interest bearing;
- Acquired rights of claim, the period of maturity within 12 month after the reporting date for the amount of RUR 40,712 thousand.

The provision for depreciation of short-term investments objects was not created due to lack of evidence of their sustainable depreciation.

Within the reporting period the short-term financial investments for the amount of RUR 29,227,791 thousand (RUR 49,723,743 thousand in 2007) were realized, from them: deposits for the amount RUR 15,520,000 thousand (RUR 23,300,000 thousand in 2007) and issued loans in the amount of RUR 13,375,000 thousand (RUR 0 thousand in 2007), bills of exchange for the amount of RUR 276,058 thousand as of December 31, 2008 (26,423,743 in 2007),

Within the reporting period short-term financial investments in the amount of RUR 41,944,023 thousand (RUR 24,433,626 thousand in 2007), retired, including: bills of exchange for the amount of RUR 15,408,001 thousand (RUR 11,223,200 thousand in 2007), deposits valued at RUR 26,520,000 thousand (RUR 13,200,000 thousand in 2007).

10. Other current assets

Item 270 "Other current assets" as of the end of the reporting period records VAT assets by advances received for the forthcoming supply of goods (work, services) and not settled as of 31.12.2008 in the amount of RUR 214,286 thousand (RUR 113,542 thousand as of December 31, 2007).

11. Capital and Reserves

As of December 31, 2008 the amount of shares charter for issuance made 39,749,359,700 shares (39,749,359,700 shares as of December 31, 2007) at the nominal value 1 ruble each. All issued ordinary shares have been completely paid.

The Extraordinary Shareholders' General Meeting RAO UES of Russia held on October 26, 2007 resolved to conduct reorganization through separation of several holding companies and transfer to them of shares of electric energy generating companies, including shares of the Company earlier held by RAO UES of Russia. Holding companies separated from RAO UES of Russia joined electric energy generating companies through share conversion and as a result shareholders of RAO UES of Russia directly obtained shares in electric energy generating companies. Thus the OAO "Mosenergo Holding" separated as a result of reorganization of RAO UES of Russia obtained shares of MOSENERGO earlier held by RAO UES of Russia. Simultaneously

with separation OAO "Mosenergo Holding" joined the Company and its shares were converted in shares of MOSENERGO.

The Company shareholders having voted "AGAINST" or having failed to participate in the voting were entitled to present their claims of repurchase of their shares within 45 days upon the resolution taking about the Company reorganization (from the date of the Shareholders' General Meeting by the above-stated issue), i.e. from December 28, 2007 till February 12, 2008. As of February 12, 2008 156,101,884 shares were claimed for repurchase for the total amount 969,392,700 rubles.

Conversion of OAO "Mosenergo Holding" shares in MOSENERGO shares resulted in 4,629,394,632 shares of MOSENERGO in exchange for shareholders of OAO "Mosenergo Holding" obtained 4,645,267,065 shares ensuring in reduction of own shares purchased by the Company earlier by 15,872,433 shares for the total amount 98,567,809 rubles.

The Company in QIV of 2008 purchased 23,674,800 shares for the amount of 27,978,622 rubles under the trust agreement signed with ZAO "Gazenergoprombank".

Thus as of December 31, 2008 the Company held 163,904,251 shares for the total amount RUR 898,803,513. The decision about further use of the repurchased shares will be taken by the Company in the future.

The Extraordinary General Meeting of MOSENERGO Shareholders held in July 2007 approved dividends for the period ending on March 31, 2007, in the amount of RUR 0.0104408508 per share for the total amount of RUR 296,290 thousand.

In May 2008 the Extraordinary General Meeting of MOSENERGO Shareholders took a decision not to pay dividends on ordinary shares of the Company for 2007.

As of December 31, 2008 the existing liabilities in the amount RUR 554 thousand (RUR 561 thousand as of December 31, 2007) is recorded in the short-term liabilities by Item 630 "Liabilities to participants (founders) on payment of income" of the Balance Sheet. This amount represents a return of the paid amount of the shareholders' income due to incorrect banking details submitted by the shareholders.

The additional capital of the Company was RUR 81,053,167 thousand as of December 31, 2008 (RUR 81,081,889 thousand as of January 01, 2008). Reduction of the additional capital for the amount of RUR 28,772 thousand is related to disposal of fixed assets objects and transfer of the amount of re-valuation by them in the undistributed profit of the Company.

The Article of Association of the Company envisages creation of the Reserve fund in the amount of 5% from the charter capital stock of the Company. The Shareholder's General Annual Meeting of MOSENERGO dated May 21, 2008 resolved that in 2007 the net profit of the Company in the amount RUR 36,974 thousand was used for formation of a Reserve fund. As of 31.12.2008 the reserve fund made 1.83% from the charter capital stock.

Basic earnings per share are calculated as the ratio of the basic earnings in the reporting period to the average weighted number of ordinary shares in circulation within the reporting period. The basic earnings are equal to net profit of the reporting period (Item 190 Profit and Loss Statement).

With the purposes of calculation of the average weighted number of ordinary shares in circulation in the reporting period the Company shares purchased under the trust management agreement have been discounted, but the Company shares repurchased from shareholders as a result of OAO "Mosenergo Holding" merger and registered on the personal account of the Company as of December 31, 2008 have not been considered.

Parameter	2007	2008
Net profit (undistributed) in the accounting year, RUR'000	739,470	1,371,721
Average weighted number of ordinary shares in circulation within the accounting year, shares	34,968,406,830	39,640,219,504
Basic earning per share, RUR	0.0211	0.0346

The Company has no convertible securities or sale and purchase agreements for shares at the lower cost than the market value and due to this the watered profit per share is not calculated and equal to the basic earnings per share.

12. Long-term liabilities

Item 520 "Other long-term liabilities" of the Balance Sheet records liabilities secured by own bills of exchange the term of maturity for which is due in more than 12 months after the reporting date in the amount of RUR 95,000 thousand as of December 31, 2008 (RUR 152,000 thousand as of 31.12.2007).

(RUR'000)

Maturity of bills of exchange	Amount as of December 31, 2007	Amount as of December 31, 2008
16.11.2009	57,000	–
15.11.2010	95,000	95,000
Total:	152,000	95,000

13. Loans and credit

Accounts payable by received loans and borrowings are accounted and shown in financial statements with inclusion of all accrued interest due as of the end of the reporting period.

The total amount of loans obtained by the Company through 2008 made RUR 10 892,027 thousand, the accrued interest made RUR 843,822 thousand. The total amount of loans repaid through the year 2008 made RUR 5,366,956 thousand, the amount of repaid interest reached RUR 793,685 thousand. The consolidated effect from re-calculation of transactions by loans denominated in foreign currencies made RUR 201,447 thousand.

(RUR'000)

Creditors	Disbursement period	Amount as of 31.12.2007	Amount as of 31.12.2008
Long-term loans			
European Bank of Reconstruction and Development	2012	3,822,222	2,866,667
European Bank of Reconstruction and Development	2018	2,755,000	2,465,000
European Bank of Reconstruction and Development	15.07.2009	82,783	0
International Financial Corporation	15.07.2009	55,189	0
Total:		6,715,194	5,331,667
Short-term loans (including a short-term part of long-term loans)			
European Bank of Reconstruction and Development	2012	498,416	1,010,926
European Bank of Reconstruction and Development	2018	158,918	327,342
European Bank of Reconstruction and Development	15.07.2009	89,690	102,185
International Financial Corporation	15.07.2009	59,793	0
OAo "Bank of Moscow"	23.06.2009	–	700,000
OAo "Bank of Moscow"	23.12.2009	–	1,600,000
ZAO "Mezhdunarodniy Promyshlenniy Bank"	10.02.2009	–	2,976,000
Sberbank	28.12.2009	–	1,250,546
Total:		806,817	7,966,999

The interest rate by long-term loans within the year 2008 made from 7.58 to 24.5% (8.25 to 9.22% in 2007).

The interest rate by short-term loans within 2008 made from 6.62 to 18.0% (7.25 to 8.00% in 2007).

Additional expenses connected with loan obtainment made RUR 19, 440 thousand for 2008 (RUR 655 thousand as of the year 2007).

Over 2008 the Company didn't raise loans.

The shareholder's absentee meeting held on December 28, 2007 resolved to organize a merger of MOSENERGO and OAO "Mosenergo Holding". Pursuant to provision of the Federal Law No. 208-Ф3 dated December 26, 1995 "On Joint Stock Companies" holders of bonds might present for early redemption of bonds in case of the company reorganization. The last date for presentation of bonds for early redemption is February 28, 2008. Thus bonds for the total amount RUR 587,757 thousand were presented and redeemed.

(RUR'000)

Loan holders	Disbursement period	Amount of loans as of 31.12.2007	Amount of loans as of 31.12.2008
Long-term borrowings			
Bonded debt (series 02)	2016	5,000,000	4,782,914
Bonded debt (series 01)	2011	5,000,000	4,629,329
Total:		10,000,000	9 412 243
Short-term borrowings (including a short-term part of long-term borrowings)			
Bonded debt (series 02, interest accrued)	-	128,913	125,322
Bonded debt (series 01, interest accrued)	-	107,429	101,377
Total:		236,342	226,699

The interest rate by borrowings within 2008 made from 7.54% to 7.65% (7.54% to 7.65% in the year 2007).

