



MOSENERGO • *annual report*

2004

Towards light, warmth and friendly environment!



annual report

MOSENERGO •

2004

Approved by Board of Directors, May 23, 2005, minutes No. 24

Mission

MOSENERGO's mission consists in supplying consumers with electrical and thermal power generated with the use of advanced technologies on the equipment that meets up-to-date ecological standards, and in securing a fair income to the shareholders of the Company.

MOSENERGO's Strategic Objective

To come through the process of restructuring of the Russia's energy sector as a leader at the energy market of the Moscow area, to rank quoteworthy in the free market segment of the wholesale electricity market of Russia, and to increase shareholders' equity (to attain the highest economic and social benefits).

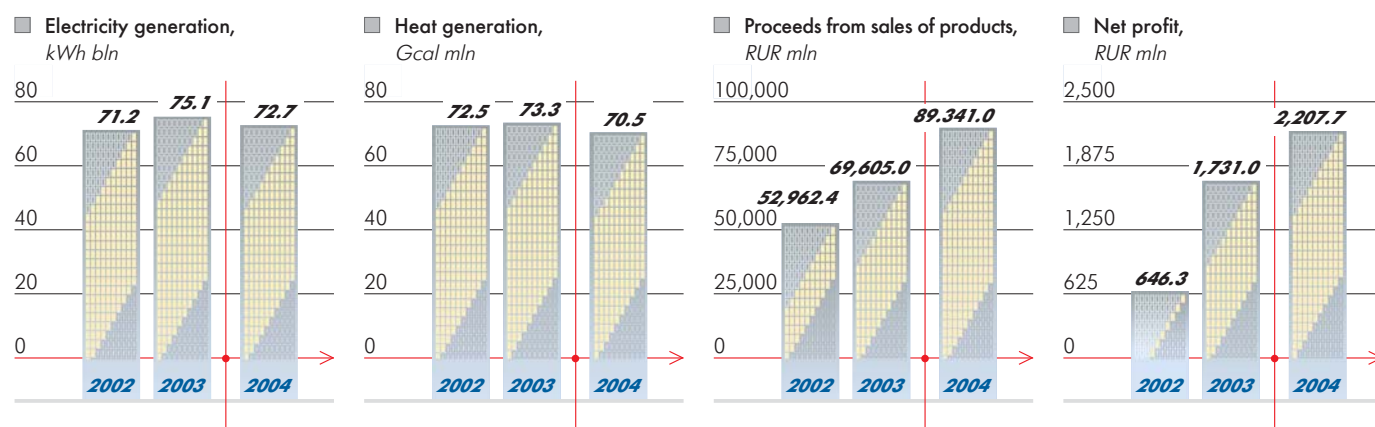
MOSENERGO's Business Priorities

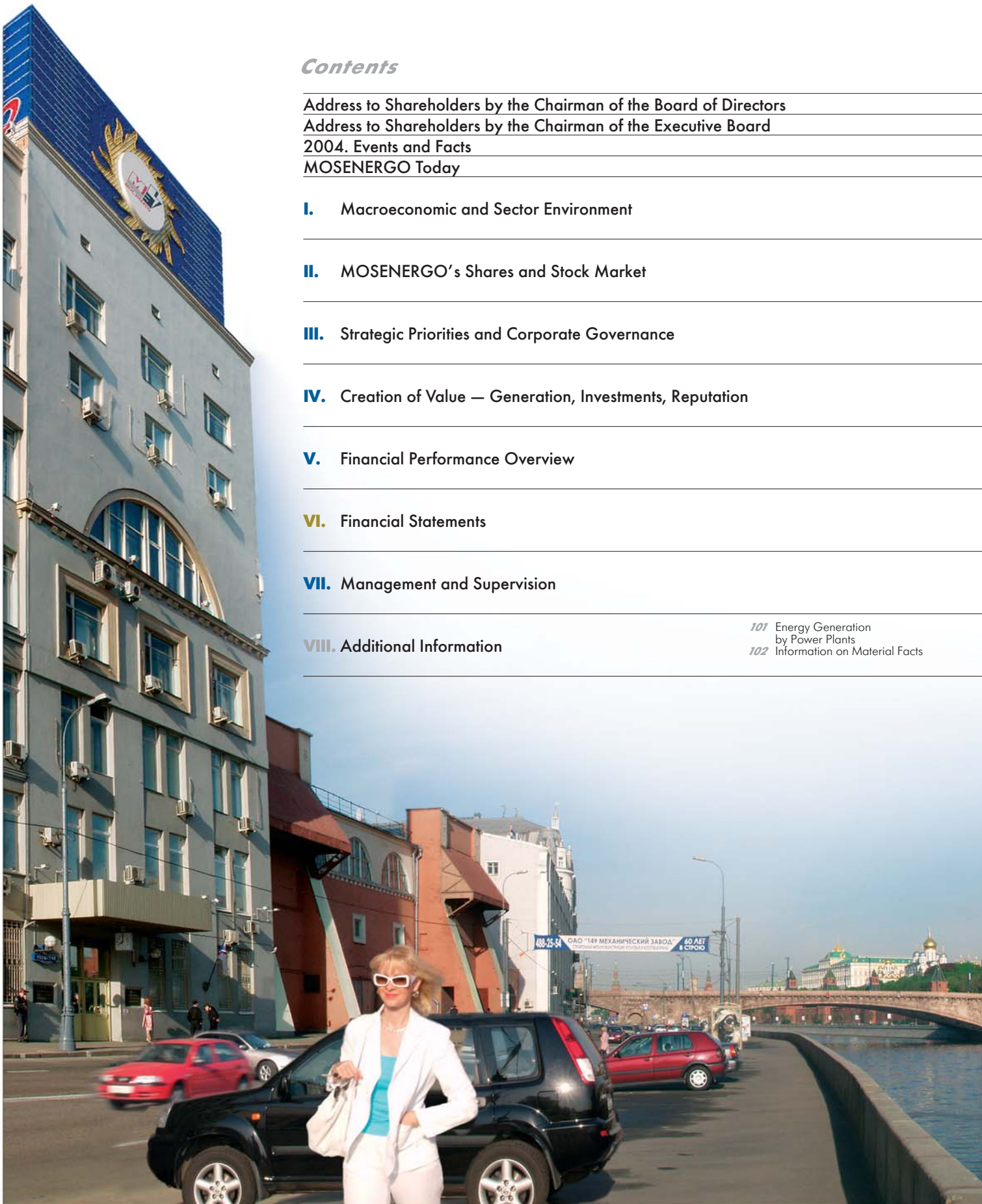
- To enhance productivity, to save costs, to mitigate adverse environmental impact.
- To safeguard rights and to protect interests of its shareholders, to uphold the Company's reputation.
- To create conditions under which every employee of the Company can self-actualize to the full extent.
- To participate in the social life of the area — to implement charitable programs in culture, sports, education.
- To conduct business as consistent with the ethical code adopted in the civilized world.

Mosenergo Numerically

Key performance indicators	2002	2003	2004
Installed electrical capacity, MW	14,796.8	14,778.8	14,801.1
Electricity generation, kWh bln	71.2	75.1	72.7
Installed thermal capacity, Gcal/h	34,991.8	34,880.3	34,917.3
Heat generation, Gcal mln	72.5	73.3	70.5
Payroll, pers	47,801	47,596	46,949

Basic financial and economic indicators	2002	2003	2004
Proceeds from sales of products, RUR mln	52,962.4	69,605.0	89,341.0
Profit on sales, RUR mln	4,595.4	6,643.2	13,599.5
Net profit, RUR mln	646.3	1,731.0	2,207.7
Balance sheet total, RUR mln	119,633.1	126,674.9	132,047.3
Shareholders' equity, RUR mln	103,334.3	104,452.4	105,979.9
Accrued dividends, RUR mln	519.3	613.1	624.3
Sales margin, %	8.7	9.5	15.2
Earnings per share, RUR	0.023	0.061	0.078





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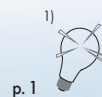
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City is a unity of unlike

Aristotle

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Dear shareholders,



I am sure, that an active support of the owners of the Company and the nascent companies will further successful implementation of the Restructuring Project and enhance its day-to-day operation, thus ensuring higher benefits and more profits to distribute

The twelfth year of our joint stock Company's work is over. In 2004, MOSENERGO achieved several major objectives: having entered upon restructuring and never forgetting to enforce the rights of its shareholders, the Company maintains reliable power supply of the Moscow area and provides for cost effectiveness of its functioning. Successful operation of MOSENERGO helped improve its attractiveness to investors, ramped up quotations of MOSENERGO shares, which in the past year were treated as Russian blue chips.

The primary part in addressing challenges facing MOSENERGO is assigned to the Board of Directors, who rights the shareholders' interests, defines the priority areas of the Company's development for the current year, and designates targets in its activities in the long run.

As elected by shareholders on June 28, 2004, the Board of Directors includes representatives of RAO UES of Russia, Moscow and Moscow Region Governments, minority shareholders, as well as MOSENERGO managers. Such composition helped tackle paramount tasks of the Company's operation with a view to securing the interests of all shareholder groups. Participation of representatives of minority shareholders had a positive effect on the performance of the Board in 2004, and, as from January 2005, such representation of minority shareholders' interests is one of the prerequisites of stock exchange listing of the Company's securities.

The operating efficiency of the Company in many ways depends on its transparency. To furnish shareholders, potential investors and professional stock market players with an authentic and current-awareness information about the Company's operations, to create conditions for minimizing the risks, the Board of Directors in November approved Regulations "On MOSENERGO's Information Policy" and "On Risk Management".

Supervision of shareholders' representatives over the financial and economic activities of the Company is also provided by the Audit Committee at the Board of Directors of MOSENERGO formed in accordance with the recommendations of the Code of Corporate Conduct issued by the Federal Securities Commission of Russia. The results of work and key decisions, adopted at the Board's meetings, are regularly placed on MOSENERGO's Web site.¹⁾

In that way, the Company's and the Board's activity is the most transparent for the shareholders and open to the public.

In the reporting year, the Board of Directors of MOSENERGO focused on the issues of the Company restructuring.

The resolution on MOSENERGO reorganization in the form of separation, on the procedure for and conditions of separation, on the formation of new companies, on the allotment of shares of the emerging companies, and on the procedure for such allotment, as well as on the approval of the separation balance sheet was adopted by the Annual General Meeting of Shareholders on the 28th of last June.

The MOSENERGO restructuring project originates from RAO UESR's base option and conforms to the terms and conditions of the agreements for cooperation in reforming the electric power complex of Moscow and the Moscow Region, signed by RAO UES of Russia, the Governments of Moscow and Moscow Region and



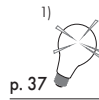
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approved by MOSENERGO's Board of Directors in October 2003. The project is unique as viewed from a complexity and scope of the tasks perspective: in the course of reorganization, MOSENERGO will spin off 13 companies, some of which are the largest in the Russian electric power industry.

In keeping with the resolution of the Annual General Meeting of Shareholders, in September 2004 the Board of Directors approved the lists of nominee managers of the joint stock companies, emerging as a result of reorganization. For the period of transition, the Board of Directors nominated Arkady V. Yevstafiev for the general directorship of all the above companies.

In late December, the Board of Directors approved draft charters of the spin-off joint stock companies and passed a resolution convening general meetings of the companies' shareholders on February 28, 2005.

Under the Federal Law "On Joint Stock Companies," shareholders, who voted against or abstained from voting on the issue of the Company reorganization, had the right to demand that the Company should redeem shares, of which they are holders.¹⁾ The shares were redeemed at the price, approved by the Board of Directors of the Company on April 27, based on the valuation, made by ZAO Ernst & Young, an independent appraiser, 1 ruble 84 kopecks, with 92% being shares, presented for redemption by ADR holders.



On September 20, the Board of Directors approved the Report on Redemption of MOSENERGO Shares. Based on the report, the Company amended its Charter as regards reduction of the charter capital — by the amount of the par value of the canceled shares, as well as the number of the outstanding ordinary shares in the Company.

Thus, the year 2004 has become a milestone in the Company restructuring: it vectored its reorganization and provided conditions for new companies making. This kept the restructuring going on in the current year as scheduled: February 28 saw general meetings of shareholders of the spin-off companies held to approve the Charter, to elect the General Director, members of the Board of Directors and the Audit Commission of each of the formed companies. In April, the Company reorganization will be over.

In conclusion, I would like to note that resolutions adopted by the General Meeting of Shareholders on the pivotal question — restructuring of the Company — are testimony to the fact, that the Company has in place a mechanism for framing a concerted position of all shareholders, that provides for their involvement in making strategic decisions.

I am sure, that an active support of the owners of the Company and the nascent companies will further successful implementation of the Restructuring Project and enhance its day-to-day operation, thus ensuring higher benefits and more profits to distribute.

Chairman of the Board of Directors



Yu. A. Udaltsov

Dear shareholders,



The Company's management tries to act so that all its steps are clear to the shareholders and potential investors, and its financial statements remain transparent

Hereby we present a report on MOSENERGO performance in 2004, which inaugurated sweeping changes for our Company and reaching of a qualitatively new level of development in connection with the beginning of the practical phase of the power utility restructuring.

MOSENERGO dealt successfully with its primary task — reliable and uninterrupted supply of energy to the Moscow and Moscow Region consumers. We not only gave a good production and financial account of ourselves and tried to achieve performance targets in accordance with the MOSENERGO's development strategy. This includes the equipment stock renewal, implementation of the investment program, fulfillment of the repair program in full and by the scheduled dates to ensure reliable and trouble-free operation of the equipment during the fall and winter seasons, training of skilled personnel, social decisions, perfection of methods and forms of corporate governance, continuing with the Company restructuring.

MOSENERGO delivers energy to the Moscow area with a population of 17 millions people and a territory of about 47.0 thousand sq. km. Presently, MOSENERGO has got nearly 5.4 million clients, including 5.2 million residential and 9.4 thousand industrial subscribers.

The Company maintains strong positions in the sphere of sales of electricity and heat. The proceeds from sales to the energy consumers surpassed the level of the last year by 20% reaching RUR 82.4 billion, with the net profit amounting to RUR 2.2 billion.