14. Taxes

Pursuant to Provisions on accounting "Profit Tax Accounting" (Russian Accounting Standards, or RFPS 18/02) the Company recorded on Profit and Loss Statement lines for 2008 the following values

(RUR'000)

No.	Line No. in Profit and Loss Statement	Item/Parameter	In 2008	In 2007
1	140	Pre-Taxation Profit (Loss)	2,220,069	2,648,547
2		Contingent expenses (contingent income) by Profit Tax (Line 1 x 24 percent)	532,817	635,651
3	200	Permanent tax liabilities (assets) (Line 4- Line 6), including:	943,868	1,273,426
4		Permanent tax liabilities (Line 5 x 24 percent)	1,017,188	1,552,862
5		Permanent differences increasing the taxable profit, including:	4,238,283	6,470,260
5.1		social costs	1,625,614	1,224,726
5.2		depreciation of fixed assets	1,366,652	1,367,454
5.3		losses not accepted for the purposes of taxation	660,763	241,327
5.4		part exceeding the statutory threshold	210,726	354,759
5.5		expenses not connected with operating activities	206,951	1,313,976
5.6		deviations in provisions for the purposes of taxation and accounting	112,049	1,579,218
5.7		other differences increasing the taxable income	55,528	388,800
6		Permanent tax assets (Line 7x24 percent)	(73,320)	(279,436)
7		Permanent differences reducing the taxable profit, including:	(305,500)	(1,164,318)
7.1		revenues not accepted for the purposes of taxation	(247,200)	(277,192)
7.2		deviations in provisions for the purposes of taxation and accounting	(58,300)	(887,126)
8	143	Deferred tax assets (Line 9 x 24 percent)	7,465	552
9		Deductible temporary differences, including:	31,102	2,300
9.1		losses from assignment of receivables after the due date	28,559	-
9.2		other expenses transferred for future periods	2,763	2,321
9.3		loss from sales of depreciable property	(220)	(21)
10	144	Deferred tax liabilities (Line 11 x 24 percent)	(285,999)	(459,669)
11		Deductible temporary differences, including:	(1,191,661)	(1,915,289)
11.1		deviations in depreciation of fixed assets	(1,702,690)	(879,420)
11.2		deviations in indirect costs	(1,345)	5,446
11.3		deviations in provisions for bad debts for the purposes of taxation and accounting	319,687	(857,900)
11.4		other taxable differences	189,932	(189,067)
11.5		expenses for licenses and purchase of software	2,755	5,652
12		Taxable base by profit tax (Line 1+ Line 5- Line 7+ Line 9- Line 11)	4,992,293	6,041,500
13	145	Current profit tax (Line 2+ Line 3+ Line 8- Line 10), including	(1,198,150)	(1,449,960)
14	146	Previous years Profit tax	630,522	-
		Other costs from profit	(2,186)	-
15	190	Net profit (loss) of the reporting period (Line 1- Line 13- Line 14-Line 15+Line 8-Line 10)	1,371,721	739,470

15. Accounts payable

Item 621 "Accounts Payable" of the Balance Sheet includes liabilities of the Company to suppliers and contractors. The amount of liabilities made RUR 9,004,666 thousand as of December 31, 2008 (RUR 7,273,111 thousand as of 31.12.2007). Growth of liabilities occurred by items: "Subcontractors by capital construction".

Salaries payable made RUR 338,005 thousand as of December 31, 2008 (RUR 294,417 thousand as of December 31, 2007). Liabilities to state and extra-budgetary funds made RUR 63,497 thousand as of December 31, 2008 (RUR 53,706 thousand as of December 31, 2008). These liabilities are of current character and were settled in January 2009.

Line 624 of the Balance Sheet includes debts by taxes and collections in the amount of RUR 942,077 thousand as of December 31, 2008 (RUR 414,346 thousand as of December 31, 2007)

Line 625 "Other accounts payable" of the Balance Sheet includes:

- Advances obtained in the amount of RUR 1,473,355 thousand as of December 31, 2008 (854,918 as of December 31, 2007). Growth of debt occurred due to increase of advances obtained for the core activities;
- Other accounts payable makes RUR 1,108,232 thousand as of December 31, 2008 (RUR 878,498 thousand as of December 31, 2007). The debt consists of the accounts payable to the Property Department of Moscow by facilities obtained for participatory construction in the amount of RUR 523,461 thousand and the debt by the order of enforcement for the amount of RUR 378,848 thousand.

16. Other short-term liabilities

Short-term liabilities include the amount of RUR 112,049 thousand for the allowance for the suit of OAO "Moscow Heat Distribution Company" about charging of interest for utilization

of cash assets of third parties due to delay in payment for services under the agreement of heat supply and heat carriers, that currently is pending court proceeding of the Arbitration Court of Moscow.

Short-term liabilities include the amount awarded pursuant to decisions of the Arbitration Court dated 15.01.2007 with relation to participants of OOO CB "Transinvestbank" (RUR 945,023 thousand). The above-stated amount is exclusive of the amount of the share restored by MOSENERGO in OOO CB "Transinvestbank" making RUR 11,600 thousand.

Under the decision of the Arbitration Court of Moscow dated April 28, 2007 four orders of enforcement of the decision of the Arbitration Court of the non-commercial association – Fund "Right and Economy of Fuel and Energy Complex (TEK)" – have been issued for exaction from MOSENERGO of the amount of RUR 956,623 thousand in favour of four legal entities as a compensation of a market value of their shares in OOO CB "Transinvestbank" returned to MOSENERGO as a restitution by invalid transactions.

Within the reporting period the Company paid the debt by enforcement orders in the amount of RUR 556,175 thousand, the balance of the debt in the amount of RUR 378,848 thousand was transferred to the accounts payable due to lack of a further possibility to dispute the above-stated court decision.

17. Operating expenses

The prime cost of sold goods, products, works, services) total by lines 020, 030, 040 of the blank (form) No. 2 correlates with the total amount of expenses recorded in Item 760 "Expenses by ordinary types of activity" of Blank (form) 5 "Annex to Balance Sheet" as it's disclosed in the corresponding section of Form 5.

18. Other revenues and expenditures

(RUR'000)

Parameter	2008		2007	
	Revenues	Expenditures	Revenues	Expenditures
Financial investments movement, including bills of exchange of third parties	15,408,120	15,408,120	17,038,414	17,038,414
Alteration of assessed reserves	1,971,937	2,477,410	1,070,738	1,586,057
Other revenues and expenditures disclosed in breakdown of separate profit and losses of Profit and Loss Statement	453,710	938,419	396,249	435,478
Sale of accounts receivable	548,597	606,060	22,957	26,538
Subsidies for compensation of thermal energy losses	324,268	–	273,574	–
Revenues and expenditures occurred due to extraordinary circumstances	259,087	211,583	12,401	–
Sale of other assets	103,937	91,373	154,231	126,528
Sale and purchase of foreign currency	155	52,964	221	3,830
Social costs	–	1,378,590	–	878,080
Bank services	–	156,387	–	184,775
VAT out of profits	–	84,957	–	169,861
Other taxes	–	45,036	–	57,844
Dismantling costs	–	40,865	–	56,722
Sponsor assistance, charity expenses	–	16,348	–	36,670
Tax of dividend	–	–	–	10,919
Accrual of debts by court resolutions	–	–	–	945,023
Others	43,976	383,289	77,990	472,673
Total operating revenues and expenditures	19,113,787	21,891,401	19,046,775	22,029,412

Revenues and expenditures connected with build-up of a provision by doubtful debts as of December 31, 2008 and December 31, 2007 are recorded in statements of the Company in a contracted form with the exclusion of the provision restored within the reporting period for obligations by debts discharged by debtors, under which the provision had been created earlier.

19. Affiliated parties

The Company is controlled by OAO "Gazprom" (Head Company) holding 53.47% interest of ordinary shares of the Company. The remaining 46.53% of ordinary shares are distributed among a great ranger of shareholders, the greatest being the City of Moscow represented by the Property Department of the Moscow Government (holder of 21.16% of ordinary shares).

Other affiliated parties of the Company through 2008 are members of the Board of Directors and of the Executive Board, as well as affiliated parties of OAO "Gazprom" and the following legal entities:

Organizational and Legal Form. Organization Name	Type of Affiliation (control or significant influence)
Energoinvest-ME, a closed joint-stock company	MOSENERGO has the right to control more than 20% of voting stock (equity, shares) making up the charter capital stock of the entity
Energoconsult, a closed joint-stock company	MOSENERGO has the right to control more than 20% of voting stock (equity, shares) making up the charter capital stock of the entity
Seba-Energo Russian-German Joint Venture, a limited liability company	MOSENERGO has the right to control more than 20% of voting stock (equity, shares) making up the charter capital stock of the entity
Shatura Peat Digging Industrial Association, an open joint-stock company	MOSENERGO has the right to control more than 20% of voting stock (equity, shares) making up the charter capital stock of the entity
Moscow Heat Distribution Company, an open joint stock company	MOSENERGO has the right to control more than 20% of voting stock (equity, shares) making up the charter capital stock of the entity
Electroinvest-M, a closed joint stock company	The entity belongs to a group of entities MOSENERGO is a member of it
Lizinginvest-ME, a limited liability company	The entity belongs to a group of entities MOSENERGO is a member of it
CB Transinvestbank, a limited liability company	Till December 25, 2008, MOSENERGO had the right to control more than 20% of voting stock (equity, shares) making up the charter capital stock of the entity (See Paragraph 4 of Section III)

Sales of products to affiliated parties were carried out on standard commercial conditions at market prices with the exclusion of prices for goods and service subject for tariff legislation-regulated prices.

Sales of heat are carried out by MOSENERGO at prices not exceeding legislation-regulated tariffs (their threshold values), if available, as well as in accordance with Wholesale Market Regulations and Ordinance of the Government of the RF dated 26.02.2004 No.109 "On pricing of electric and thermal energy in the Russian Federation".

In 2008 MOSENERGO sold the electric energy on the "day ahead market" and on the "balancing market" for the amount of RUR 12,671,649 thousand and power for the amount of RUR 3,339,172 thousand (RUR 5,360,655 thousand and RUR 6,275 thousand for 2007, respectively). The major share of these sales

was carried out at prices determined by a competitive selection of price proposals of customers and suppliers in accordance with the Ordinance of the RF Government dated 24.10.2003 No. 643 "On regulations of electric energy (power) wholesale market of the transitional period".

Purchases of products from affiliated parties were carried out on standard commercial conditions at market prices with the exclusion of prices for goods and service subject for tariff legislation-regulated prices.

In the reporting period the Company didn't carry out mutual settlements with affiliated parties in non-cash form.

Services on supply of thermal energy were purchased from OAO "Moscow Heating Network Company" in accordance with tariffs approved by Ordinance of REK in Moscow dated 19.12.2007 No.87 and Minutes TEK MO dated 26.12.2007 No.17.

Transactions with affiliated parties of OAO "Gazprom"

In the reporting year the Company rendered services on lease of property, communication services and realized bills of exchanges to the following organizations of OAO "Gazprom":

(RUR'000)

Organization name	Sales proceeds (VAT, excise and export fees excluded)	
	2008	2007
OAO "Gazprombank"	168,139	17,621,012
OOO "Gazprom Transgaz Moscow"	339	–
OAO "Gazavtomatika"	608	641
ZAO "Gaztelecom"	161	–
ZAO AKB "Sovfintrade"	–	36
OOO "Gazflot"	38	–
OAO "AK Sibur"	2,125	2,202
OAO "Promgaz"	1,195	–
OAO "Stroytransgaz"	3,816	–
OAO "Gazprom"	15,133	–
OAO "TGK-1"	2,879	3,469
OAO "OGK-2"	9,160	4,537
OAO "OGK-6"	742	–
Total:	204,335	17,631,897

The following organizations of OAO "Gazprom" rendered services of supply of product (gas) as well as other services to the Company:

(RUR'000)

Organization name	Cost of received goods, works and services (VAT, excise and export fees excluded)	
	2008	2007
OAO "Gazprom-regiongaz"	45,709	858,161
OAO "NTV-PLUS"	–	317
OAO "Sogaz"	351,567	4,618
OOO "Mosregiongaz"	44,470,779	31,870,742
Total:	44,868,055	32,733,838

Loans issued to affiliated parties:

(RUR'000)

Parameter	2008	2007
Debt as of January 1	–	–
Granted in the reporting year	13,375,000	–
Repaid in the reporting year	–	–
Debt as of December 31	13,375,000	–

The above-stated loan is granted to ZAO "Gazenergoprom-Invest" at 8.3% interest.

The loan maturity date is December 31, 2008. The Company expects that the above-stated loan will be redeemed in 2009.

As of December 31, 2008 liabilities of the Company by settlements with affiliated parties of OAO "Gazprom" made:

(RUR'000)

Organization name	Accounts receivable		Accounts payable	
	2008	2007	2008	2007
OAO "Gazprombank"	593	52,147	–	3,855
OAO "NTV-PLUS"	272	120	–	–
OAO "Sibur"	–	73	–	–
OAO "Gazavtomatika"	–	57	–	–
OAO "Sovfintrade"	–	17	–	–
OAO "Gazprom"	–	13	–	–
OAO "Gazpromregiongaz"	–	–	–	45,709
OOO "Gazprom Transgaz Moscow"	400	–	–	–
OAO "Stroytransgaz"	–	–	133,945	–
OAO "TGK-1"	2,064	–	–	–
OAO "OGK-2"	3,473	–	–	–
OOO "Mosregiongaz"	3,872,926	–	375,545	–
Total:	3,879,728	52,427	509,490	49,564

Operations with other affiliated persons

In the reporting period the Company sold electric and thermal energy and rendered services to other affiliated parties listed further:

(RUR'000)

Organization name	Sales proceeds (VAT, excise and export fees excluded)	
	2008	2007
OAO "Teploenergeticheskaya Kompania of MOSENERGO"	10,723	–
OOO CB "Transinvestbank"	4,800	4,854
Total:	15,523	4,854

Other affiliated parties rendered services of supply of product as well as other services to the Company in the reporting period:

(RUR'000)

Organization name	Cost of received goods, works and services (VAT, excise and export fees excluded)	
	2008	2007
OOO CB "Transinvestbank"	161,567	171,129
Total:	161,567	171,129

□

As of December 31, 2008, liabilities of the Company by settlements with other affiliated parties made:

(RUR'000)

Organization name	Accounts receivable		Accounts payable	
	2008	2007	2008	2007
ОАО "Теплоэнергетическая Компания of MOSENERGO"	496,355	50,000	1,711,247	–
ООО CB "Transinvestbank"	–	12,425	20	–
ЗАО "Energoinvest-ME"	–	2,249	545	–
ЗАО "Shaturtorf"	5	1,713	–	–
Total	496,360	66,387	1,711,812	–

Remuneration to members of Executive bodies

Major management bodies of the Company includes: members of the Board of Directors and Executive Board. A list of members of the Board of Directors and Executive Board is presented in Section "General Information" of the Explanatory Note.

Remuneration to Director General is to be approved by the Chairman of the Board of Directors of MOSENERGO.

(RUR'000)

No.	Parameter	2008	2007	Balance as of	Balance as of
				December 31, 2008	December 31, 2007
1	Remuneration paid to executive personnel, on the aggregate, with breakdown by types of payments:	254,861	179,861	1,483	10,636
2	a) short-term remunerations (salaries, premiums and bonuses)	107,783	158,010	1,483	10,636
3	b) remunerations related to termination of labour agreement	147,078	21,851	–	–
4	Retirement benefits costs	22,104	–	–	–

12

Information in the Table is presented without accruals in extra-budgetary funds.

The majority of the Company employees are entitled for non-state retirement benefits after termination of labour. The Company pays contributions to the Non-State Pension Fund Gazfond and to the Non-State Pension Fund Elektroenergetika for its employees including the key executives.

The total amount of contributions paid in the Non-State Pension Fund Gazfond made in 2008 and 2007 RUR 364,181 thousand and RUR 8,194 thousand, respectively.

The total amount of contributions paid in the Non-State Pension Fund Elektroenergetika made in 2008 and 2007 RUR 425,293 thousand and RUR 343,933 thousand, respectively.

20. Contingent Factors of Economic Activities

Taxation

The Russian tax, currency and customs legislation allows for different interpretation and is subject to frequent changes. The executive bodies of the Company accepts that with relation to some transactions executed in the reporting period and previous accounting period disputes with controlling bodies in the future are possible and might lead to a change of the results of the economic activities of the Company. Pursuant to Paragraph 24 of Provision of accounting "Contingent factors of economic activities" RFPS 8/01 similar information about such transactions is not disclosed. Recent events that occurred in the Russian Federation certify that the tax authorities might have a stricter position in interpretation of the legislation and inspection of tax settlements and might dispute operations and activities that earlier were not subject for contestation. As a result significant additional amounts might be imposed in the form of penalties, surcharges and default interests. Moreover tax inspections might cover three calendar years of the activities that come before the year of inspection. Under certain circumstances earlier periods might be subject for inspection.

As of December 31, 2008 the Company terminated all tax disputes arising in the previous reporting periods. Over 2008 tax authorities didn't conduct field tax inspections of the Company.

According to the executives of the Company, as of December 31, 2008 corresponding provisions of the legislation are interpreted by them correctly and the state of the Company from the point of view of compliance with tax, currency and customs legislation will be continuing.

21. Issued guarantees

As of December 31, 2008 the Company issued guarantees to third parties in the total amount RUR 380,503 thousand (RUR 344, 638 thousand as of December 31, 2007). Executives of the Company do not expect any significant liabilities in respect of these guarantees.

22. Judicial proceedings

As of December 31, 2008 the Company is a defendant in a number of arbitration suits, including those with tax authorities. but, in the opinion of the company, results of these processes will not have material effect on the Company's financial position.

The exclusion is made for considerable suits:

1. A lawsuit of OOO "Energy Legal Information Agency" to MOSENERGO about exaction of RUR 860,673 thousand as a debt under the sub-agency agreement. At present the suit is in progress of the Arbitration Court of the Non-Commercial Organization – Fund "Pravo i Ekonomika TEK" (suit No. 26/2007-83). Based on the claim materials and the court practice the possibility of satisfaction of stated claims at the expense of MOSENERGO is moderate (50 percent).