To maintain the rate of production, profit markup and to save costs, we keep the operating economy of the equipment and production cycle high, in every possible way reduce the current costs. We care for all our subscribers being chary of losing their confidence.

The work on tariff revision is carried out by MOSENERGO in close cooperation with the Regional Energy Commission of the City of Moscow and the Energy Committee of the Moscow Region.

The Company's tariff policy is aimed at gradual elimination of cross-subsidization between electrical and thermal power and among customer groups to establish economic conditions for stabilization of the industrial sector of the Moscow area and growth prospects for further electricity consumption.

In 2004, all scheduled works in preparation for the heating season were completed in strict compliance with the prescribed deadlines. In early November, MOSENERGO received the Certificate of Preparedness for operation during the fall and winter seasons from RAO UES of Russia. The document testifies to a high level of technical preparation of the energy company: it had stockpiled sufficient fuel, conducted the needed scope of repairs.

Successful completion of the repair program provided reliable performance of MOSENERGO through the period of fall/winter peak loads. In 2004, the power system operated accident-free, and the number of breakdowns in process has reduced by 9.2%.

MOSENERGO has been consistently implementing its Energy Development Program for the Moscow Region that covers the period leading up to 2010. All projects that we are going to implement contemplate application of advanced materials and equipment in line with the world standards.

MOSENERGO acknowledges its adherence to the motto "Towards light, warmth, and friendly environment!", which represents our concern for people. Mitigation of the technological environmental impact is achieved through implementation of environment protection measures in MOSENERGO branches, introduction of new equipment and advanced technologies.

The condition of the Company's fixed assets and implementation of measures aimed to improve the technological level of power generation are continuously at the focus of attention of the Company's Board of Directors and Executive Board. The Company is actively upgrading its facilities and, what is of prime importance, is building new ones.

In 2004, capital investments amounted to RUR 15.3 billion, of which 77.2% came from MOSENERGO's own funds. The Company placed in operation a new turbine at TEP-1 and a retrofit at TEP-20, 110/10 kV Yubileynaya and 110 kV Vykhino substations, Businovskaya pressure pumping station and a number of other power facilities, laid 540 km of below-10 kV cable lines, 30 km of high-voltage transmission lines and 317 km of distribution feeders, commissioned 17.6 km of heating grids.

In addressing the issue of our fixed assets' ageing, we have no choice but mobilize our entire internal reserves and some extra funds and resources. Due to this, we, as before, continued our efforts to secure cooperation of both Russian and international investors.

Maintaining the stability and high professional level of its workforce and improving the social welfare of the power utility employees are an integral part of the Company's activities. During 2004, in pursuance of the sector's tariff agreement, MOSENERGO raised base wage rates and official salaries. We have accumulated a vast experience in the field of personnel training and development, medical care and retirement insurance, organization of summer vacations for the employees and their families, labor safety programs. We strive to strengthen and develop these lines of activity.

A decision of the Annual General Meeting of Shareholders of the Company led off MOSENERGO reorganization in the form of separation. In pursuance of the adopted Restructuring Project, the Company carries out the corporate procedures incidental to formation of the spin-off joint stock companies, setting-up of repair subsidiaries and promotion of legal entities using the facilities of MOSENERGO's non-core branches.

For the purpose of integrated automation of the power system control domain, MOSENERGO creates a corporate information collection/management system based on modern software tools, which will make the Company a more attractive investment and capitalization target, and ensure transparency and optimization of basic business processes.

The Company's management tries to act so that all its steps are clear to the shareholders and potential investors, so that they are always aware of the industrial and economic activities of the Company, and its financial statements remain transparent. An emphasis is put on regular dissemination of information on the Company's operations through the global Internet, where the Company continuously improves its corporate Web site www.mosenergo.ru.

We would like to note that in making any decisions we never forget about the two principal priorities: our shareholders and our customers. Throughout the existence of the Moscow power utility, the invariable summands in its work had remained the high professionalism, daring and reasonableness, ability to muster all strength and resources for tackling difficult tasks.

We have new goals and new objectives before us. The energy sector reform calls for meeting other market environment, when part of our business will become competitive. I believe, that the accumulated experience and professionalism will enable the Company and new MOSENERGO's spin-offs to prosper in production and finance in the new environment as well.

Chairman of the Executive Board



A.V. Yevstafiev

2004. Events and Facts



January

New tariffs for electricity and heat for MOSENERGO consumers were put into practice.¹

MOSENERGO's Oktyabrskiy Electricity Grids entered upon construction of two modern substations: 220/10 kV Narvskaya and 110/20/10 kV Chkalovskaya. The Narvskaya substation was designed for power supply to housing facilities and public utilities of the Khovrino area, and Chkalovskaya, for the Khodynskoye Pole area.

February

P.R. Dolzhanskiy, the Director of the Central Metals Laboratory of MOSENERGO's Central maintenance-mechanical plant, and V.I. Kamnev, the Director of MOSENERGO's Experimental plant for automation means and devices, won the Russian Federation Government's Award in the domain of science and engineering.

By the Russian Federation Government's Resolution of February 16, 2004, I.T. Goryunov, the First Deputy General Director — Chief Engineer of MOSENERGO, was awarded a title of the Winner of the Russian Federation Government's Award in the Domain of Science and Engineering for a major contribution to practical introduction of pioneer methods and hardware into MOSENERGO's work.

March

MOSENERGO took part in the 2nd International Conference/Exhibition "Electric Power Industry of Russia" and in the Conference/Exhibition "PowerTEK 2004 — Power Industry and Power Saving".

June

As from June 1, 2004, MOSENERGO has become a player at the free segment of the wholesale electricity market and got an offing to buy and sell electricity in the trading system of the market on an hourly basis and at an open price.²

On June 28, 2004, the Annual General Meeting of MOSENERGO's Shareholders was held.³

July

Krzhizhanovsky LAPS-4 put into operation overhauled 300 MW power unit No. 4. The power unit was furnished with new high-technology equipment, that meets all up-to-date requirements of power generation.

MOSENERGO's TEP-26 pioneered in bringing on line a 500 kV SF6 circuit breaker of Swedish ABB to

replace the 500 kV air circuit breaker. Its normal service life is virtually indefinite. It features low maintenance costs, and is developed with due consideration of all environmental requirements.

September

On September 20, in pursuance of the resolution of the Annual General Meeting of Shareholders, the Board of Directors of MOSENERGO approved lists of candidates to the board of directors, audit commissions and for the posts of general directors of 13 companies emerging as a result of the Company reorganization.

October

Smidovich TEP-1 put into operation a new R-12 turbine manufactured by Kaluga Turbine Works. The installed electrical capacity of the turbine is 12 MW, and the installed thermal capacity is 30 GCal/hour.

MOSENERGO amended its Charter based on the Redemption Report, approved at the meeting of the Board of Directors, held on September 20, 2004, Minutes No. 5.⁴ With an allowance for retirement of the redeemed shares, the Charter Capital of the Company totals RUR 28,249,359,700 (twenty eight billion two hundred and forty nine million three hundred and fifty nine thousand seven hundred).⁵

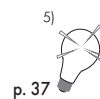
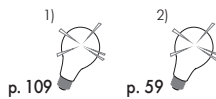
November

The Certificates of Preparedness for the Winter were issued to all 42 inspected MOSENERGO branches. The power system preparedness for operation during the fall and winter seasons was highly commended by representatives of the Moscow and Moscow Region governments.

Pumps at the Businovskaya pressure pumping station started up.⁶ The new PPS is designed to increase capacity of the Businovskaya Heating Main, which supplies heat from TEP-21 to the Northern and North-Eastern Administrative Districts of our capital. The station employs a dual protection system, which alleviates hydraulic surges caused by sudden pressure drops in the heating grid.

December

The Yuzhniye Electricity Grids of MOSENERGO put into operation enclosed-type substations — Yubileynaya, a new 110/10 kV 80 MVA substation, and revamped 110 kV 126 MVA Vykino substation. They will supply power to the south end of the capital and to the housing facilities and public utilities of the town of Dzerzhinsky, Moscow Region.



MOSENERGO Today

MOSENERGO is the largest regional energy supplier of the Russian Federation. Being a RAO UESR's subsidiary, MOSENERGO is essentially an indispensable integral part of the Unified Energy System of Russia.

The Company's power system represents a complex of power plants, transmission lines, transformer substations, heating grids, and pumping stations linked up for joint operation, having a common operation mode and relying on a shared capacity reserve and a centralized operational and dispatching control system. The Company's installed electrical capacity totals 14.8 thousand MW, the installed heat capacity is 34.9 thousand Gcal/h (40.6 thousand MW), the length of high voltage 35–220 kV transmission lines is 18.5 thousand km, the length of 0.4–10 kV distribution lines is 58.17 thousand km, that of cable grids is 58.0 thousand km, and the heating grids are 2.29 thousand km long.

The Company incorporates 60 branches.

Energy and power for the energy system are generated by 21 power plants. Most of the system's power plants generate both electricity and heat. MOSENERGO's thermal plants operate 125 turbines, including 96 cogeneration steam turbines, 11 condensation cycle turbines, 6 hydroturbines, 6 gas turbine units and 2 expansion generating units.

Transmission of electricity from the power plants to consumers, as well as maintenance of high voltage and distribution grids, cable lines, and transformer and distribution substations are provided by 14 electricity grid branches, of them five serve both the city of Moscow and the Moscow Region, eight serve the Moscow Region only, and MOSENERGO's Electrical Transmission Grids branch serves the Company's electricity transmission assets relating to the Unified National (All-Russian) Electricity Grid, including dispatching and technological control facilities. The Moscow Cable Grid branch serves the city of Moscow, the High-Voltage Cable Grids branch serves the city of Moscow and some lines in the Moscow Region.

Sales of electricity and power to the Moscow consumers are handled by MOSENERGO's Energosbyt and ZAO Service Center for Energy Sales (TsOP-Energo). There are also some independent supply companies in the Moscow Region. MOSENERGO provides electricity to almost 5.4 million consumers, including 5.2 million residential subscribers, 9.4 thousand industrial, 3.6 thousand agricultural and 145.6 thousand nonindustrial and service enterprises. 3.6 million consumers are concentrated in Moscow and 1.8 million consumers are in the Moscow Region.

Transmission of heat and operation of Moscow's heating grids is vested with Heating Grids, a MOSENERGO's branch.

Heat sales in Moscow go through TsOP-Energo, and in the Moscow Region, through LAPS-3, 4, 5, TEP-17 and Orekhovoenergosbyt.

MOSENERGO supplies heat to almost 15.2 thousand subscribers in the Moscow area: over 14.7 thousand subscribers in Moscow, and 433 subscribers in the Moscow Region.

Along with the power plants and grids, the power utility's operation is supported by its factories, maintenance, construction and equipment setup branches, an IT Center, Energosvyaz, design and development bureaus and other branches.

I. Macroeconomic and Sector Environment

The Moscow area witnesses an unprecedented in its history scope of construction, and that calls for more and more **energy resources**



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The Company's Position in the Sector

The year 2004 proved to be less satisfactory for the Russian economy vis-a-vis the year 2003. According to Goskomstat data, the annual GDP gain amounted to 6.1% (2004% in 7.3).

Production output in key branches of economy (industry, construction, agriculture, transport and retail trade) rose by 6.6% as compared with 2003 (2003 scored a 7.1% rise).

Inflation in Russia in 2004 escalated 11.7% with the budget target being 10%. In 2003, it was 12.0%. The inflation rate in industry hit an all-time high 28.3%.

In the eyes of the Department of Macroeconomic Forecasting (MERT), the economic dynamics went down as a result of escalation in producers' prices and high imports competition.

Prices in the electric power industry advanced 11.3%, which is below the general inflation rate, while in industries dictating the level of energy prices the growth was: 88.5% in the gas industry, 65.4% in the oil producing industry, 51.4% in the coal industry, 65.8% in the ferrous metallurgy.

A stable surplus was provided in the public sector; Russia pays its external debts; and at the turn of the year 2004, Standard&Poor's raised its credit rating to the BBB- investment level with a sustained forecast.

The city of Moscow and the Moscow Region are two independent constituent members of the Russian Federation. Together they form the Moscow metropolitan area. The city of Moscow is 1.08 thousand sq. km. The Moscow Region (without Moscow) occupies 46 thousand sq. km.

Moscow is the largest in the country and one of the most important in the world political, financial, industrial, scientific and cultural center. The metropolitan population is 10.4 million people.

In 2004, the volume of gross output of Moscow grew by 8.7%, industrial production — by 8.5%, the volume of capital investments — by 5.0%. Versus 2003, the salary level run up 22.0% with the inflation rate in Moscow being 9.7%.

Moscow is an important transportation node of the country situated in the industrial Central Economic Area. 11 railway lines and 13 motor roads tie together the capital and all regions and other countries.

The Moscow Region population is 6.6 million people.

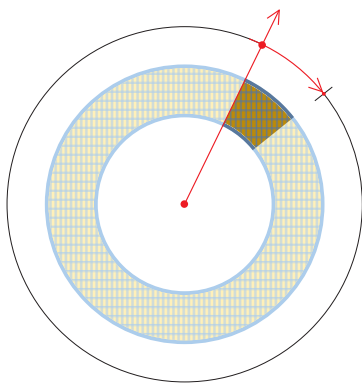
By the industrial output, the Moscow Region is the second-best after Moscow among the Russian Federation regions.

By supplying energy to the Moscow area, MOSENERGO provides for stable functioning and sustained development of its economy and social sphere.

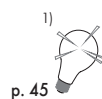
MOSENERGO is a natural monopolist in generation of electrical energy in the Moscow area and covers (with an allowance for buying in the Wholesale Market) 98.5% of its electricity demand, with 1.5% satisfied by isolated generating plants. For three years in succession, electricity consumption in the area exceeds the maximum level of 1990 (74.1 billion kWh). In 2004, it increased to 82.5 billion kWh, i.e. 4.1% from a year earlier, and 11.3% versus 1990.¹

MOSENERGO supplies about 80% of heat consumed in Moscow. Another large heat supplier in Moscow is Mosteploenergo, a state unitary enterprise accounting for approximately 20% of thermal power consumed in Moscow.

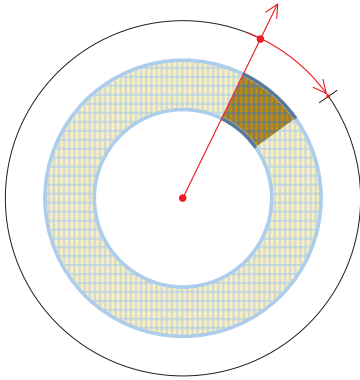
■ MOSENERGO's Weight in Gross Russia's Electrical Capacity in 2004, %



■ MOSENERGO7.0



■ MOSENERGO's Weight in Gross Russia's Electricity Generation in 2004, %



■ MOSENERGO7.8

As an independent source of power supply in Moscow, private investors erect a GTU-TEP for powering the Moscow-City International Business Center with the installed capacity reaching in perspective 232 MW, or 1.5% of MOSENERGO's installed capacity.

The Company generates about 7.8% of electricity and 5.0% of heat of Russia's yield (including nuclear power plants), and 11.0% of electricity and 15.5% of heat of RAO UESR's output. With MOSENERGO's installed electrical capacity being around 7% of Russia's electrical capacity and 9.5% of RAO UESR's installed capacity. This is the top score among 74 regional companies.

While overall RAO UESR's electricity consumption in 2004 rose by approximately 0.3%, MOSENERGO's indicator showed a 4.5% growth.

Per worker, electricity generation in RAO UESR at large is about 1.3 million kWh, while in MOSENERGO it is 1.55 million kWh, and the heat generation is 0.9 and 1.5 thousand Gcal, respectively.

Legislative Environment

MOSENERGO operates in conformity with the law of the Russian Federation, the RF President's Decrees, other resolutions of the Russian Federation Government, regulations of ministries, federal services and agencies, management directives of RAO UES of Russia, MOSENERGO's Charter and local regulatory acts.¹



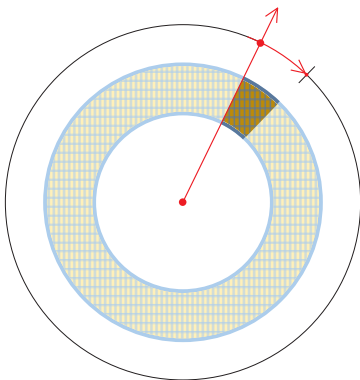
MOSENERGO's activities are supervised by the following governmental authorities: Department of Industry and Energy of the Russian Federation (Federal Energy Agency), Ministry of Finance of the Russian Federation (Federal Tax Service) Federal Antimonopoly Service, Federal Tariff Service, Federal Environmental, Technological and Atomic Oversight Service and other bodies.

The year 2004 saw a number of major changes in the RF legislation on electric power industry that affect the activities of the energy company. The most significant include adoption of the RF Government's Resolution "On Price Setting with Respect to Electrical and Heat Power in the Russian Federation", No. 109, dated 26.02.2004, and the RF Government's Resolution "On Approval of the Rules for Non-discriminatory Access to Electric Power Transmission Services and for Rendering Such Services, the Rules for Non-discriminatory Access to Operational Dispatch Management Services in the Electric Power Industry and for Rendering Such Services, the Rules for Non-discriminatory Access to the Services of the Wholesale Market Trading System Administrator and for Rendering Such Services, and the Rules for Connection of Energy Receivers (Electric Power Plants) of Legal Entities and Natural Persons to Electricity Grids", No. 861, dated 27.12.2004.

Resolution No. 109 stipulates the pricing strategy for the wholesale electricity market, lays down better articulated and more unambiguous rules for regulation of tariffs, as well as fleshes out peculiarities of tariff setting in the context of the electric power industry restructuring, identified by the RF Federal Law "On Electric Power Industry", No. 35-FZ, dated 26.03.2003.

Resolution No. 861 regulates the procedure for and terms of access to the grid-bound electric power transmission services, procedure for connection to power grids, as well as rules for non-discriminatory access to operational dispatch management services and to the services of the wholesale market trading system administrator.

■ MOSENERGO's Weight in Gross Russia's Heat Generation in 2004, %



■ MOSENERGO5.0

Yet, notwithstanding so considerable novelties to the applicable legislation, the FTS of Russia failed to set the rate of connection fee in 2004, which gives rise to consumers' complaints to antimonopoly and judicial agencies against MOSENERGO actions with respect to subscribers connection to MOSENERGO grids.

Risk Management

The risk management contemplates prevention of risks existing in the production and financial fields of MOSENERGO activities and minimization of their probable disamenities.

In 2004, the Company worked out and the Board of Directors approved the Risk Management Regulation.¹ The Regulation contains a Risk Map, comprising primary kinds of risks incidental to the Company's activities, and a risk management program.



1.7

Political Risks

A positive reduction of **political risks** marked the year 2004 for Russia, in consequence of which the risk of macroeconomic downturn in Russia, which may manifest itself for the Company in a growth of accounts receivable and, respectively, accounts payable to suppliers and contractors, is at the moment minor.

At the same time, **risks incidental to a threat of acts of terrorism** in Moscow and other Russian cities still stay high.

Measures that the Company takes to mitigate the risks are described in the "Property Destruction Risks" section of this report.

For MOSENERGO, a fundamental risk is the **risk of unreasonable rate regulation**, associated with a possibility of freezing or administered reduction of tariffs or approval of tariffs, that may be inadequate to the Company's costs.

The Company experts are constantly working with the FTS, REC, MREC in order to approve economically sound level of tariffs.

Market Risks

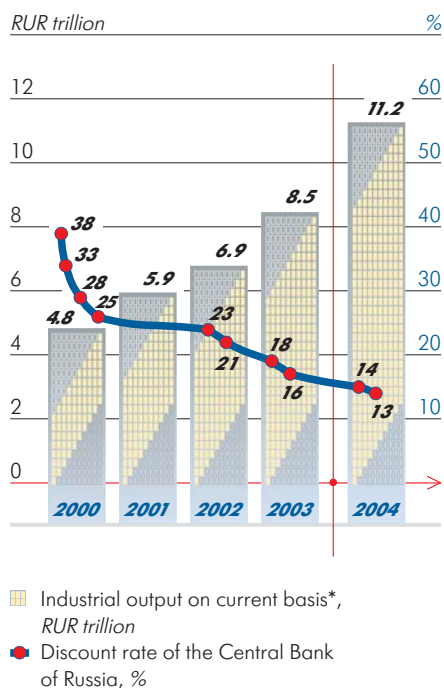
The risk of inflation can cause MOSENERGO's cost escalation and result in a profit crunch.

The inflation impact on the financial soundness of the Company is forecasted in its financial plans. To decrease inflation risks, MOSENERGO concludes long-term agreements for gas supply and transportation for power plants at a price fixed during the year.

The risk of losses through an inadvertent change in exchange rates is nowadays minor, forasmuch as MOSENERGO operates with currency credits in USD only. In 2004, the ruble exchange rate against US dollar established by the RF Central Bank continuously decreased, thanks to which the Company scored a foreign exchange gain.²

The Company is subject to **financial (interest-rate) risks** to the extent of an indirect influence of credit interest rate fluctuations on the Company's financial performance. This basically concerns settlements of long-term credits denominated in foreign currency (US dollars) at floating interest (LIBOR-based) rates.

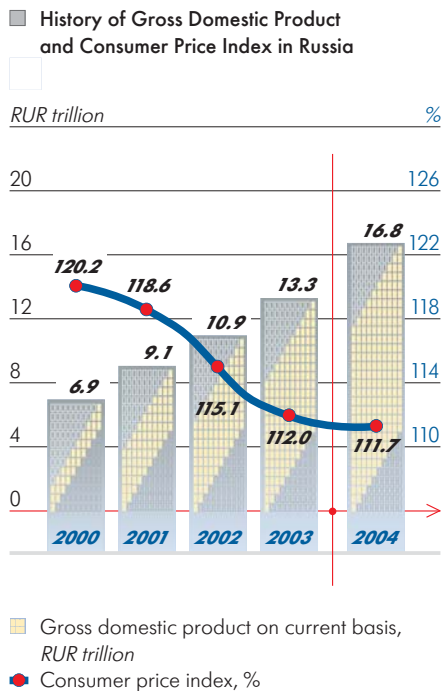
■ History of Industrial Production and Discount Rate of the Central Bank of Russia



* Source: RF FSGS



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At the stage of execution of credit facility agreements, the Company specialists conduct negotiations with a view to reduce the intervals between interest payments and to mark down the floating interest rate.

Fluctuations in rates for short-term credits, borrowed by the Company in 2004, looked down. This primarily resulted from a reduction of the RF Central Bank refinancing rate: 16% as of 01.01.2004, 14% as from 15 January 2004, and 13% as from 15.06.2004. It enabled the Company to conduct successful negotiations and to reach an agreement on easing the rate of interest on credit facilities under the running credit agreements, as well as on new borrowings.

The liquidity risk is a probability of receiving a cash gap due to a cash deficit for extinction of obligations by the required date.

Daily planning (budgeting) of cash receipts and payments, as well as existence of a contingent loss reserve fund enable the Company to minimize the risk.

Credit Risks

Anticipated losses incidental to refusal or inability of the other party to a contract to meet its obligations in whole or in part

When dealing with large consumers, MOSENERGO adheres to a practice of custom-tailored service, allowing for the specifics of financial and economic activities of each of them. This permits to find optimal, mutually beneficial solutions to problems of their debts. Furthermore, a variety of special projects are underway aimed to motivate residential consumers of the Company to pay for the energy in due time. They include an offer to settle bills per made-up notices, a possibility of cashless payment and expansion of the network of the points of payment. The question of installation of special automated teller machines for payment of utility bills has been thrashed out.

Tax Risks

Risks of computation and payment of taxes resulting from disparate treatment of ambiguous norms of the law.

MOSENERGO is constantly working to optimize the taxation schemes of computation of the tax base in strict compliance with the legislation in force.

Risk of Assets Loss as a Result of Property Destruction

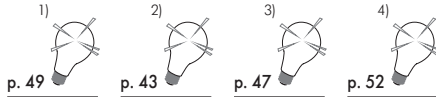
This risk includes the **risks of deactivation of energy facilities and destruction of the Company's property** as a result of acts of terrorism, stealing and natural calamities in the area.

In order to reduce these risks, the Company causes routine inspections of anti-terrorist protection of the personnel and production facilities to be made, arranges for protection against probable consequences of accidents, disasters and natural calamities, provides emergency and fire-fighting training of personnel.

Check raids and measures to prevent stealing are arranged jointly with law enforcement agencies.

Risks of Civil Responsibility

This group of risks includes **a risk of the area pollution liability and third party property tort, a risk of product liability in supplies to the domestic market of the area and to the Wholesale Market** (frequency and voltage for electricity, temperature and pressure for heat), as well as **a risk of management responsibility for damage inflicted to life and health of the Company's employees.**



- In order to mitigate the risks, the Company implements measures:
 - to reduce pollutant emissions into the environment;¹
 - to maintain instant readiness of the equipment for bearing a load, and to create a spare capacity;²
 - to improve the computer-aided system of commercial energy metering;³
 - to conduct certification of workplaces and to provide working teams and working stations with means of individual and collective protection.⁴

Restructuring Risks

In the course of restructuring, the companies are planned to be separated by lines of business (transmission, generation, sales), which can result in **loss of market liquidity of their shares**, particularly at the initial stage. At the same time, there are **risks, associated with functioning of newly established businesses in unfamiliar for them competitive environment.**

With a view to minimize the restructuring risks, the Company took steps to collect and to pay its debts. Necessary corporate procedures are implemented to provide for efficient operation of the emerging companies.

Corporate Governance Risks

For this group, of current concern are **risks incidental to the transfer of assets and liabilities to MOSENERGO spin-offs formed in the course of its reorganization. Conflicts of interest** may arise **between different groups of shareholders**, clashes between the requirements to enhance efficiency of the company management (for the account of higher tariffs and lower costs) and the requirements to ensure steady-going, good-quality and accessible energy supplies to consumers.

During allotment of shares of new companies among the Company's shareholders, a "mirror" principle is applied according to which the number of shares in each new company received by every shareholder will be equal to the number of shares held by them in MOSENERGO. Throughout the year 2004, the management held consultations with major shareholders of the Company.

Industrial and Technical Risks

A risk associated with obsolescence of fixed assets, a risk of change-over to operation with forced (emergency justifiable) overflows of electricity, a risk of simultaneous steep increase of electric load, as well as technical risks incidental to the equipment operation.

Mosenergo analyses potential risk situations during implementation of the work program. The primary organizational form for mitigation and compensation of the amount of damage is insurance. Subject to commercial insurance are assets, dangerous production facilities, means of transport, civil responsibility, accident and health insurance of personnel, and medical insurance.

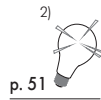
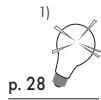
The Company hedges against the industrial and technical risks by way of creating stockpiles of fuel, spare parts, materials, as well as by carrying out measures to improve reliability of the power system.

Operational Risks

A risk of losses as a result of inferiority of management processes in the Company, wrong choice of the market strategy.

In order to reduce the operational risk, the Company continuously improves its corporate governance mechanisms.¹

It arranges for training of managers and specialists at post-graduate training establishments, creates a reserve for filling managerial positions.²



Investment Risks

In implementation of the investment program, MOSENERGO is exposed to investment risks, i.e. **risks associated with degradation of key measures of an ongoing project as a result of a change in external factors.**

In order to mitigate the investment risks, when computing the economic efficiency at the project developmental stage, MOSENERGO carries out analysis of projects' sensitivity to any change in external factors. Based on the results of the analysis, the Company management chooses an optimum project alternative.

Legal Risks

Risks of losses associated with the fact that the legislation was either disregarded, or changed in the period of the transaction; a risk of improperly drawn up documentation.

The management of the legal risks is based on optimization of the process of legal execution of documents and legal support of the Company's activities. For minimizing the legal risks, any business processes of the Company exposed to such risks (for example, execution of contracts) are subject to mandatory legal verification.