2. The Arbitration court of Fund "PETEK" terminated proceedings on claims of OAO "Mosenergosbyt" to MOSENERGO for the total amount RUR 92,019 thousand. But at present OAO "Mosenergosbyt" initiates court proceedings in the Arbitration Court of Moscow to separated companies including MOSENERGO on recovery of cash facilities as a set-back under the Agreement on Joint Responsibility. The possibility of satisfaction of claims of OAO "Mosenergosbyt" is moderate (50%). In accordance with the Joint Responsibility Agreement the share of MOSENERGO makes 54.41%.

23. Information on reorganization

Separation of the holding company OAO "Mosenergo Holding" resulted from re-organization of RAO UES of Russia. At present reorganization of MOSENERGO scheduled in the form of joining of OAO "Mosenergo Holding" has been completed. In accordance with the agreement on joining of OAO "Mosenergo Holding" to MOSENERGO approved at the Shareholders' General Meeting of MOSENERGO dated December 28, 2007 MOSENERGO became an assignee of the OAO "Mosenergo Holding" by all rights and responsibilities.

All rights and responsibilities are deemed assigned to MOSENERGO as of the moment of reorganization – July 1, 2008.

Financial statements of the Company for 2008 were compiled by consolidation of the starting Balance Sheet of OAO "Mosenergo Holding" to the Balance Sheet of MOSENERGO by the following items: investments in non-current assets, long-term financial investments, long-term accounts receivable, short-term accounts receivable, cash assets, authorized stock, undistributed profit of previous years and accounts payable.

The financial outcome of the event disclosed above is increase of the undistributed profit of the Company in the amount of RUR 7,891 thousand

24. Events after the Reporting Date

Due to reduction from 2009 of the corporate profit tax rate from 24 to 20% the Company conducted recalculation as of January

01, 2009 of the value of deferred tax assets and liabilities with posting of amounts of the value of the above-stated assets and liabilities for the undistributed profit (loss). As a result, as of January 01, 2009 the deferred tax assets reduced by RUR 1,380 thousand, deferred tax liabilities reduced by RUR 220,670 thousand, undistributed profit increased by RUR 219,290 thousand as compared to existing data of the Balance Sheet as of December 31, 2008. The consequences of the profit tax rate change will be recorded in the introductory accounting statements of the Company for 2009.

Dividends

General Meeting of shareholders will approve in May-June 2009 the amount of the annual dividend per share. The Board of Directors of the Company is to meet in April 2009 to consider the amount of a dividend for 2008 to be recommended for approval to the General Meeting of shareholders.

Revaluation

Pursuant to Federal Law No. 129-ФЗ "On Accounting" dated November 21, 1996 Provisions for Accounting and Reporting in the Russian Federation approved by Ordinance No. 34н issued by the RF Ministry of Finance on July 29, 1998 Provisions for Accounting and Reporting «Fixed Assets Accounting» approved by Ordinance dated March 30, 2001 No.26н and Guidance on Accounting of Fixed Assets, the Company is to revalue fixed assets on a regular basis in order to ensure compliance of the value of fixed assets posted in the accounting statements and reports with the current (replacement) value. Due to this the Company carries out revaluation of fixed assets as of January 01, 2009.

Revaluation will be carried out with engagement of the independent evaluator NGK "2K Audit-Business Consultations".

Due to the fact that at present the revaluation has not been completed the Company has no possibility to evaluate consequences of revaluation in value terms with a sufficient degree of reliability.

25. Financial crisis

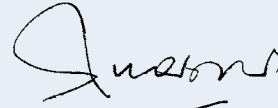
The economy of the Russian Federation has certain features characteristic of developing markets: a relatively high inflation rate and an active economic growth being major factors. The banking sector in the Russian Federation is sensitive to reduction of the confidence level, changes of the economic situation and can undergo reduction of liquidity and increase of market prices volatility as occurred over 2008. The Company's management is not able to foresee all trends that might affect development of the bank sector as well as what effect (if any) they might exert on the Company's financial state.

Lack of stability on global markets coupled with Russian economic factors lead in 2008 to an extremely high volatility of Rus-

sian stock exchange markets and higher rates of inter-bank financing that in certain cases exceeded the standard rates to a significant degree.

At present the Company's management can not produce an accurate assessment of consequences of further reduction of liquidity of financial markets and step-up of instability on currency and stock exchanges for the Company's financial state. The management believes that it takes all necessary measures to maintain stability and to ensure growth of commercial operation of the Company in the current situation.

Head of Company



V.G. Yakovlev

Chief Accountant



S.A. Suraev

"01" March 2009

13 Additional Information

13.1. Information on Material Facts

2008 saw 52 material facts (in keeping with the classification of the Federal Financial Markets Service of the Russian Federation). Detailed information on all material facts is available on the Company's website.¹

13.2. Resolutions adopted by the Shareholders Meeting

Shareholders' Annual General Meeting

Date and place of the General Meeting: May 21, 2008, 3 Lenina St., the town of Dzerzhinsky, Moscow Region

Type of the general meeting: annual.

Form of conducting the general meeting: a meeting (a joint presence of shareholders to discuss agenda items and to adopt decisions with regard to the matters put for voting).

The General Meeting quorum: as directed by Article 58 (1) of the Federal Law «On Joint Stock Companies», the Shareholders' General Meeting is legally qualified (has a quorum) if attended by the shareholders possessing in the aggregate more than half of the votes (50% +1) of the issued voting shares of the Company (19,796,628,909 votes). At the commencement of the meeting, taking into account the ballots received two days before the date of the shareholders' meeting, the members registered for participation in the meeting personally or by proxy totaled 38,034,315,185 voting shares, or 96.06% of votes of the shareholders eligible to participate in the General Meeting of Shareholders. The quorum is present.

The General Meeting of Shareholders of MOSENERGO, Open Joint Stock Company for Energy and Electrification, is acknowledged legally qualified.

Issues put to vote and voting results in respect of them are as follows:

1. On approval of the Annual Report for the year 2007.

The counting of votes of the voted valid ballots showed the following results:

"For"	99.411%
"Against"	0.010%
"Abstained"	0.022%

2. On approval of the annual accounting statements, including Profit and Loss Statement of the Company.

The counting of votes of the voted valid ballots showed the following results:

"For"	99.409%
"Against"	0.010%
"Abstained"	0.023%

3. On distribution of the Company's Profit, including payment of dividends, based on the Performance Results in 2007.

The counting of votes of the voted valid ballots showed the following results:

"For"	99.347%
"Against"	0.064%
"Abstained"	0.017%

4. On approval of the Company's Auditor.

The counting of votes of the voted valid ballots showed the following results:

"For"	99.367%
"Against"	0.001%
"Abstained"	0.008%

¹ 11, 12, 13

5. On election of members of the Audit Commission (Auditor) of the Company.

Shares owned by members of the Board of Directors of the Company, or by people holding offices in the management bodies of the Company did not participate in the voting when electing members of the Audit Commission of the Company. The counting of votes of the voted valid ballots showed the following results:

	"For", %	"Against", %	"Abstained", %
1. Andrey Victorovich Belobrov	55.952	0.047	43.354
2. Oleg Victorovich Zabrodin	15.835	55.882	27.661
3. Rafael Vladimirovich Ishutin	55.956	0.036	43.357
4. Anatoliy Nikolaevich Klyuchnikov	55.935	0.048	43.354
5. Vitaliy Anatolievich Kovalyov	55.932	0.045	43.355
6. Irina Nikolaevna Milyutina	55.909	0.034	43.368
7. Sergey Borisovich Sidorov	15.738	55.906	27.678
8. Mikhail Vladimirovich Smirnov	15.738	55.905	27.679
9. Evgeniy Anatolievich Tikhovodov	27.696	55.910	15.731
10. Irina Grigorievna Shishkina	27.718	55.897	15.729

6. On election of members of the Company's Board of Directors.

This item was decided by cumulative vote. The counting of votes showed the following results:

Pyotr Nikolaevich Aksyonov	0.005%
Pyotr Pavlovich Biryukov	7.141%
Bogdan Vladimirovich Budzulyak	7.139%
Nikolay Vyacheslavovich Vasiliev	0.001%
Anatoliy Anatolievich Gavrilenko	7.139%
Valeriy Alexandrovich Golubev	7.164%
Oleg Alexeevich Gorelov	0.001%
Igor Vyacheslavovich Ignatov	6.220%
Alexey Romanovich Kachay	0.001%
Anatoliy Yakovlevich Kopsov	0.014%
Alexey Alexandrovich Mityushov	6.271%
Alexander Alexandrovich Negomedzyanov	0.001%
Olga Petrovna Pavlova	7.139%
Vsevolod Georgievich Pleshivtsev	0.001%
Anton Yurievich Poskonin	0.000%
Alexander Nikolaevich Remezov	0.016%
Sergey Petrovich Romanovskiy	0.043%
Yuriy Vitalievich Roslyak	0.001%
Kirill Gennadievich Seleznyov	7.139%
Vladimir Nikolaevich Silkin	7.140%
Evgeniy Victorovich Sklyarov	7.140%
Wolfgang Skribot	0.001%
Pavel Stepanovich Smirnov	0.001%
Yuriy Arkadievich Udaltsov	7.853%
Denis Vladimirovich Fyodorov	6.781%
Sergey Sergeevich Fil	0.001%
Vitaliy Yurievich Khatkov	0.001%
Anatoliy Antonovich Chabak	0.001%
Andrey Vladimirovich Sharonov	0.005%
Nikolay Grigorievich Shulginov	7.846%
Vitaliy Georgievich Yakovlev	7.188%
"Against" all candidates	0,001%
"Abstained" by all candidates	0,010%

7. On payment to members of the Audit Commission of remunerations and compensations.

The counting of votes of the voted valid ballots showed the following results:

"For"	99.373%
"Against"	0.042%
"Abstained"	0.017%

8. On payment of remunerations and compensations to members of the Board of Directors.

The counting of votes of the voted valid ballots showed the following results:

"For"	99.357%
"Against"	0.059%
"Abstained"	0.015%

9. On approval of amended Provision on Remuneration and Compensations to members of MOSENERGO Board of Directors.

The counting of votes of the voted valid ballots showed the following results:

"For"	99.350%
"Against"	0.052%
"Abstained"	0.030%

Wordings of the Resolutions Adopted by the Shareholders' Annual General Meeting

On Item 1:

The annual report of the Company is approved.

On Item 2:

The annual accounting statements, including the Profit and Loss Statement of the Company is approved.

On Item 3:

1. The following distribution of the Company's profit (losses) by results of 2007 Fiscal Year (except for the Company's profit in the amount of RUR 296,290 thousand distributed as dividends on the Company's ordinary shares by results of Q1 Y2007 (Minutes of the Shareholders' Extraordinary General Meeting No. 2 dated 09.07.2007):

(RUR'000)

Balance Sheet profit	739,470
Preliminary distribution of profit	739,470
including:	
Reserve fund	36,974
Accumulation fund	406,206
Including investments for the year 2008	406,206
Interim dividends on shares by results of MOSENERGO performance in Q1 2007	296,290

2. Dividends on the Company's ordinary shares by results of the year 2007 will not be paid out.

By Item 4:

To approve ZAO Pricewaterhouse Coopers Audit as the Company's Auditor.

By Item 5:

The following members will be elected as the Audit Commission of the Company:

1. Andrey Victorovich Belobrov
2. Rafael Vladimirovich Ishutin
3. Anatoliy Nikolaevich Klyuchnikov
4. Vitaliy Anatolievich Kovalyov
5. Irina Nikolaevna Milyutina

By Item 6:

The following members will be elected as the Company's Board of Directors:

1. Pyotr Pavlovich Biryukov
2. Bogdan Vladimirovich Budzulyak
3. Anatoliy Anatolievich Gavrilenko
4. Valeriy Alexandrovich Golubev
5. Alexey Alexandrovich Mityushov
6. Olga Petrovna Pavlova
7. Kirill Gennadievich Seleznyov
8. Vladimir Nikolaevich Silkin
9. Evgeniy Victorovich Sklyarov
10. Yuriy Arkadievich Udaltsov
11. Denis Vladimirovich Fyodorov
12. Nikolay Grigorievich Shulginov
13. Vitaliy Georgievich Yakovlev

By Item 7:

Remunerations and compensations will be paid to the members of the Company's Audit Commission.

By Item 8:

Remunerations and compensations will be paid to the members of the Company's Board of Directors.

By Item 9:

A revised Provision on Remuneration and Compensation to the Members of MOSENERGO Board of Directors will be approved.

13.3. Corporate Governance Code – compliance Information

Nr.	Provision of the Corporate Governance Code	Observed/ Non observed	Note
General Meeting of Shareholders			
1.	Notification of shareholders about a General Meeting of Shareholders is to be provided within 30 days prior to its holding irrespective of items on the agenda unless a longer period is stipulated by law	Observed	Charter of MOSENERGO, Art. 11, Item 11.5
2.	Access of shareholders to the list of people entitled to participate in the General Shareholders Meeting for review, starting with the day of notification of a General Shareholders` Meeting until the closure of a General Shareholders` Meeting held in person, and if the General Shareholders` Meeting is held in absentia – until the final date of ballot acceptance	Observed	Pursuant to provisions of the effective legislation the list of persons entitled to participate in the General meeting of shareholders is submitted by the Company for review at the request of persons, whose names are placed on this list and holding not less than 1.0% of votes
3.	Access of shareholders to information (materials) subject to presentation for review during preparation for a General Meeting of Shareholders, by means of communications equipment, including through the Internet	Observed	Charter of MOSENERGO Art. 11, Item 11.7
4.	Opportunity of shareholders to enter an item on the General Meeting agenda or demand convocation of a General Meeting of Shareholders without presentation of an extract from the shareholder register if his/her rights to shares are registered within the register-keeping system, and if his/her rights to shares are accounted on a custody account – presentation of a statement from the custody account is sufficient in order to exercise the aforementioned rights	Observed	The procedure for entering an item on the general shareholder meetings` agenda and the procedure for convocation of a general shareholder meeting are provided in the current legislation. Neither Charter nor internal documents of the Company make any provision for mandatory presentation of an extract from the share register or a statement of the custody account when placing questions on the agenda or convening a meeting
5.	A requirement in a joint stock company`s charter or internal documents providing for compulsory attendance at General Meeting of Shareholders of Director General, members of the Executive Board, members of the Board of Directors, members of the Audit Commission and the auditor of the joint stock company	Observed in part	Charter of MOSENERGO, Art. 11, Item 11.1 The General Director, members of the Executive Board, members of the Board of Directors, members of the Audit Commission and the auditor of the Company are entitled to attend the General Meeting of Shareholders
6.	Compulsory attendance of candidates during consideration at a General Meeting of Shareholders of issues concerning election of members of the Board of Directors, Director General, members of the Executive Board, members of the Audit Commission, as well as approval of the joint stock company`s auditor	Observed in part	Charter of MOSENERGO, Art. 11, Item 11.1 The General Director, members of the Executive Board, members of the Board of Directors, members of the Audit Commission and the auditor of the Company will have the right to attend the General Meeting of Shareholders
7.	Specification in the joint stock company`s internal documents of the procedure of registration of participants in a General Shareholders Meeting	Observed	Procedure for Preparation and Holding of the General Meeting of MOSENERGO`s Shareholders, Item 3.1

Nr. Provision of the Corporate Governance Code	Observed/ Non observed	Note
Board of Directors		
8. Provision in the joint stock company's charter of the authority of the Board of Directors to approve annually a financial and economic plan of the joint stock company	Observed	Charter of MOSENERGO, Art. 15, Item 15.1, Sub, item 22
9. The risk management procedure of the company approved by the Board of Directors	Observed	MOSENERGO's Risk Management Regulation approved by the Board of Directors of the Company, Minutes Nr.9 dated 18.11.2004
10. Provision in a joint stock company's charter of the authority of the Board of Directors to suspend the mandate of the General Director appointed by the general shareholder meeting	Observed	Charter of MOSENERGO, Art. 15, Item 15.1, Sub-item 12. The Director General is elected by the Board of Directors of the Company
11. Provision in a joint stock company's charter of the authority of the Board of Directors to set requirements to the qualification and amount of remuneration of Director General, members of the Executive Board, and executives of major structural subdivisions of the joint stock company	Observed in part	Charter of MOSENERGO, Art. 15, Item 15.1, Sub-item 14. The scope of authority of the Board of Directors of the Company includes approval of provisions (including those establishing the term of appointment and the amount of remunerations and benefits) of agreement concluded with General Director of the Company, Executive Board members, introduction of amendments in the stated agreements
12. Stipulation in a joint stock company's charter of the authority of the Board of Directors to approve the terms and conditions of employment contracts with the General Director and members of the Executive Board	Observed	Charter of MOSENERGO, Art. 15, Item 15.1, Sub-item 14
13. Existence of a provision in a joint stock company's charter or internal documents stipulating that the votes of the members of the Board of Directors who are Director General or members of the Executive Board should not be counted when approving the terms and conditions of employment contracts with the general director (managing organization, manager) and members of the Executive Board	Non observed	
14. Provision on presence of no less than three independent directors on the joint stock company's Board of Directors meeting the requirements of the Corporate Governance Code	Observed	There are 7 (seven) independent directors on the Board of Directors
15. Absence among the members of the Board of Directors of a joint stock company of persons who were found guilty of an economic offence or offences against the state power, interests of civil service and service in local government bodies, or who were subject to administrative punishments for a business delinquency or wrong-doing in the sphere of finance, tax and duties, and securities market	Observed	
16. Absence among the members of the Board of Directors of a joint stock company of persons who are shareholders, General Directors (managers), members of management bodies or employees of legal entities competing with the joint stock company	Observed	
17. Stipulation in a joint stock company's charter of a requirement for the Board of Directors to be elected by cumulative voting	Observed	Charter of MOSENERGO, Art. 10, Item 10.8