II. MOSENERGO's Shares and Stock Market

The recently opened Square of Europe soon has become one of the favorite places of the Muscovites resort, where one can shelter from noise and rush. Only jets of the fountain driven by powerful **electrical** pumps blow up the mid-day Sunday silence



<i>Issuing of Shares.....</i>	22
<i>Trading in MOSENERGO's Shares at the Stock Market.....</i>	23
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Issuing of Shares

MOSENERGO has conducted four issues of ordinary registered shares. The first issuance of MOSENERGO's shares was undertaken in 1993 in the process of the Company privatization and was distributed as follows: 49.0% of shares were transferred by the State to the charter capital of RAO UES of Russia, 51.0% of shares were placed through a private subscription among the labor collective members. The second and third issues of MOSENERGO's shares, conducted at the expense of the funds from the revaluation of the Company's fixed assets in 1994 and 1998, respectively, have been placed among the shareholders in proportion to the share of their contributions to the Charter Capital of MOSENERGO.

MOSENERGO's fourth issue of 2,667,726,000 shares was placed in 2000 through a tied private subscription to the Moscow City Government, represented by the Moscow Property Department and to RAO UES of Russia.

As a result of retirement in 2004 of the shares, redeemed by the Company pursuant to Article 76 of the Federal Law "On Joint Stock Companies", No. 208-FZ, MOSENERGO's Charter Capital reduced to RUR 28,249,359,700. The Company placed 28,249,359,700 ordinary registered shares of one (1) ruble par value each. Each ordinary registered share entitles its holder to an equal measure of rights as provided by the effective legislation of the Russian Federation.

There are no treasury shares on the Company's balance.

■ Structure of MOSENERGO's Share Capital

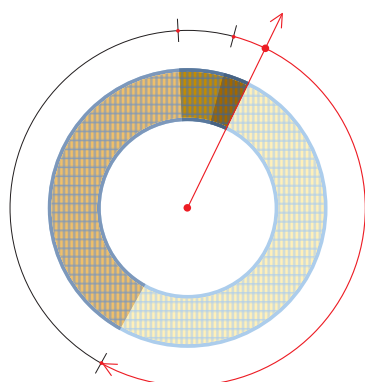
	Interest in Charter Capital, %	
	as of 31.12.2003	as of 31.12.2004
RAO UES of Russia	50.87	50.90
Moscow Property Department	2.95	0
OAO Moscow Integrated Energy Company*	0	2.95
Legal entities and nominee holders	39.61	40.96
Natural persons	6.57	5.19

* in pursuance of the Moscow Government's Directive No. 2261-RP of 11.11.2004, shares held by the Moscow Property Department were reregistered in the name of OAO Moscow Integrated Energy Company (MIEC)

■ Major Holders of Shares

	Interest in Charter Capital, %	
	as of 31.12.2003	as of 31.12.2004
RAO UES of Russia	50.87	50.90
ZAO Depository Clearing Company (nominee holder)	18.28	18.748
NP National Depository Center (nominee holder)	9.807	13.646
ZAO ING Bank (Eurasia)/ING Depository (nominee holder, ADR program depository)	10.322	3.015
Moscow Property Department	2.95	0
OAO Moscow Integrated Energy Company	0	2.95

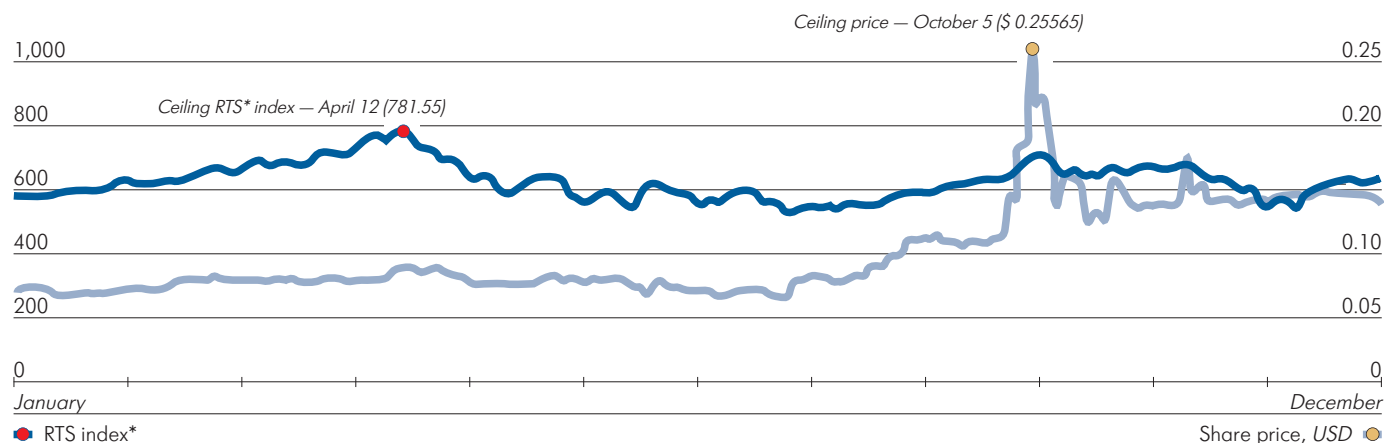
■ Share Capital Structure
as of December 31, 2004, %



RAO UES of Russia	50.90
Legal entities and nominee holders	40.96
Natural persons	5.19
OAO Moscow Integrated Energy Company	2.95

Trading in MOSENERGO's Shares at the Stock Market

■ Movement of MOSENERGO's Share Price and RTS Index* in 2004



* NP RTS Stock Exchange

MOSENERGO's shares are actively dealt in by major trading systems of the Russian stock market, ZAO Moscow Interbank Currency Exchange (MICEX) and NP RTS Stock Exchange (RTS).

Starting from November 23, 2004, MOSENERGO's shares have been dealt in at the RTS Stock Exchange, and from February 9, 2005, MOSENERGO's shares has been on the Level 1 Quotation List of the exchange.

In 1995 MOSENERGO implemented an ADR program for the Company's shares according to Rule 144A of Regulation S. Level I ADRs are now outstanding, and as of 31.12.2004, the percentage of MOSENERGO's shares deposited against ADRs is 2.55% of the Charter Capital of the Company.

■ MOSENERGO's Share Codes in Russian Major Trading Systems

NP RTS Stock Exchange	MSNG
ZAO Moscow Interbank Currency Exchange	MSNG

■ MOSENERGO's ADR Tickers

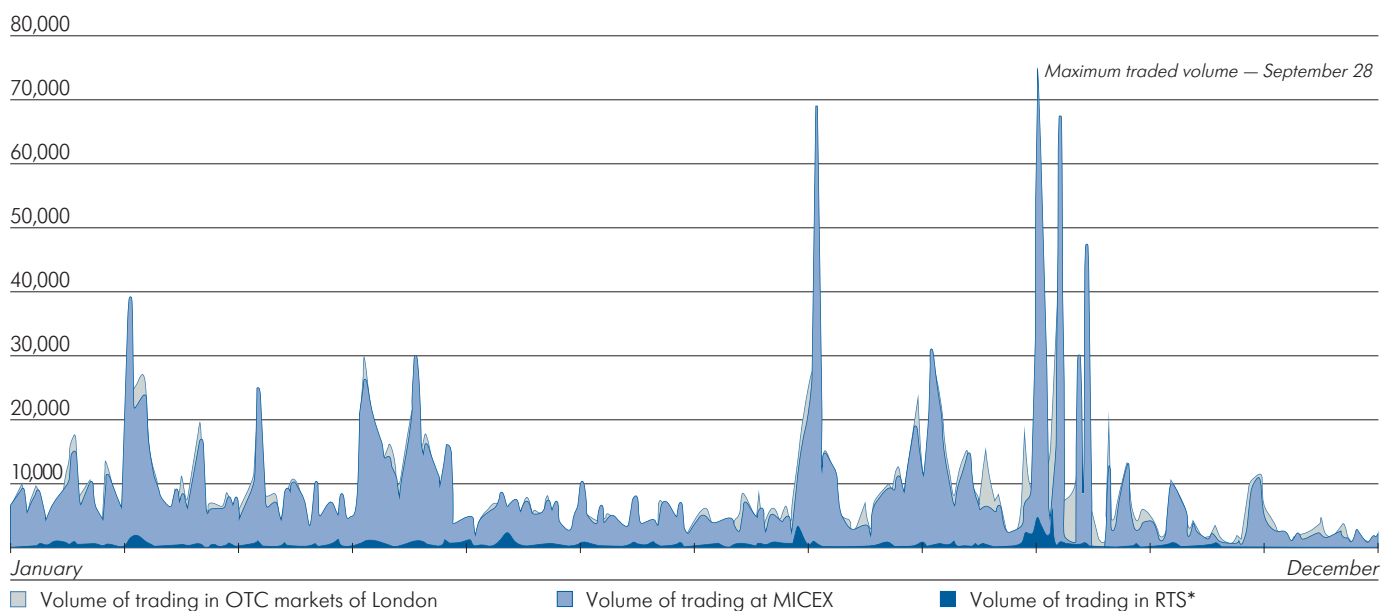
U.S. over-the-counter market	AOMOY
European (London) over-the-counter market	AOMDLI

■ Trading Volume of MOSENERGO's Shares in 2004 in Major Trading Systems, USD million

NP RTS Stock Exchange	104.70
ZAO Moscow Interbank Currency Exchange	1,925.39
European (London) over-the-counter market**	319.93

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

■ Dynamics of Trading Volumes of MOSENERGO's Shares in Major Trading Systems in 2004, USD'000



* NP RTS Stock Exchange

The Bank of New York is the program depository. One depository receipt corresponds to 100 shares of MOSENERGO. Depository receipts for MOSENERGO's shares are dealt in on over-the-counter markets in the U.S. and Europe.

The behavior of Russia's stock market in 2004 was influenced by events as in the economic, so in the political sphere: macroeconomic performance, oil price hikes, developments in the electric power industry reform, the "case of YUKOS".

In late summer, the interest of the Company's strategic investor dramatically spurred demand for MOSENERGO's shares. As a result, the price for MOSENERGO's shares grew by 118% as compared with the preceding year.

In November 2004, Standard&Poors, a credit reference agency, acknowledged MOSENERGO's long-term credit rating at the level of "B-" with the "positive" forecast.


Over the year, the minimum price of MOSENERGO's shares was fixed on July 28, 2004, at USD 0.06843, and the maximum — on October 5 at USD 0.255 (Source NP RTS Stock Exchange).

Over 2004, the Company's capitalization grew 1.15 times, and as at the end of the year amounted to USD 4,098 million**).


** The market capitalization was calculated by the NP RTS Stock Exchange stock exchange based on the "Prices of 10 largest transactions" and the number of issued MOSENERGO's shares.

Dividend History

While accruing and paying its dividend, MOSENERGO meets the requirements of the Federal Law "On Joint Stock Companies" and the Company's Charter. MOSENERGO's dividend policies are oriented towards increasing the amount of dividends accruing to the shareholders.

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In 2004, the dividend on MOSENERGO's shares was accruing and paid based on the 2003 work results in strict compliance with the resolution of the General Meeting of Shareholders.¹ The dividend was paid in full within 60 days after the Shareholders' Meeting so resolved.

2)
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In consideration of the net profit received by the Company in 2004,² MOSENERGO's Board of Directors recommends that the General Meeting of Shareholders should approve the dividend based on the Company's 2004 work results at the rate of RUR 0.0221 per share.

Period	Outpayments per share, RUR	Total amount of dividend accrued, RUR thou	Dividend yield*, %
in 1999 based on the 1998 work results	0.0015	38,294	0.30
in 2000 based on the 1999 work results	0.003	79,298	0.17
in 2001 based on the 2000 work results	0.007667	216,729	0.87
in 2002 based on the 2001 work results	0.01831	517,582	1.33
in 2003 based on the 2002 work results	0.01837	519,278	1.21
in 2004 based on the 2003 work results	0.02169	613,127	0.97
in 2005 based on the 2004 work results**	0.0221	624,311	—

* Calculated as a ratio of the amount of dividend paid to the price of shares on the date of preparing the list of persons eligible to receive the dividend.

** Submitted to the General Meeting of Shareholders for approval.

III. Strategic Priorities and Corporate Governance

A new organ in the Moscow House of Music. According to experts, "the whole of organ history, which is over two thousand years, has not seen an instrument that would surpass it in the majesty of sounding and breadth of the range". Weighing about 30 tons, it demands relatively low energy



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<i>Work of the Board of Directors.....</i>	30
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Strategic Priorities

- In keeping with its mission, MOSENERGO identifies for itself the following strategic priorities:
 - Enhancement of operational efficiency of its capacities with a view to provide for its competitive edge.
 - Methodical replacement of obsolete equipment.
 - Satisfaction of a growing demand for electricity for the account of building of new generating plants.

The challenges cannot be met without good corporate governance.

Corporate Governance Principles

- The main principles of corporate governance according to the Company are:
 - protection of shareholder and investor rights;
 - transparency and availability of information;
 - examination and assessment of the quality of management practices.
- The protection of the rights of shareholders and investors is attained through:
 - registration of share ownership;
 - keeping and safe custody of the Company's share register pursuant to Articles 44, 45, 46 of the RF Federal Law "On Joint Stock Companies";
 - the ability of free and quick alienation of the shares belonging to the shareholders;
 - the right to take part in the Company management by way of participation in general meetings of shareholders with a right to vote on all issues within its competence, participation of shareholder representatives in the work of the Board of Directors and other bodies of the Company management and supervision;
 - participation in the Company's profits in the form of dividends;
 - the right to receive complete and true information about the Company regularly and in time;
 - an opportunity to supervise the Company management bodies in the course of its restructuring.

The Company aspires to a maximum public awareness and transparency of its business. For the purpose of fullest satisfaction of shareholders, potential investors and professional securities market makers requirements for credible information on the Company's operations and open access to such information, the Board of Directors of the Company caused to elaborate and approved the "Regulation on Information Policy of MOSENERGO".

The main task of MOSENERGO's Press Service is to continue the all-round information support of the Company activities and to keep on strengthening and extending contacts with the mass media. Thanks to regular holding of press conferences, briefings and press tours to various MOSENERGO's facilities, journalists of the national and regional mass media became thoroughly enlightened upon the Company operations. The year 2004 saw 164 information events in the printed word and electronic media, as national, so regional, and over 3400 news stories about MOSENERGO's activities.

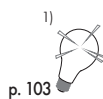
The official Web site of the Company is nowadays the prime source of information and an effective mechanism of conducting the Company's information policy.