Nr. Provision of the Corporate Governance Code	Observed/ Non observed	Note
18. Stipulation in a joint stock company's internal documents of a requirement for the members of the Board of Directors to abstain from doing anything that will or may potentially give rise to a conflict between their interests and interests of the joint stock company, and if such a conflict arises – a requirement to disclose information about the conflict to the Board of Directors	Observed in part	Article 8 of the Regulation on MOSENERGO's Information Policy stipulates the duty of the members of the Board of Directors to notify the Board of Directors in writing that a conflict between their interests and interests of the Company has arisen or may arise
19. Stipulation in a joint stock company's internal documents of the duty of the members of the Board of Directors to notify the Board of Directors in writing of their intention to carry out transactions with securities of the joint stock company, of which they are members of the Board of Directors, or its subsidiaries (dependent companies), and to disclose information on transactions with such securities carried out by them	Observed	Regulation on MOSENERGO's Information Policy, Art. 8, Item 8.2
20. Existence of a requirement in a joint stock company's internal documents for holding meetings of the Board of Directors not less frequently than once every six weeks	Observed	Charter of MOSENERGO, Art. 18, Item 18.2
21. Holding meetings of the Board of Directors of a joint stock company during the year of the annual report of the joint stock company not less frequently than once every six weeks	Observed	In 2008, the Board of Directors held 21 meetings
22. Stipulating in a joint stock company's internal documents procedures for the procedure of the Board of Directors meeting	Observed	Procedure for Convocation and Holding of Meetings of the Company's Board of Directors, Article 7
23. Existence of a provision in a joint stock company's internal documents envisaging the Board of Directors' approval of the joint stock company's transactions for the amount of ten and more% of the company's asset value, with the exception of transactions carried out in the ordinary course of business	Observed	Charter of MOSENERGO, Art. 15, Item 15.1, Sub-item 26
24. Stipulation in a joint stock company's internal documents of the right of the members of the Board of Directors to obtain information from the executive bodies and heads of major divisions of the joint stock company prerequisite for them to properly discharge their functions, as well as penalties for failure to do so	Observed in part	Procedure for Convocation and Holding of Meetings of the Company's Board of Directors, Art. 3, Item 3.1., Sub-item 1, Item 3.2., Item 3.3
25. Existence of the Board of Directors' strategic planning committee or assignment of the committee's functions to another committee (other than the audit committee or human resources and remuneration committee)	Observed	The Board of Directors resolved to merge two committees in the Strategy and Investment Committee: Investment Committee and Strategy and Development Committee, Minutes of MOSENERGO No.1 dated 09.06.2008
26. Existence of a committee of the Board of Directors (the audit committee) that recommends a candidature of an auditor of the joint stock company to the Board of Directors and interacts with him and with the audit commission of the joint stock company	Observed	The Board of Directors approved set-up of the Audit Committee of MOSENERGO's Board of Directors, Minutes No.12 dated 09.10.2003. The Board of Directors approved the Regulation on the Audit Committee of the Board of Directors, Minutes No. 18 of 04.03.2005, Item 2.1.2, Item 2.1.3, Item 8.4.4

Nr.	Provision of the Corporate Governance Code	Observed/ Non observed	Note
27.	Only independent and non-executive directors on the audit committee	Observed	Composition of the audit committee is approved by Minutes of the Board of Directors No. 1, dated 09.06.2008, Minutes No.4 dated 14.08.2008: Pavlova O.P. (independent director); Gavrilenko A.A. (independent director); Silkin V.N. (independent director); Fyodorov D.V. (independent director); Shulginov N.G. (independent director)
28.	An independent director at the head of the audit committee	Observed	Chairman of the Audit Committee of the Board of Directors – Pavlova O.P. (independent director)
29.	Provision in a joint stock company's internal documents of the right of all members of the audit committee to access any documents and information of the joint stock company subject to non-disclosure of confidential information	Observed	Regulation on the Audit Committee of MOSENERGO's Board of Directors, Art. 3, Art. 11
30.	Establishment of a committee of the Board of Directors (the human resources and remuneration committee) charged with elaboration of eligibility criteria applicable to candidates for the position of a member of the Board of Directors and development of the joint stock company's remuneration policy	Observed	Regulation on the Human Resources and Remuneration Committee of MOSENERGO's Board of Directors is approved, Art. 2, Item 2.2
31.	An independent director at the head of the human resources and remuneration committee	Observed	The Chairman of the Human Resources and Remuneration Committee of MOSENERGO's Board of Directors is Gavrilenko A.A. (independent director)
32.	No officers of the joint stock company on the human resources and remuneration committee	Observed	The Company's Board of Directors approved a composition of the Human Resources and Remuneration Committee of MOSENERGO, Minutes No.1 dated 09.06.2008, Minutes No. 5 dated 02.09.2008: Gavrilenko A.A. (independent director); Golubev V.A. (independent director); Udaltsov Y.A. (independent director); Fyodorov D.V. (independent director)
33.	Establishment of the Board of Directors' risk committee or assignment of the committee's functions to another committee (other than the audit committee or human resources and remuneration committee)	Non observed	The committee has not been appointed. The Risk Management Regulation of MOSENERGO is approved, Minutes No.9 dated 18.11.2004
34.	Establishment of the Board of Directors' corporate conflict resolution committee or assignment of the committee's functions to another committee (other than the audit committee or personnel and remuneration committee)	Non observed	The committee has not been appointed. The Company approved "Business Ethics Code" by resolution of the Executive Board of MOSENERGO, Minutes No. 17pr dated 15.04.2008
35.	No officers of the joint stock company on the corporate conflict resolution committee	Non observed	The committee has not been appointed. The Company approved the "Business Ethics Code"
36.	An independent director at the head of the corporate conflict resolution committee	Non observed	The committee has not been appointed. The Company approved "Business Ethics Code" by resolution of the Executive Board of MOSENERGO, Minutes No. 17pr dated 15.04.2008

Nr. Provision of the Corporate Governance Code	Observed/ Non observed	Note
37. Existence of Board of Directors-approved internal documents of the joint stock company stipulating procedures for formation and functioning of the Board of Directors committees	Observed	Charter of MOSENERGO, Art.20 Regulation on the Audit Committee of MOSENERGO's Board of Directors, Regulation on Human Resources and Remuneration Committee of MOSENERGO Regulation on the Reliability Committee of MOSENERGO's Board of Directors
38. Existence of procedures in a joint stock company's charter for determining whether a quorum is present at a meeting of the Board of Directors that enables to ensure obligatory participation of independent directors in the Board of Directors' meetings	Observed in part	Charter of MOSENERGO, Art. 18, Items 18.7 through 18.13
Executive Bodies		
39. Existence of a collegial executive body (Executive Board) of a joint stock company	Observed	Charter of MOSENERGO, Art. 21, Item 21.1
40. Existence of a provision in a joint stock company's charter or internal documents envisaging the requirement of the Executive Board's approval of any real estate transactions and borrowings by the joint stock company, provided that such transactions are not classified as major transactions, and the joint stock company does not customarily engage in such transactions in the ordinary course of business	Observed	Charter of MOSENERGO, Art. 22, Item 22.2, Sub-item 10-12 Articles of the Executive Board of MOSENERGO, Item 5.9, Sub-Item14-21
41. Specification in a joint stock company's internal documents of the procedure for obtaining approval for operations outside the scope of the financial and business plan of the joint stock company	Observed	Articles of the Executive Board of MOSENERGO, Item 5.9, Sub-item 14-20
42. Absence among the members of the executive bodies of a joint stock company of people who are a shareholder, Director General (manager), a member of a management body or an employee of a legal entity competing with the joint stock company	Observed	
43. Absence among the members of the executive bodies of a joint stock company of people who were found guilty of an economic offence or offences against the state power, interests of civil service and service in local government bodies, or who were subject to administrative punishments for a business delinquency or wrongdoing in the sphere of finance, tax and duties, and securities market. Should the functions of the sole executive body be exercised by a managing organization or a manager, Director General and members of the Executive Board of the managing organization or the manager should comply with the eligibility criteria applicable to Director General and members of the Executive Board of the joint stock company	Observed	
44. Existence of a provision in a joint stock company's charter or internal documents prohibiting the managing organization (manager) from carrying out similar functions at a competing company or have any connection with the joint stock company apart from carrying out functions of the managing organization (manager)	Observed in part	Charter of MOSENERGO, Art. 21, Item 21.3 The rights and obligations of a managing organization for management of the current activities of the Company are determined by the legislation of the Russian Federation and the agreement entered into between the management organization and the Company