The top management of the Company regularly holds press conferences and Internet conferences with investment analysts, briefings, and participates in conferences, exhibitions and TV programs.

Every year the Company publishes its Annual Report to the shareholders, in which it covers the key areas of production and financial operations and carries out economic analysis of the results of its work for the accounting year. In 2004, MOSENERGO took part in the 7th annual contest of annual reports and corporate sites of companies organized by the RTS Stock Exchange and "Securities Market" journal, as well as in the contest held by the "Expert" journal. According to the results of the contest, MOSENERGO became an absolute winner of the annual report contest and Web site contest amongst the issuing companies. Aside from that, MOSENERGO headed the list in the "The Best Level of Information Disclosure" nomination both as regards the annual report, and the Web site. Following the results of the contests of the "Expert" journal, MOSENERGO was awarded prizes for getting into the final in three main nominations at a go: "Information Richness", "The Classics of the Genre", "Internet".

The quality of MOSENERGO's business management is controlled and assessed by the Board of Directors, Audit Commission, Audit Committee at the Board of Directors, restructuring workgroup at the Board of Directors, and an external auditor of the Company.

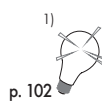
The major objectives in the development of management and improvement of corporate procedures include working out and updating of the internal rules and regulations of MOSENERGO to meet the requirements of the Corporate Governance Code approved by the FCSM of Russia on April 05, 2002.¹



- In 2005, the Company plans to elaborate and to adopt the following documents:
- Procedure for harmonization of draft resolutions of the Board of Directors of MOSENERGO;
 - Determination of rights and obligations of MOSENERGO according to the size of its shareholding in associated and subsidiary companies;
 - Procedure for analysis of the share management efficiency;
 - Corporate Governance Code of MOSENERGO.

Shareholders' Meeting

The crest of the corporate governance structure is the general meeting of shareholders. The procedure for holding and preparation of general meetings of MOSENERGO is consistent with the Law "On Joint Stock Companies", is determined by the Procedure for Preparation and Holding of General Meetings of the Company's Shareholders, and conforms to the optimum corporate governance practice. The established procedure provides for pari passu ranking of all members of the Company, including minority shareholders.



The annual general meeting of MOSENERGO's shareholders was held on June 28, 2004, to discuss the Company's production and economic performance in 2003.¹ 24,098 shareholders (with account of data disclosed by nominee holders) were enrolled on the list of persons entitled to participate in the meeting.

The last annual meeting differed from the meetings of preceding years in that it passed an earthshattering, for the energy company, decision on MOSENERGO reorganization.

Apart from the reorganization item, the meeting of shareholders approved the annual report of the Company, the profit and loss statement of the Company based on the financial year results, distribution of the Company's 2003 profits, the 2003 dividend at the rate of RUR 0.02169 per ordinary share, elected the Board of Directors and the Audit Commission of the Company.

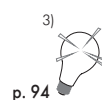
The General Meeting of Shareholders made amendments and addenda to the Company's Charter as consistent with the changed requirements of the legislation in force.

Work of the Board of Directors

The Board of Directors has an overall charge of the Company's activities, except for the matters relegated by the Federal Law "On Joint Stock Companies" and the Company's Charter to the exclusive competence of the General Meeting of Shareholders. The Board of Directors acts on the basis of MOSENERGO's Charter² approved by the extraordinary meeting of shareholders on April 9, 2002, as amended by the general meeting of shareholders on June 28, 2004.



In 2004, the composition of the Board of Directors of MOSENERGO changed greatly.³ As a result of elections of the members of the Board of Directors at the Annual General Meeting of Shareholders held on June 28, 2003, B.V. Nikolsky, V.Yu. Platonov, A.A. Savin, E.H. Thornber and A.V. Chikunov vacated their offices.



Five new members were elected to the Board of Directors: P.N. Aksenov, First Deputy Mayor of Moscow in the Moscow Government, Head of the Municipal Services and Facilities; A.A. Matveyev, Deputy Chairman, ZAO Gazprombank; A.I. Sobol, Deputy Chairman ZAO Gazprombank; A.A. Chabak, General Director OAO NIKoil-Sberezheniya Management Company; Yu.A. Udaltsov, Head of the Department for Energy Reform, Member of the Executive Board, RAO UES of Russia.

Four of the thirteen continuing members of the Board of Directors are independent directors. The role of the independent directors is that they step up the level of objectivity of examination of various issues, transparency of the Company, provide for a more detailed and deeper study of problems, as well as for protection of rights of the minority shareholders and for abidance by the Code of Corporate Conduct of the

Federal Securities Commission of Russia. This enhances MOSENERGO's investment rating and capitalization.

The Chairman of the Board of Directors was replaced. The first meeting of the new Board of Directors unanimously elected Yu.A. Udaltsov as its Chairman.

As in the previous years, the Board of Directors at its meetings regularly discussed issues relating to the reliability of energy supplies to the Moscow area consumers, implementation of the business plan, the power system preparedness for autumn and winter peaks, building of requisite stocks of fuel, as well as matters of financial stability of the Company.

The points of first priority in the work of the Board of Directors in the reporting year were the issues of MOSENERGO restructuring.

- The key decisions of the Board of Directors in this respect are the following:
 - approval of draft charters of joint stock companies formed in the course of the Company restructuring;
 - preparation and holding of general shareholders' meetings of joint stock companies formed in the course of the restructuring;
 - resolution of organizational issues relating to the development of the newly formed joint stock companies.

On the initiative of the Directors representing the minority shareholders, the Board of Directors adopted a resolution on establishment of an Audit Committee at the Board of Directors. A.A. Chabak, a member of the Board of Directors, is the Chairman of the Committee.

March 2004 saw a Restructuring Workgroup established at the Board of Directors. The Workgroup includes: A.V. Chikunov, Member of the Executive Board, RAO UES of Russia, A.N. Remezov, Head of the Moscow Fuel and Energy Department, A.F. Bodunkov, Minister of Property Relations, the Moscow Region Government, D.V. Vasiliev, First Deputy General Director — Managing Director for Corporate Policies and Property Management, MOSENERGO, A.A. Chabak, General Director of Management Company "NIKoil-Sberezheniya", V. Skribot, Deputy General Director of Gazprombank-Invest, A.P. Melnik, Vice President, GUTA Group, S.I. Bubnov, Principal Banker, Power and Energy Utilities Team, EBRD.

In 2004, the Board of Directors approved conclusion of an agency agreement between MOSENERGO, OAO ITC-Center and OAO FGC UES with amount of transaction RUR 9,122.2 million, being essentially a non-arm's length transaction.

No major transactions that require approval of the Board of Directors were made in the reporting year.

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All activities of the Board of Directors in the reporting year were more transparent for shareholders as the key decisions adopted at the meetings of the Board of Directors were regularly placed on MOSENERGO's Web site.¹

Work of the Executive Bodies

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

The Director General is elected by the Board of Directors of the Company.



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Members of the Executive Board of the Company,¹ 15 in number, are nominated by the General Director of the Company and elected by the Board of Directors.

The rights and duties of the General Director and members of the Executive Board of the Company with regard to the administration of day-to-day operations of the Company are determined by the Russian Federation law, the Charter and the employment contract, concluded by each of them with the Company.

The terms of reference of the General Director shall include all issues of administration of the Company's day-to-day operations, save for the issues, referred to the competence of the meeting of shareholders, the Board of Directors and the Executive Board of the Company.



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1.7

The Executive Board of the Company acts on the basis of the Company's Charter² and the Articles of the Executive Board, approved by the general meeting of shareholders on May 30, 2002.³

In 2004, the Executive Board of MOSENERGO met regularly in accordance with the Articles and the quarterly plans, approved by the Chairman of the Executive Board.

During the reporting year, the Executive Board held 49 meetings where it discussed 266 issues related to the day-to-day operations and prospects of the Company. Of all meetings of the Executive Board, two were held by the absentee voting.

- The Executive Board at its meetings regularly considered such questions as:
- current economic status of the Company;
 - progress of the capital construction and remedial maintenance versus the plan;
 - payment for and stockpiling of fuel;
 - energy marketing of the Company;
 - preparation for peak loads of the fall and winter of 2004/2005.

The Executive Board in its work in 2004 kept a special focus on the issues, relating to preparation and holding of the annual general meeting of shareholders to discuss the balance of the work for 2003, implementation of MOSENERGO reform, registration of title to the Company's real estate, and provisioning for doubtful debts.

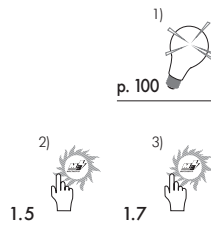
The Executive Board tackled the issues, concerning development of the Company's power facilities, technical state of the thermal power equipment of power plants, organization of expert examination of the industrial safety of the equipment and extension of its life, environment protection, development of the role of the occupational safety and health, progress of the repair campaign, capital construction program, and work of the Department for Connection and Relations with Consumers.

The Board reviewed the program for technical retooling and retrofitting of the thermal power equipment in MOSENERGO through 2010.

- In the past year, the Executive Board of MOSENERGO arrived at decisions on a number of crucial issues:
 - on the MOSENERGO Restructuring Project;
 - on the functions and structure of companies organized using MOSENERGO's facilities, and on their mutual relationship;
 - on MOSENERGO's insurance scheme for 2004;
 - on taking inventory for preparation of MOSENERGO's separation balance sheet;
 - on the progress of preparation of MOSENERGO's separation balance sheet and accounting rules for the transitional period;
 - on the concept of MOSENERGO's foreign economic activity;
 - on the 2004–2005 program of works for introduction of the automated natural gas quantity and quality accounting systems at MOSENERGO's power plants;
 - on the results of work aimed to improve the technical and economic performance of MOSENERGO's power plants;
 - on MOSENERGO's tariff policy;
 - on the efficiency of utilization in MOSENERGO of young skills who graduated from institutions of higher education at the Company's expense.

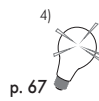
The Executive Board had in view social issues (provision of its employees with apartments, granting of interest-free loans thereto for purchase of dwellings), charities and sponsorship, pay increase, personnel affairs.

Work of the Audit Commission



The Audit Commission of MOSENERGO, Open Joint Stock Company for Energy and Electrification, elected by the general meeting of shareholders on June 28, 2004,¹ is a standing organ of internal audit of the Company, independent of any officers of the Company's management bodies and executives. The Audit Commission abides in its activities by the powers, stipulated by the Federal Law "On Joint Stock Companies", the Company's Charter² and the Articles of the Audit Commission of MOSENERGO, approved by the general meeting of the Company's shareholders on May 30, 2002, Minutes No. 2.³

In order to exercise control over the financial and economic activities and to 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 had carried out a documentary verification (audit) of the financial and economic activities of MOSENERGO in 2004.



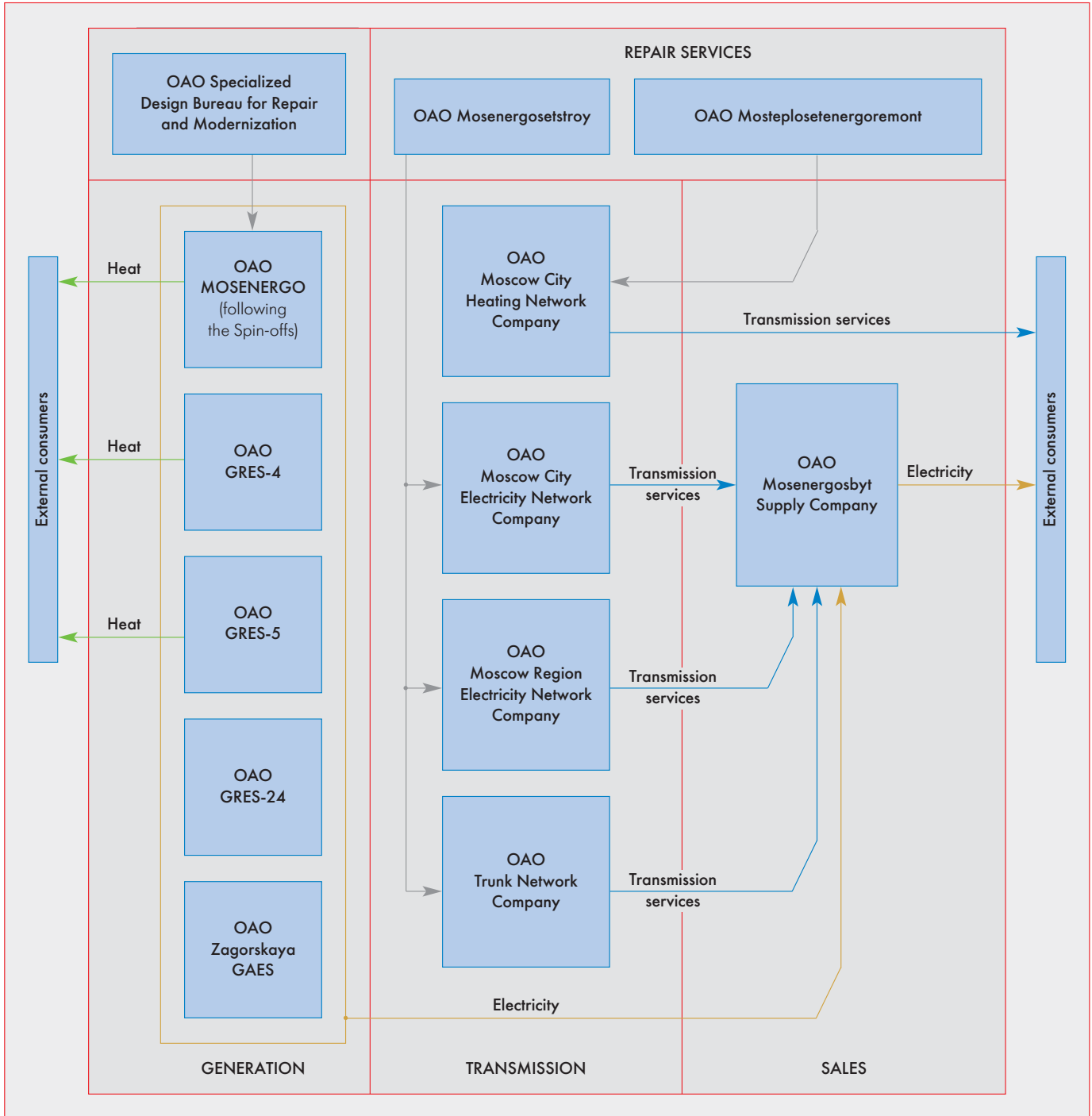
Based on the auditing results, as well as on the Company's auditor's report, the Audit Commission drew up its Opinion⁴, which confirms the authenticity of data contained in the Company's statements and other financial documents for the year 2004. Copies of the Opinion were sent to the Board of Directors and General Director of the Company.