Nr.	Provision of the Corporate Governance Code	Observed/ Non observed	Note
45.	Existence of a requirement in a joint stock company's internal documents for the members of the executive bodies to abstain from doing anything that will or may potentially give rise to a conflict between their interests and interests of the joint stock company, and if such a conflict arises – a requirement to advise the Board of Directors to that effect	Observed in part	Articles of the Executive Board of MOSENERGO, Art. 3, Item 3.1.3, Regulation on MOSENERGO's Information Policy, Art. 8, Item 8.1 provides for a responsibility of members of the Executive Board to notify in written form the Board of Directors about a conflict or a possibility of a conflict between their interests and interests of the Company
46.	Provision in a joint stock company's charter or internal documents of the eligibility criteria applicable to the managing organization (manager)	Observed in part	See Item 44
47.	Submission by the executive bodies of a joint stock company of monthly reports by results of their work to the Board of Directors	Observed	Charter of MOSENERGO, Art. 15, Item 15.1
48.	Provision by contracts concluded between a joint stock company and its Director General (management organization, manager) and members of the Executive Board of their responsibility for breach of provisions concerning use of confidential and insider information	Observed	
The Company's Secretary			
49.	Existence in a joint stock company of a special officer (a secretary of the company) whose objective is to ensure that corporate bodies and officers of the joint stock company comply with procedural requirements ensuring rights and legitimate interests of the company's shareholders	Observed	Charter of MOSENERGO, Art. 15, Item 15.1, Sub-item 4, Art. 19. Procedure for Convocation and Holding of Meetings of the Company's Board of Directors, Art. 4
50.	Specification in a joint stock company's charter or internal documents of the procedure for appointment (election) of the secretary of the company and his/her responsibilities	Observed	Charter of MOSENERGO, Art. 15, Item 15.1, Sub-item 4, Art. 19. Procedure for Convocation and Holding of Meetings of the Company's Board of Directors, Art. 4
51.	Provision in a joint stock company's charter of the eligibility criteria applicable to candidates for the position of the secretary of the company	Observed in part	See Item 50
Major Corporate Actions			
52.	Existence of a requirement in a joint stock company's charter or internal documents for major transactions to be approved prior to their completion	Observed	Charter of MOSENERGO, Art. 15, Item 15.1, Sub-item 26
53.	Obligatory invitation of independent assessors to determine the market value of property involved in major transactions	Observed	Charter of MOSENERGO, Art. 15, Item 15.1, Sub-item 55
54.	Provision in a joint stock company's charter that during acquisition of large blocks of shares of the joint stock company (takeover) the company should refrain from actions that are aimed at protecting the interests of executive bodies (members of such bodies) and members of the Board of Directors of the joint stock company, and which may result in weakening of the position of shareholders (and in particular, pending the expiration of the acquisition period, the Board of Directors should refrain from issuing additional shares, convertible shares or securities that otherwise entitle their holders to purchase shares of the company, even if such issuance is charter by the charter of the company)	Non observed	

Nr.	Provision of the Corporate Governance Code	Observed/ Non observed	Note
55.	Stipulation in a joint stock company's charter that the Board of Directors must invite an independent assessor to determine the current market value of the company's shares and how they might be affected by the takeover	Observed	See Item 53
56.	A joint stock company's charter should grant no relief to the entity taking over the company of the responsibility to offer to buy out shareholders' ordinary shares (issuer's securities convertible into ordinary shares)	Observed	
57.	Stipulation in a joint stock company's charter or internal documents that an independent assessor must be invited for determination of the conversion value of shares after the reorganization	Observed	Charter of MOSENERGO, Art. 15, Item 1 5.1, Sub-item 55
Disclosure of Information			
58.	Existence of the Board of Directors-approved internal document setting forth rules of and approaches to disclosure (Regulation on Information Policy)	Observed	Regulation on MOSENERGO's Information Policy approved by the Board of Directors, Minutes No.8 dated 01.11.2004
59.	Stipulation in a joint stock company's internal documents of the requirement to disclose information about the purposes of issuing new shares and people purchasing new shares, including those who intend to purchase a large block of shares, as well as whether senior executives of the joint stock company will purchase shares offered	Non observed	The Company discloses all information in accordance with the legislation, normative and legal acts of the Russian Federation, Charter and constituent documents
60.	Existence in a joint stock company's internal documents of a list of information, documents and materials to be furnished to the shareholders to enable them to make decisions regarding issues considered at a General Meeting of Shareholders	Observed	Regulation on MOSENERGO's Information Policy, Art. 5, Item 5.9.5
61.	Existence of a joint stock company's website and regular disclosure of information about the joint stock company on such website	Observed	Regulation on MOSENERGO's Information Policy, Art. 4, Item 4.7, (www.mosen-ergo.ru)
62.	Stipulation in a joint stock company's internal documents of the requirement to disclose information about transactions between the joint stock company and its senior executives in accordance with the charter, and about transactions between the joint stock company and entities in which the company's senior executives directly or indirectly own 20% or more of the company's charter capital or which can be otherwise strongly influenced by such executives	Observed	Regulation on MOSENERGO's Information Policy, Art. 4, Item 4.1, Item 4.4.4
63.	Stipulation in a joint stock company's internal documents of the requirement to disclose information about all transactions which may materially affect the market value of shares of the joint stock company	Observed	Regulation on MOSENERGO's Information Policy, Art. 4, Item 4.3 (d), Item 4.4.4, Item 4.4.5 (g, h), Items 4.4.8, 4.4.19
64.	Existence of a Board of Directors-approved internal document regulating the use of material information about a joint stock company's operations, shares and other securities of the company and transactions therewith, which is not available to the public and disclosure of which may substantially affect the market value of shares and other securities of the joint stock company	Observed	Regulation on MOSENERGO's Information Policy approved by the Board of Directors, Minutes No.8 dated 01.11.2004, Art. 7 Regulation on MOSENERGO's Insider Information Policy approved by the Board of Directors, Minutes No.9 dated 21.10.2005

Nr.	Provision of the Corporate Governance Code	Observed/ Non observed	Note
Supervision of Financial and Business Operations			
65.	Existence of Board of Directors-approved procedures for internal control over financial and business operations of the joint stock company	Observed	The Regulation on Internal Control of MOSENERGO, approved by the Board of Directors MOSENERGO, Minutes No. 7, dated 05.09.2005
66.	Existence of an ad hoc unit of the joint stock company that ensures compliance with the internal control procedures (a control and audit service)	Observed	The chart of organization provides for an internal audit directorate (Resolution of the Board of Directors on approval of the Organizational Chart of the executive bodies of Mosenergo No.27 dated 12.05.2008)
67.	Existence of a requirement in a joint stock company's internal documents for the structure and composition of the control and audit service of the joint stock company to be determined by the Board of Directors	Observed in part	The Regulation on Internal Control of MOSENERGO, approved by the Board of Directors MOSENERGO, Minutes No. 7, dated 05.09.2005, Art.8
68.	Absence among the members of the control and audit service of persons who were found guilty of an economic offence or offences against the state power, interests of civil service and service in local government bodies, or who were subject to administrative punishments for a business delinquency or wrongdoing in the sphere of finance, tax and duties, and securities market	Observed	
69.	Absence among the members of the control and audit service of persons who are members of the executive bodies of a joint stock company or persons who are shareholders, Director General (manager), members of the management bodies or employees of a legal entity competing with the joint stock company	Observed	
70.	Stipulation in a joint stock company's internal documents of the period of time for presentation of documents and materials to the control and audit service for evaluation of financial and business operation undertaken, as well as the responsibility of officers and employees of the joint stock company for failure to present same within such period	Observed in part	To be stated in the order and schedule of inspection. The Regulation on Internal Control of MOSENERGO, approved by the Board of Directors MOSENERGO, Minutes No. 7, dated 05.09.2005
71.	Existence of a requirement in a joint stock company's internal documents to the control and audit service to report the revealed violations to the audit committee, and if such committee is not available – to the Board of Directors of the joint stock company	Observed	To be stated in the order and schedule of inspection. The Regulation on Internal Control of MOSENERGO, approved by the Board of Directors MOSENERGO, Minutes No. 7, dated 05.09.2005, Sub-Item 7.1.4
72.	Stipulation in a joint stock company's charter that the advisability of carrying out operations falling outside the scope of the financial and business plan of the joint stock company (non-standard operations) should be preliminarily evaluated by the control and audit service	Non observed	
73.	Stipulation in a joint stock company's internal documents of the procedure for obtaining the Board of Directors' approval of a non-standard operation	Non observed	
74.	Existence of a Board of Directors-approved internal document setting forth the procedure for conducting audits of the financial and business activities of the joint stock company by the audit commission	Non observed	
75.	Evaluation by the audit committee of the auditor's report before it is presented to shareholders at a General meeting of shareholders	Observed	Regulation on the Audit Committee of MOSENERGO's Board of Directors, Art. 2, Item 2.1.4

Nr.	Provision of the Corporate Governance Code	Observed/ Non observed	Note
Dividends			
76.	Existence of a Board of Directors-approved internal document that the Board of Directors abides by in adoption of recommendations concerning a dividend rate (Regulation on Dividend Policy)	Non observed	
77.	Stipulating in the Regulation on Dividend Policy the procedures for determining the minimum share of the net profit of the joint stock company directed towards the payment of dividends, and circumstances under which dividends are not paid or paid only partially on preference shares with respect to which the amount of dividends is provided by the charter of the joint stock company	Non observed	
78.	Publishing of information about the dividend policy of the joint stock company and all amendments thereto in a periodic edition charter by the company's charter to announce General meeting of shareholders, as well as posting of this information on the company's web-site	Observed in part	Information on dividends is placed on Company web-site

13.4. Information about Concluded Interested-party Transactions

In 2008 MOSENERGO's Board of Directors approved 26 interested-party transactions. The interested-party transactions are listed on the Company's website.¹

13.5. Glossary

1. Acronyms

CCPU – Combined Cycle Power Unit
EMERCOM – The Ministry of the Emergency
FCSM of Russia – Federal Commission for the Securities Markets (from 09.03.2004 – FFMS of Russia)
FFMS of Russia – Federal Financial Markets Service of Russia
GTU – Gas Turbine Unit
IFRS – International Financial Reporting Standards
LAPS – Local Area Power Station (historical name)
LIBOR – London Inter Bank Offered Rate (an average weighted interest rate on interbank credits)
MDU – Main Distribution Unit
NPP – Nuclear Power-plant
OAO – Open Joint Stock Company
OAO “NPO CKTI” – OAO Research and Production Association for Development of Power Generating Equipment named after I.I. Polzunov
OAO “RTS Stock Exchange” – OAO Russian Trading System Stock Exchange
OAO “RusHydro” – prior to 25/06/2008 the company’s name was OAO “HydroOGK”
ODU – Open Distribution Unit
ORGRES Firm – The Firm for Adjustment, Technological Upgrading and Operation of Power Plants and Power Supply Networks
PSP – Pumped Storage Power Station
PVK – Peak Load Boiler
RFRS – Russian Financial Reporting Standards
State Corporation Rosatom – Rosatom State Nuclear Power Corporation
TEP – Total Energy Plant
TEP-1 – State Power Plant (historical name)
VAT – Value Added Tax
VNIIE – All-Russia Research Institute of Electric Power Engineering
ZAO “MICEX” – ZAO “Moscow Interbank Currency Exchange”
ZAO “SD-DRAGa” – ZAO “Specialized Registrar–Gas Industry Shareholders’ Register-Keeper”

2. Units of Measure

Gcal – Gigacalorie. Measure of thermal power
Gcal/h – Gigacalorie per hour. Measure of thermal power capacity
kV – kilovolt. Measure of voltage
kWh – kilowatt-hour. Measure of electric power
MW – megawatt. Measure of electrical capacity
tfe – ton of fuel equivalent

3. Terms

Unit, power unit – single or double wall power boiler (steam generator) and a rigidly connected turbine (or several turbines) with one or several electric power generators (depending on the number of turbines) installed on a single turbine driven shaft.

Power generation – production of electric and thermal power.

Bilateral contract – a contract whereby a supplier undertakes to deliver to a buyer a certain volume of electric power of agreed quality and a buyer undertakes to receive and pay for the electric power delivered on terms and conditions of the contract concluded in accordance with the wholesale energy market (WEM) regulations.

Minority shareholders – shareholders who own small interests in the company’s equity capital and cannot, therefore, have a notable impact on decisions of corporate governing bodies and the policy pursued by them.

Available capacity – power unit’s electrical capacity determined on the basis of technical, temporary and seasonal limitations prevailing in the power system.

Installed capacity – maximal active electric power of a power unit at which it can continuously operate free from overloads in line with its nameplate data.

Independent director – Board members’ independence is established on the basis of the Corporate Conduct Code recommendations put into effect by the Order of FCSM of Russia dated 04.04.2002 No. 421/p.

Oil equivalent – unit of measure for fossil fuels used for efficiency comparison of various kinds of fuel and for their combined accounting.

13.6. Contact Information

Open Joint Stock Company for Energy and Electrification "MOSENERGO" (MOSENERGO)

Address: 8 Raushskaya Naberezhnaya, Moscow 115035
 Telephone: +7(495) 957-35-30
 Fax: +7(495) 957-15-80
 Official web-site: www.mosenergo.ru

Investors Relations (IR) Directorate

Telephone: +7(495)957-20-57, +7(495) 957-37-67
 Fax: +7(495)951-09-64
 E-mail: IR@mosenergo.ru

Public Relations Department:

Telephone: +7(495) 957-33-95
 Fax: +7(495) 957-37-99
 E-mail: press-centre@mosenergo.ru

The Company's bank details in OAO "Gazprombank", Moscow:

Current a/c No. 40702810000000001000,
 Correspondent a/c No. 30101810200000000823,
 INN 7705035012, BIC 044525823,
 OKPO 00102798, KPP 997450001,
 OKONH 11170, OKVED 40.10, 40.30

Registrar

ZAO Specialized Registrar – Gas Industry Shareholders' Register-Keeper (SR-DRAGa).

Address: 71/32 Novotcheremushkinskaya Street, Moscow 117420

Telephone: +7 (495) 719-40-44, (495) 719-45-85

E-mail: info@draga.ru

License No. 10-000-1-00291

Date of license issue: 26.12.2003

License validity period: unlimited

License issuing body: Federal Commission for the Securities Markets (FCSM of Russia)

ZAO Register Services Specialized Registrar was MOSENERGO's registrar prior to February 11, 2009.

Auditors

ZAO PricewaterhouseCoopers Audit

Address: 52 bldg 5 Kosmodamianskaya Naberezhnaya, Moscow 115054

Telephone: +7 (495) 967-60-00

Fax: +7 (495) 967-60-01

License for auditing activities: No. E000376

Date of license issue: 20.05.2002

License validity period: till 20.05.2012

License issuing body: Ministry of Finance of the Russian Federation

Appraiser

ZAO Independent Consulting Group "2K Audit – Business Consultants" (ZAO NCG "2K- Audit – Business Consultants")

Address: 68/70 bldg 2 Butyrsky Val, Moscow 127055

Telephone: +7 (495) 626-30-40, (495) 777-08-94

Fax: +7 (495) 626-30-40, (495) 223-91-68

E-mail: info@2kaudit.ru

13.7. MOSENERGO site map

Company

- On the Company
- History
- Mosenergo today
 - Affiliates
- Management
 - Shareholders' meeting
 - Board of directors
 - Board of directors committees
 - Administrative board
 - Audit committee
- Documents
 - Regulations
 - Charter
 - Internal documents
- Contacts
 - Company details
 - Coordinates

Production and sales

- Indicators
 - Electricity
 - Generation of electricity dynamics
 - Heat
 - Dynamics of heat release from the collectors
- Electricity and power realization
 - Tariffs
 - Regulatory documents
 - Feedback
- Heat realization
- Technological joining
 - Information for technological joining consumer of electrical power
 - Application for technological joining
 - Technical joining tariffs
 - Contacts
 - Regulatory documents
 - Information for technological joining consumer of heat
 - Application for technological joining
 - Contacts
 - Regulatory documents

To our shareholders and investors

- Charter capital
- Company's securities
 - Shares
 - Bonds
 - Depository receipts
- Information for shareholders
 - Shareholders rights
 - Materials for General Meeting

- 2009
- 2008
- 2007
 - December 29, 2007
 - June 22, 2007
 - May 15, 2007
- 2006
 - December 20, 2006
 - May 26, 2006
- 2005
 - June 28, 2005
 - February 28, 2005
 - General shareholder meetings of thirteen underlined companies
- 2004
- 2003
- 2002
 - May 30, 2002
 - April 6, 2002

- Audit information
- Registrar information
- Dividends
- FAQ
- Document to be disclosed
 - Essential facts
 - Information that may materially affect the value of the Company's securities
 - Disclosure of a material fact "Information on the stages of the procedure for issuing the securities
 - Quarterly issuer reports
 - Affiliates lists
- Securities market
 - Shares value dynamics
 - Analysts list
 - Credit rate
- Reports
 - Annual reports
 - Quarterly reports
 - Accounting according to the Russian Standards for Accounting
 - IAS
 - Reports on compliance with corporate ethics norms
 - Reports according to MICEX
 - Reports according to RTS

Calendar

- Main corporate events
- Events announcement

Contacts

Ecology

- Environmental policy
- Environmental management

system. Certificate of compliance with international standards ISO 14001:2004

- Environmental activity
 - Fuel consumption, emissions, pollutants discharge, production and consumption waste products generation
 - Information on air pollution
 - Information on fuel consumption
 - Information on waste waters discharge
 - Information on production and consumption waste production generation
- Statistical report according to "2TP-air" form
- Air pollution analysis in comparison with the previous year
- Steps to reduce emissions
- Activity under Kyoto Protocol
 - Basic concepts
 - OAO Mosenergo activity

Career

- Vacancies
 - Fill in an applicants form

Press centre

- News
- The Company in Mass Media
 - Publications
 - Ad
- Photo gallery
- Contacts

Purchases

- Purchases announcement
 - Archives
- Notice on tenders and other purchases announcements
 - Archive 2005-2008
- Information on purchases results
 - Archive 2005-2008
- Purchasing activity management
- Contacts

Commercial proposal

- Secondary production
- Secondary assets
- Lease

Chose in action.



13.8. Internet Supplement to the Annual Report 2008

www.mosenergo.ru "To our shareholders and investors"/"Reports"/"Annual reports"/
"Internet Supplement to the Annual Report 2008"

Link No.	Site Section
1	Electricity and power realization
2	Thermal power realization
3	Charter
4	Purchases
5	Ecology
6	Regulation on the Order of Preparation and Holding of General Shareholder Meetings
7	Provision on the Order of Convocation and Holding of the Board of Directors Meetings
8	Articles of the Executive Board
9	Business Ethics Code
10	Provision on Audit Commission
11	Essential facts
12	Information that may materially affect the value of the Company's securities
13	Disclosure of a material fact "Information on the stages of the procedure for issuing the securities
14	Annual reports

The information has been prepared by the Financial Accounting and Recording Department with participation of subdivisions of MOSENERGO General Directorate.

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