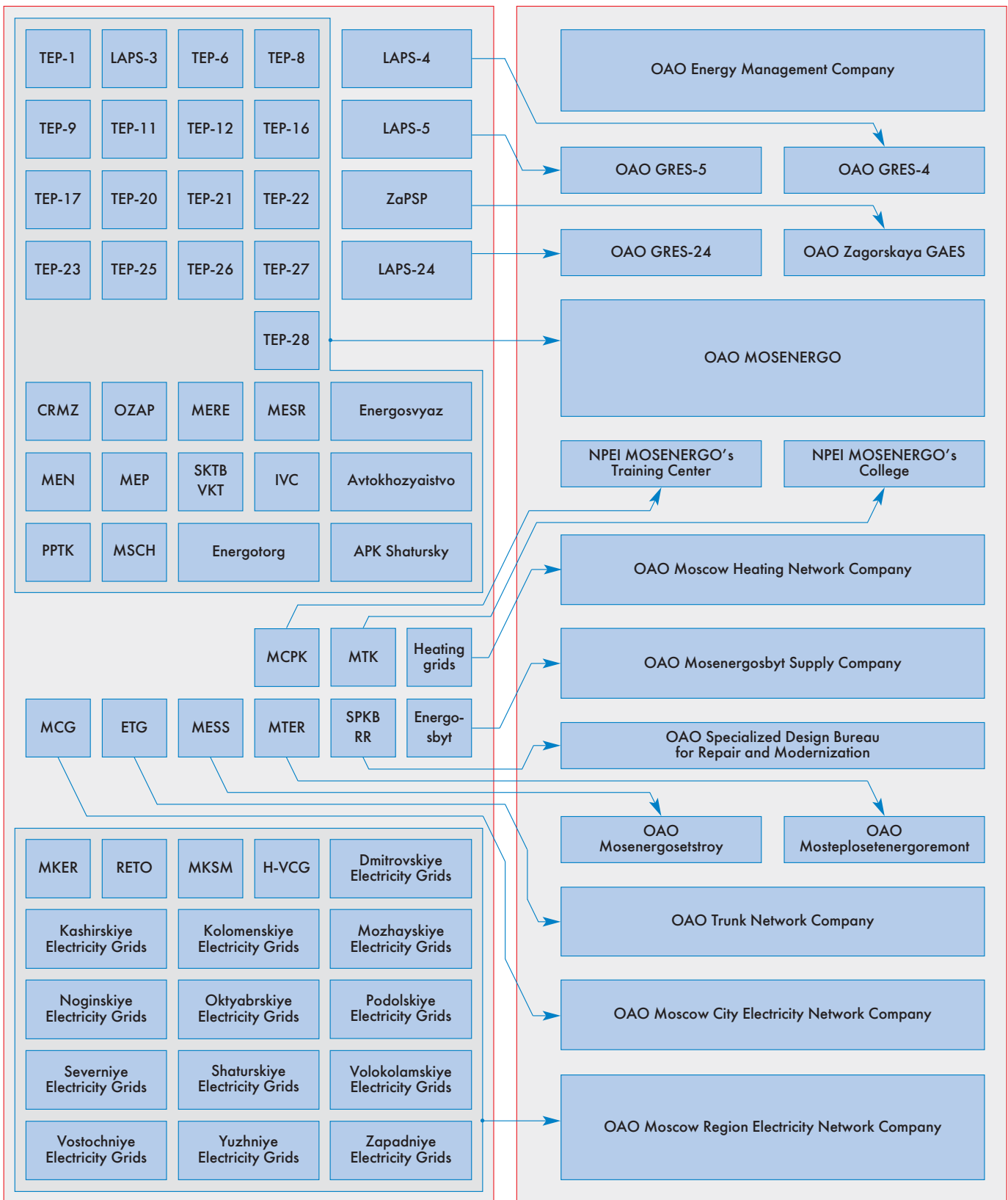
The Company's Restructuring

On March 26, 2003, the State Duma of the Federal Assembly of the Russian Federation passed Federal Law "On Electric Power Industry", No. 35-FZ, which along with other legal acts defines the legal base of restructuring of the Russian electric power industry.

■ Reorganized MOSENERGO and Spin-off Companies Relations Diagram



MOSENERGO Restructuring Diagram




- The industry restructuring pursues the following objectives:
 - formation of a competitive environment in the Russian electric power industry;
 - separation of competitive (generation and sales) and monopolistic (transmission and distribution) lines of business;
 - enhancement of operating efficiency of generation and sales companies;
 - establishment of a self-regulating wholesale market of electricity, where prices are formed by demand and supply;
 - regulation of activities of natural monopoly entities in the industry.

RAO UES of Russia holds about 51% of MOSENERGO voting shares. In May 2003, the Board of Directors of RAO UES of Russia approved the master plan of restructuring ("5+5" Strategy) for all AO-Energos. MOSENERGO is restructured in accordance with this plan, as well as with the agreements for cooperation in reforming, signed by RAO UES of Russia and the Governments of Moscow and Moscow Region.

Forasmuch as MOSENERGO issued American depository receipts (ADR) for its shares, the Restructuring Project took into consideration the requirements of American law and was discussed with the US Securities and Exchange Commission (SEC). In this connection, the Company prepared an Information Statement (memorandum) of May 14, 2004, concerning MOSENERGO reorganization.¹

1)
3.4 

On June 28, 2004, the Annual General Meeting of MOSENERGO's Shareholders adopted a resolution on MOSENERGO reorganization in the form of separation, on the formation of 13 new companies, on the allotment of shares of the emerging companies, and on the approval of the separation balance sheet.²

2)
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On September 20, 2004, the Board of Directors of MOSENERGO passed a resolution to approve the lists of nominee managers of the companies, emerging as a result of MOSENERGO reorganization.

RAO UESR's Order "On Approval of the Milestone Schedule for AO-Energos Restructuring", No. 593 of 18.10.2004, fixed the date of incorporation of new joint stock companies, formed as a result of MOSENERGO reorganization, April 1, 2005.

On December 25, 2004, the Board of Directors of MOSENERGO approved draft charters of the spin-off joint stock companies and passed a resolution convening general meetings of shareholders of all joint stock companies, set up by way of unbundling from MOSENERGO. The meetings were held on February 28, 2005, in the town of Dzerzhinsky, Moscow Region.

The meetings approved Charters of all 13 companies and elected the Boards of Directors, Audit Commissions and the General Director.

Throughout the year 2004, the management of MOSENERGO, within the framework of the MOSENERGO Restructuring Workgroup, held consultations with major shareholders of the Company. An education campaign was also conducted with the holders of the Company shares, who are the MOSENERGO employees.

In 2004, in pursuance of the resolution of the Annual Meeting of MOSENERGO's Shareholders of June 28, 2004, on the reorganization and by virtue of Article 75 of the Federal Law "On Joint Stock Companies," shareholders, who voted against the reorganization or abstained from voting on the issue, had the right to demand, that the Company should redeem shares, of which they are holders. The shares were redeemed at the price, approved by the Board of Directors of the Company, based on the valuation made by ZAO Ernst & Young, an independent appraiser, viz. 1 ruble 84 kopecks (Minutes of the Board of Directors No. 34 of 27.04.2004).

In accordance with the claims received from its shareholders, MOSENERGO redeemed 18,366,300 shares to the total amount of RUR 33,793,992, with 92% being shares, presented for redemption by ADR holders.

The Board of Directors of MOSENERGO approved the Report on Redemption of MOSENERGO Shares. The Company amended its Charter with regard to reduction of the Company's Charter Capital and the number of the outstanding ordinary shares in the Company. After retirement of the redeemed shares, the Charter Capital of MOSENERGO totals RUR 28,249,359,700.

As directed by Article 15 (6) of the Federal Law "On Joint Stock Companies", within 30 days from the date of passing a resolution on the Company reorganization, MOSENERGO gave a written notice thereof to all its creditors and published an announcement of the decision, taken in the organ of the press meant for publishing data on state registration of legal entities ("Izvestiya" newspaper). During 2004, MOSENERGO's management held regular consultations with the European Bank for Reconstruction and Development, International Finance Corporation and investment consultant banks on the issues of interaction with creditors in the course of the Company restructuring.



IV. Creation of Value – Generation, Investments, Reputation

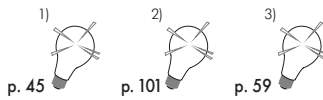
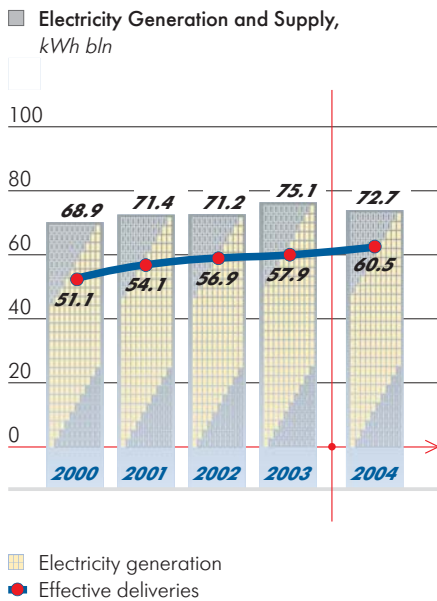
A monorail road, for **energy supply** of which we put out considerable effort in 2004, passes by the "Count Sheremetev's Estate in Ostankino" House-Museum.

It is often a place of musical gatherings, fancy-dress balls, exhibitions

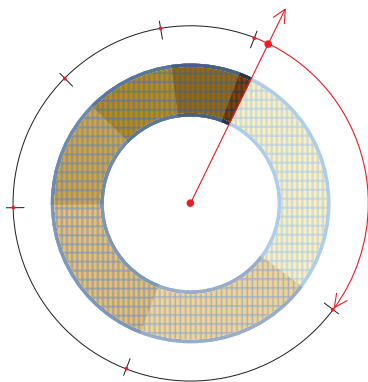
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Electricity Generation and Transmission



■ Pattern of Electricity Consumption, %



Industry	28.0
Others consumers	20.6
Households	19.0
Municipal power suppliers	12.8
Budget-sponsored consumers	10.2
Electricity-driven transport	7.9
Agriculture	1.5

A peculiarity of the electric power industry is nonseparability of energy generation and consumption.

The analysis of electricity consumption and capacity history in the Moscow area for the last years shows a steady growth of the indicators. In 2004, it scored 4.1% and 4.0%, respectively. The growth results from building up of the area production capacity, a marked increase in the volumes of housing construction, as well as emergence of energy-intensive business, shopping and recreational centers in Moscow and the Moscow Region.

For three years in succession, electricity consumption in the area exceeds the maximum level of 1990 (74.1 billion kWh). In 2004, it increased to 82.5 billion kWh, i.e. 4.1% from a year earlier, and 11.3% over the level of 1990.¹

The auxiliary power consumption in MOSENERGO reached its peak of 14,588 MW on November 30 at 6 p.m. at the outside air temperature of minus 15.2 °C, a 5.4% increase against the peak of 2003. MOSENERGO's burden therewith with an allowance for power transfer to other systems amounted to 15,221 MW.

An average week days' peak demand in 2004 was 11,359 MW, outstripping similar peak of 2003 by 4.0%.

In 2004, electricity generation by MOSENERGO's power plants amounted to 72.7 billion kWh,² a 3.3% reduction versus 2003 due to the off-loading of power plants equipment as ordered by the RDU.

60.5 billion kWh of electricity were sold to MOSENERGO's own consumers, which is 4.6% more than in 2003. Demand in Moscow grew by 4.4%, and in the Moscow Region by 4.7%.

Electricity consumption grew in such consumer categories as budget-sponsored consumers (by 17.8%), other (non-industrial) consumers (by 9.8%), electricity-driven transport (by 5.9%), households (by 4.8%), and industry (by 1.7%).

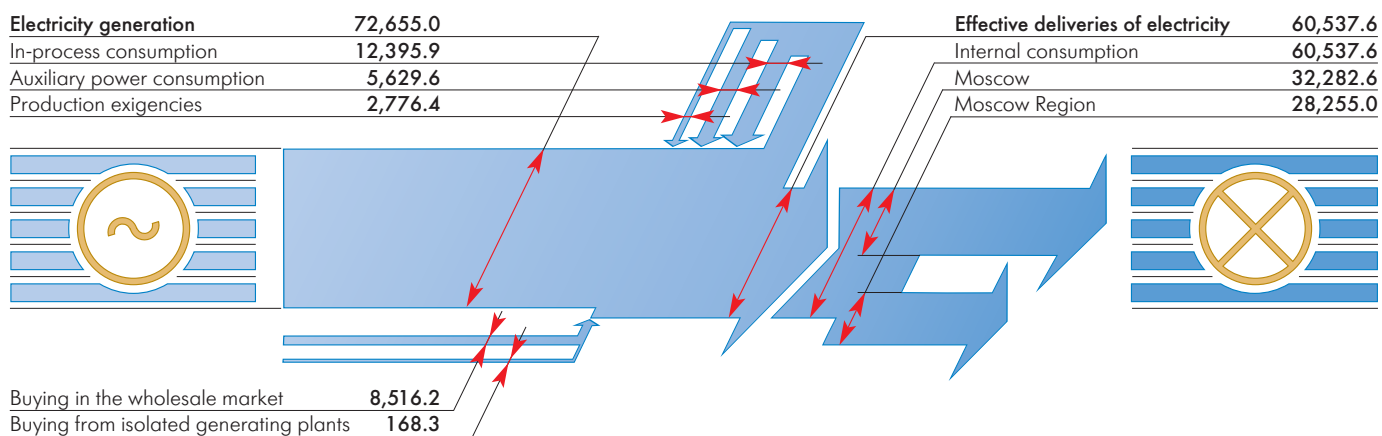
Consumption by power suppliers of the Moscow Region municipalities decreased by 5.9% in connection with their consumers change-over to direct payments to MOSENERGO.

To meet a growing electricity demand of the Moscow area, MOSENERGO was buying electricity from other areas during 2004. The wholesale electricity market delivered 8.52 billion kWh, including 1.05 billion kWh was purchased in the free segment,³ and the balance of energy came from the regulated segment.

The commencement of active sales of electricity through the free market segment from June 2004 enabled MOSENERGO to boost generation of its own power plants by more than 1350 kWh. The economic benefit from the additional load of power plants exceeded RUR 300 million. In the free market segment, the electricity sales amounted to about 2.37 billion kWh.

By end-2004, MOSENERGO had ranked quoteworthy amongst the suppliers and buyers of the competitive market of electricity. MOSENERGO's penetration of the competitive electricity market reached 16% of the overall total, occasionally being well along toward 20%.

■ Electrical Balance of MOSENERGO in 2004, kWh mln



In-process consumption (losses) of electricity in MOSENERGO for 2004 totaled 16.4% with the annual electricity supplies to the grid being 75.7 billion kWh, including MOSENERGO's intramural losses (without regard to losses in the municipalities grids) of 15.98%. Compared to the level of 2003, MOSENERGO's intramural losses decreased by 1.6%.

To minimize electricity transmission losses, the grid branches shut down unloaded transformers, reduced auxiliary power consumption of grid substations, and that decreased losses in the grid branches by 87.7 million kWh.

In 2004, Energrosbyt and its branches installed 446.6 thousand improved-type electricity metering units, and conducted 3596 raids aimed to reveal stealing of electricity in MOSENERGO's grids. The raids showed up 57.8 million kWh of non-metered electricity, for which the consumers were billed.



Heat Generation and Transmission

MOSENERGO is the principal supplier of heat to the Moscow area customers. Moscow consumers receive 94.7% of effective deliveries of heat, and regional consumers receive 5.3%. By the beginning of 2005, consumers' connected heat load reached 32,198 Gcal/h.

70.5 million Gcal of heat was sold from the power plant manifolds¹, a 3.8% reduction versus 2003. The decrease in heat deliveries was caused by weather conditions and earlier-than-usual discontinuation of heat supply in the 2nd quarter. The average temperature in the heating period rose from minus 1.1°C in 2003 to minus 0.7°C in 2004. The heating period lasted 215 days.

The effective sales of heat in steam and hot water amounted to 65.0 million Gcal, down 5.2% versus 2003. Consumption in Moscow reduced by 5.3%, in the Moscow Region — by 1.9%.

As compared with 2003, the overall heat sales in the system declined 4.3% in hot water, and 14.4% in steam.

A reduction in heat consumption is observed in almost all consumer groups save for public utilities and wholesale resellers.

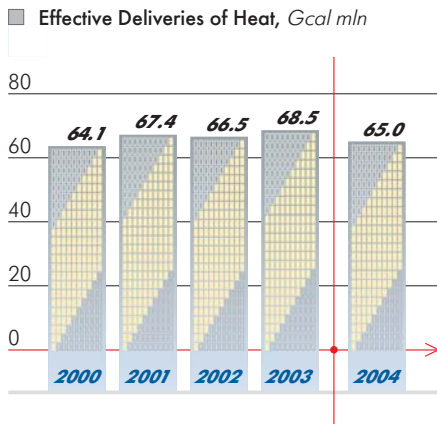
The in-process consumption (loss) in heat transmission was 8.61% in 2004, i.e. as targeted.

In 2004, consumers installed 754 heat metering units. With the total number of subscribers being 14,617, the number of metering units totals 11,004, i.e. 75.3% of the subscribers are covered.

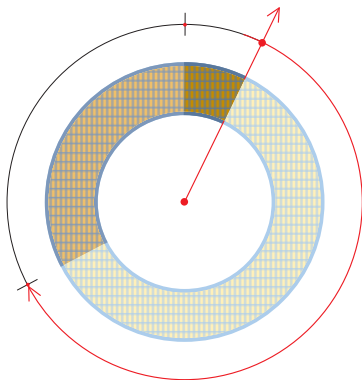
The Company specialists predict expansion in heat consumption of the Moscow area, boosted by further development of industry, services and growing rates of residential building and construction of cultural and household facilities.



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■ Pattern of Heat Consumption, %



Housing organizations	60,1
Other consumers	32,8
Industry	7,1

Capital Construction

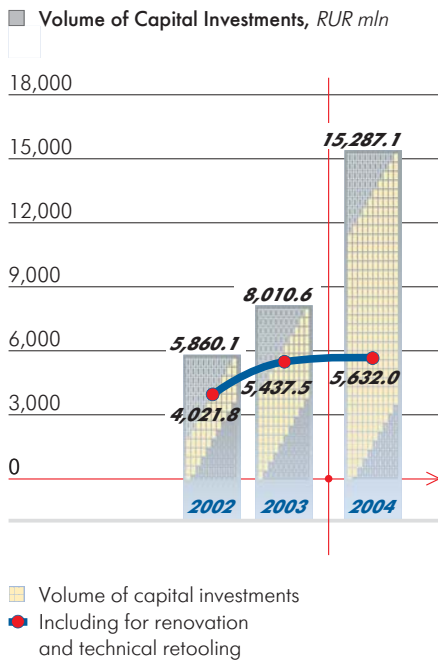
MOSENERGO's capex plans are aimed at commissioning of new facilities, replacement of worn-out equipment and its rehabilitation, construction and refurbishment of electrical and heating grids, buildings and structures. The capex strategy is concretized in an annual special order on the capital construction.

An adjusted investment program for 2004 amounted to RUR 15,018.0 million.

The actual fulfillment of the program accounted for RUR 15,287.1 million, or 101.8%.

The strategic objectives in the investment activities in 2004 included development of the industrial potential of the power utility and provision for absolute reliability of energy supplies to consumers. Commissioned fixed assets are RUR 12,122.1 million worth, while in 2003 this figure was equal to RUR 7,335.7 million.

In October 2004, TEP-20 placed in operation revamped turbine-generator set No. 5. The turbine underwent replacement of the HP rotor and air-gas channel of the HP cylinder, replacement of the nozzle assembly, modernization of the LP rotor, and other works. As a result, the generator output of the turbine increased from 40 to 65 MW, and the heat generating capacity grew by 35 Gcal/h. The turbine life extended to another 270 thousand hours.



TEP-1 replaced 10 MW turbine-generator set No. 29. The turbine was replaced with a new one of 12 MW complete with a generator and auxiliary equipment.

The Company put into operation a new 110/10 kV electric substation, Yubileynaya, with an installed transformer capacity of 80 MVA. Bringing this substation on line will cover an increment of electric loads in the town of Dzerzhinsky and the settlement of Kotelniki, Moscow Region.

To improve the reliability of electricity supply to consumers of the Eastern and South-Eastern Administrative Districts of Moscow, as well as in view of obsolescence and physical deterioration of the equipment of 110 kV Vykhino substation, a new indoor substation bearing the same name was constructed within the bounds of the existing area. The first start-up complex comprising two transformers of 63 MVA each, a GIS building and a switchboard was commissioned in December of the reporting year.

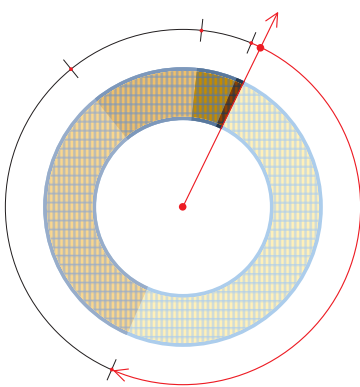
The Heating Grids branch placed in service a new pressure pumping station, Businovskaya, with a capacity of 7400 cu m/h. It is designed to increase capacity of the Businovskaya Heating Main, which supplies heat from TEP-21 to the Northern and North-Eastern Administrative Districts of our capital. The station employs a dual protection system, which alleviates hydraulic surges caused by sudden pressure drops in the heating grid.

The Company accomplished a considerable amount of work in renovation and construction of the electricity and heat transmission facilities of MOSENERGO. Construction and installation were underway at two new going up electric substations, Narvskaya and Chkalovskaya, at the Filevskaya pressure pumping station, and at the coal yard of TEP-22.

Within the framework of the 2004 capex program, the Mosenergoproject institute entered upon designing the third and the fourth power units of TEP-27, which will be the first combined-cycle power units in MOSENERGO with a unit capacity of 450 MW.

With a view to cut building costs, the engineering and budget sections of each reconstruction and new construction project are subject to the expert review. Contractors, suppliers of equipment and material resources are selected, as a rule, by competitive bidding.

■ Pattern of Capital Investments in 2004 by Investees, %



Power grids	49.4
Heating Grids	32.6
Power plants.....	12.5
Other branches	4.7
Non-productive construction.....	0.8

Maintenance Effort

The maintenance effort is the key component of the electricity and heat generation process, that provides for the reliable and cost-effective operation of power plants, electrical and heating grids, and for longer service life of the power system equipment.

Repairs are performed by MOSENERGO's specialized repair branches, production branches (power plants and grids), and third party contractors.

In 2004, repair expenses totaled RUR 12.3 bln.

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

In keeping with the mechanical annex repair schedule, 14 power units, 24 turbines, one hydroturbine, 26 power boilers and 15 peak water heaters were repaired.

The repair improved and brought to rated values technical and economic metrics of virtually all boilers and turbines.

- Supplementary overhauls were carried out at:
 - TEP-1, turbogenerator No. 31, that involved complete inspection of the turbine;
 - LAPS-5, the turbine of power unit No. 3 and TG-6, that involved replacement of the HP rotor and packing of the air-gas channel of the HP cylinder.

A supplementary medium repair was carried out at TG-5 of TEP-21.

Instead of replacement of GTU-3, LAPS-3 performed a supplementary repair that involved complete inspection of the unit.

In keeping with the electrical annex repair plan, 22 turbogenerators were worked over, and 10 turbogenerators underwent medium repair.

Aside from that, 30 transformers, 6 banks of air circuit breakers and 22 banks of oil circuit breakers went through major repairs. Repair and upgrading operations were carried out on power plant auxiliaries.

The Heating Grids branch completed all repair works in preparation for the heating season. 80.4 km of heating grids were re-laid, 3119 damaged and weak points were discovered and fixed, 22 pumping stations were repaired and tried out all-round.

The heating grids repairs are carried out with the use of up-to-date techniques of pipework diagnostics — infrared aerial photography of heating conduits and ultrasonic measurement of pipe wall thickness — allowing to determine grid sections that are liable for re-laying in the first place to a closer approximation, and, accordingly, to cut breakdowns.

For the accounting year, 12.7 km of heating conduits with foamed polyurethane insulation in watertight polyethylene sheathing and insulation moisture control system were laid.

Replacement of 564 expansion glands with expansion bellows in 2004, as well as improvement of the operation level of heating grids made it possible to reduce the make-up water consumption by 4.7 million tons.

The electricity grids performed integrated overhaul and routine maintenance at 58 substations of 35–500 kV, repaired 166 air compressors. 30 substations put through complete repair of automatic fire-fighting systems.

Along 35–220 kV overhead transmission lines, 166 km of earth wire and 38.4 thousand defective insulators were replaced, 2367 hectares of the right-of-way land was cleared.

1760 km of 0.4–10 kV overhead power transmission lines and 1015 transformer substations were repaired, 1175 km of wire and 9943 pylons replaced, 900 km of the right-of-way cleared from sprouting, 1827 6–10 kV cable lines renovated, 856 new transformer substations networked.

Moscow Cable Grid in 2004 performed 11,067 repairs of cable lines. Repairs were performed by way of re-laying worn-out portions of cable lines, each 100–200 and more meters long. The year ended with almost 100 km of cables re-laid.

1027 distribution and transformer substations were made good.

193 overloaded transformers were replaced without renovation of transformer substations, as well as 79 overloaded transformer substations underwent refurbishment involving replacement of 158 transformers with larger ones.

The High-Voltage Cable Grids branch in the reporting year performed 166 repairs at the 110–220 kV low-pressure oil-filled cable lines, 50 repairs of pilot and low-voltage

cables. Four automatic feeders at the high-pressure cable lines were overhauled, and structural elements of manifolds, pits and makeup oil supply stations put in order.

Repair of fuel transport departments' equipment of MOSENERGO's power plants, preparation of chemical shop equipment of power plants for operation during the fall and winter seasons, renovation of buildings and structures, cooling towers and stacks were performed within the planned scope.

The success of the repair campaign exerted a strong influence on reduction of equipment failures, 9.2% for the power system as a whole.

Technical Refurbishment and Development

The technical development options of the power system are determined by two principal factors: sustained growth of energy demand in the Moscow area and considerable capital consumption in the Company.

Throughout the recent years, Moscow and the Moscow Region show an expansion in consumption of electric energy and power caused by intensive economic development of the area. If Russia's average year-on-year growth of electricity consumption is 2–3%, in the Moscow area it reaches 4–5%.

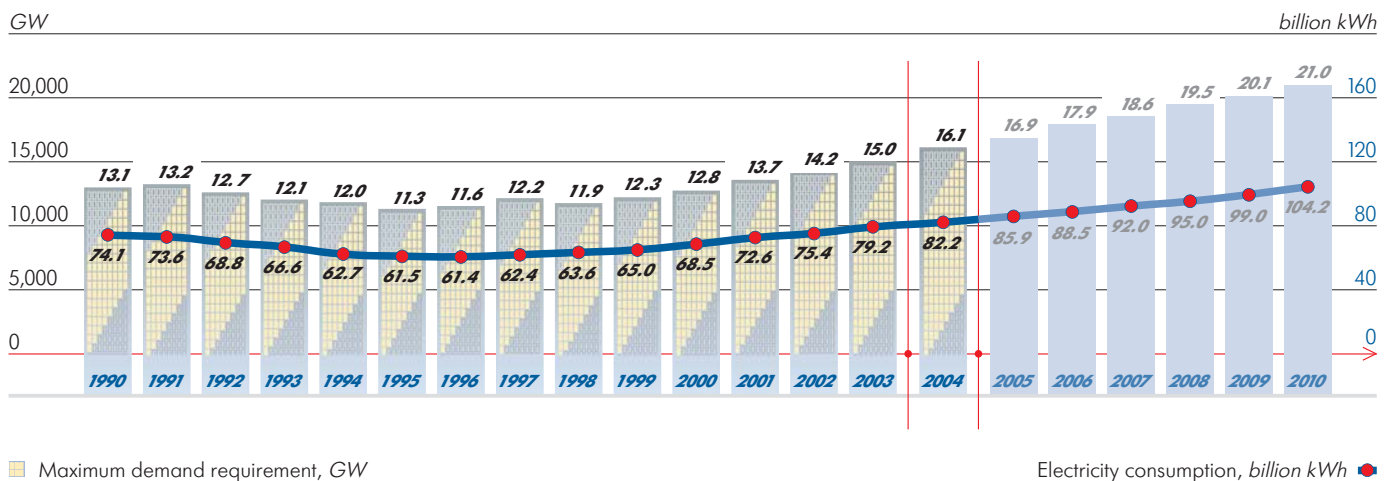
At the same time, further development of Moscow for the account of stepping up the rates of residential building and construction of cultural and household facilities, industry recovery, growth of the number of small-scale entrepreneurs and commercial entities will, in the long run, boost heat consumption.

As of January 01, 2005, capital consumption in MOSENERGO is 61.6%, including deterioration of equipment 67.4%.

The year 2004 leads off a quinquennial peak period, during which turbines with a total capacity between 500 and 700 MW will have been expiring every year. At the same time, MOSENERGO now operates 55 power boilers at the age of over 40. 33 generators at power plants and more than 600 transformers in electricity grids have been working for over 30 years.



■ Electric Energy and Power Demand in the Moscow Area, actual and predicted*



* MOSENERGO's forecast

The most expedient method of replacement of retiring obsolete and worn-out equipment for MOSENERGO is to undertake its technical upgrading or modernization.

Turbine and boiler equipment is rehabilitated by way of its retrofitting, replacement of the most stressed, worn-out assemblies and parts. In this manner, turbine No. 5 at TEP-20 was revamped in 2004, and step-by-step refurbishment of boilers Nos 9, 10 and 11 at TEP-22 has been underway.

Equipment that has served its life is replaced with up-dated, higher-end equipment, usually larger, with improved cost-performance ratio. Thus, overage turbines, boilers, generators at TEP-1, 20, 21, 22 and 23 are replaced in package. Outdated process control systems are also replaced with higher-end, microprocessor-based models, and that greatly enhances controllability and operational reliability of the equipment.

As a result, expenditures 1.5–2 times less, that in case of a new construction provide good-as-new equipment, dramatic retrenchment of costs of its remedial maintenance, considerable fuel saving, lower risk of emergency situations.

For 2005, MOSENERGO is not planning major works in revamping and technical upgrading of capital equipment of its power plants, save for rebuilding of the coal yard at TEP-22 that involves replacement of transfer cranes with a rotary stacker/scooper.

In addition to consummation of retrofitting of the 110 kV Vykhino substation, the electricity grids plan remodeling of the 110 kV Mayakovskaya substation, that involves replacement of two 63 MVA transformers with two 80 MVA transformers, and the 110 kV Teply Stan substation involving replacement of the 40 MVA transformer with a new one of 80 MVA.

In 2005, the Company will continue construction of GTU-TEP in Pavlovsky Posad, and Bor, Ivanovskaya, Narvskaya, Chkalovskaya and Konkovo electric substations, that are required to meet the growing demand of residential areas of Moscow and the Moscow Region.

In recent years, more and more attention is paid to introduction of combined-cycle and gas-turbine technologies in generation of electricity and heat at power plants that offer a number of advantages over conventional steam-turbine technologies.

Modern CCPs and GTUs feature 10–15% higher efficiency, and that reduces expenses for the fundamental cost component which is fuel. Furthermore, they are much more compact and feature improved environmental performance.

MOSENERGO has been designing the construction of a 61.5 MW GTE-65 gas turbine plant equipped with a recovery boiler at TEP-9 and two combined-cycle plants with a capacity of 450 MW each at TEP-27. The feasibility of installation of small gas turbine sets at TEP-6, similar to GTU-TEP in Pavlovsky Posad, has been thrashed out.

New Equipment and Technologies

An important factor in tackling the tasks, that provide for secure energy supply to consumers, is introduction of new equipment and modern processes in MOSENERGO branches, aimed to gain in performance and operational reliability of the energy company.

Among the efforts, that enabled saving of fuel and cash assets in 2004, noteworthy are assimilation of a turbine condenser ball cleaning system and introduction of a variable-frequency electric drive at the main-line pump of TEP-22, assimilation of a new pipe-bending machine, manufactured at the CRMZ, a Company's branch, yielding a two-fold economy in comparison with purchase of a similar machine.

Eight power plants, incorporated in the Company as branches, introduced and put in commercial operation up-to-date automatic natural gas calorimeters, which allowed to improve accuracy and regularity of settlements for the delivered fuel.

The Company carried out measures, aimed to improve the water chemistry conditions of the equipment operation, with the use of a new reagent, Chelamin, at the TEP-1 branch, and a new arrangement of water feed, blowing out and phosphate treatment of the boiler at LAPS-5.

In 2004, equipment of some power plants and electricity grids was fitted with modern process protection features and power management systems with the use of microprocessor technology, automated process monitoring and control systems, fault location and emergency process recording systems. Introduction and assimilation of SF₆-insulated equipment — transformers, SF circuit breakers and modern vacuum circuit breakers — continued.

Energy Saving



1.10

MOSENERGO has been implementing the Energy Saving Program for the period, leading up to 2005 and 2010, elaborated and approved in 2001. Every year its metrics are refined.¹

- In pursuance of the Energy Saving Program objectives, its implementation goes along the following lines:
 - administrative and technical measures during generation and transmission of electricity and heat: reduction of service consumption of thermal power plants, optimization of operation modes and improvement of the electricity grids manageability;
 - equipment of heat and electricity market participants with metering devices: modern electricity meters, commercial metering units, automated energy control and metering systems;
 - power-related surveys of power plants, electrical and heating grids are carried out as consistent with the Federal Law "On Energy Saving" of 03.04.1996, No. 28.

As a result of enhancement of the energy efficiency, the Company branches in 2004 saved 158.3 million kWh of electricity and 68.1 thousand Gcal of heat. The total saving of fuel and power resources amounted to 96.95 thousand tons of equivalent fuel at the cost of RUR 198.6 million.

In 2004, power-related surveys were conducted in 22 branches. The results of the surveys became the base for preparation of reports with recommendations on productivity enhancement and energy certificates.

In the reporting year, MOSENERGO took part in seven international and specialized exhibitions dedicated to energy conservation. MOSENERGO's exhibits visualized the present-day development of the power utility, which was marked with many honorary diplomas of the Ministry of Energy of Russia, RAO UES of Russia, EEC Energy Efficiency Center, steering committees.

Information Technologies and Telecommunications

Efficient and mobile management of a sophisticated technological complex, which is the Moscow power system, is impossible without employment of present-day information technologies (IT) and telecommunications. Addressing this challenge requires improvement of operational flexibility and transparency of accounting, introduction of an easy-to-understand and clearly regulated document control system, better concurrence of actions of MOSENERGO's concerns within a single value chain, streamlining of the automated dispatch control system, creation of a common information space.

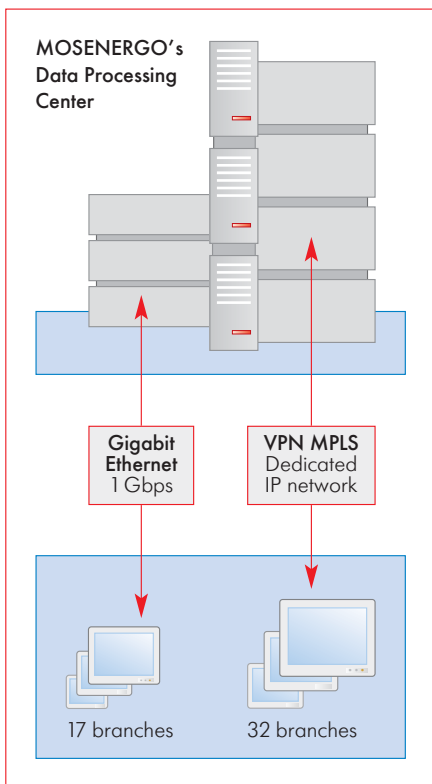
- In 2004, the following major IT projects were implemented:
 - automated electricity billing system was put in commercial operation to improve accuracy, fidelity and integrity of information about the generated, supplied and received electric power;
 - MOSENERGO framed a Data Processing Center (DPC), comprising over 30 servers and a two-terabyte data storage, that enabled creation of a common information space for all software applications of the General Directorate and strengthening of the information security;
 - a maintenance information system (MAIS) has been developed and put on preliminary tests at six TEPs;
 - a single classifier of material and technical resources has been elaborated and introduced into all branches.

The stock of computer facilities of the Company has been upgraded on an on-going basis. In 2004, there were procured by tender and replaced 531 units of outdated personal computers out of 7500 operating in MOSENERGO.

With a view to protect its economic interests on the basis of quality control of purchased software, cutting of costs for acquisition of the software user rights, its operation and maintenance, streamlining of software of the structural units of its General Directorate and branches, MOSENERGO set about creation of an Algorithm and Program Library. Preparation of the centralized register of the Company's application software has commenced. Construction of the central document repository continues.

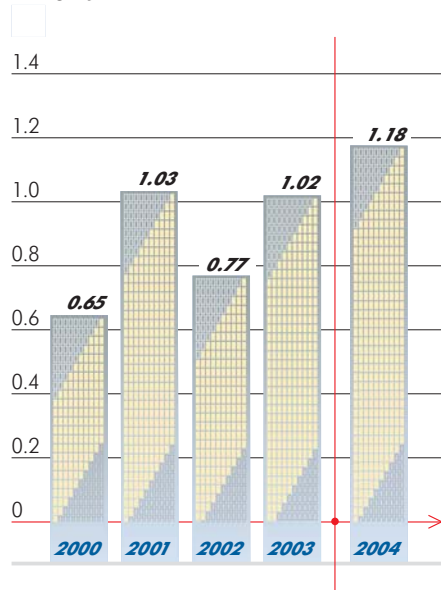
- The Company's telecommunications development work in 2004 attained the following objectives:
 - production and technical facilities of the telephone network had been modernized based on the principles of unification and retrofitting of equipment and services, as well as application of sophisticated technologies;
 - the first stage of introduction of LAN-based telephony for the subscribers of the General Directorate had been put through, as well as construction of the high-technology backbone data transfer network for 33 branches had consummated.

■ Common Information Space in MOSENERGO



Environmental Protection

■ Environmental Costs, RUR bln



In recent decades, environmental control has become perhaps the foremost challenge in all developed countries, including in Russia. MOSENERGO is concerned about ecological well-being of Moscow and the Moscow Region, and actively introduces innovative, environmentally friendly technologies and state-of-the-art equipment.

Air-Pollution Control

Environmental protection is one of the priorities of MOSENERGO, who pursues a long-term ecological program of the Government of Moscow, leading up to 2010. The share of power utilities is about 5% of all emissions in the atmosphere of the Moscow area, while the major source of pollutant emissions is motor transport accounting for over 85%.

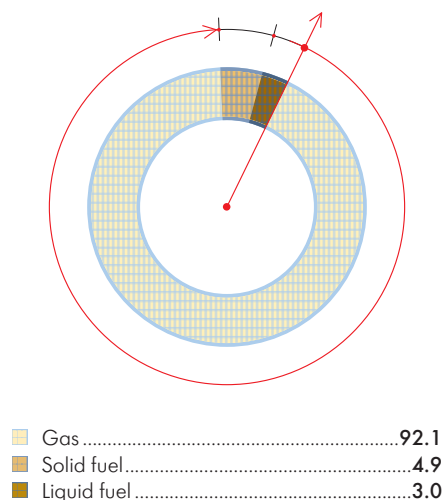
■ Fuel Consumption by MOSENERGO, thou toe

	2000	2001	2002	2003	2004
Gas	25,182.5	26,824.4	26,472.1	27,578.8	26,470.3
Liquid fuel	927.8	473.0	475.2	833.7	860.5
Solid fuel	1,847.6	1,505.3	1,610.2	1,395.6	1,409.9
Total	27,957.9	28,802.7	28,557.5	29,808.1	28,740.7

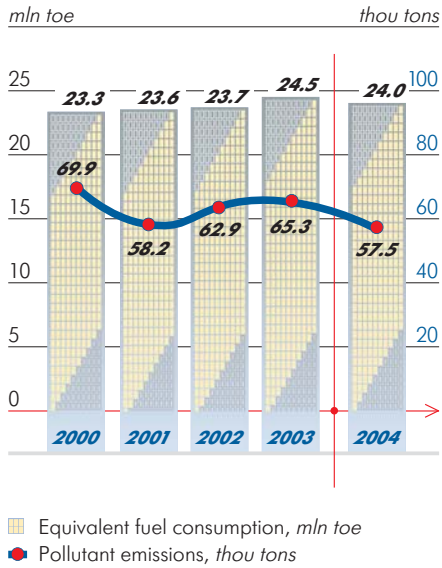
■ Mitigation of the technological environmental impact was achieved through reduction of the quantity of burnt gas, desulphurization of coal and fuel oil, as well as for the account of the Company's implementation of its environmental action plan:

Effort	Efficiency	Aim
Refurbishment of boiler No. 11 at TEP-22 (phase II)	1080 tn/yr	To reduce emissions of nitrogen oxides
Introduction of secondary blowing at boiler No. 5 TEP-25	200 tn/yr	To reduce emissions of nitrogen oxides
Introduction of low-toxic oil-gas burners with the thermal capacity of 8 MW for boiler No. 4 of TEP-1	60 tn/yr	To reduce emissions of nitrogen oxides
Introduction of 11 stationary emission monitors at TEPs Nos 12, 20, 22, 23, 25 and 26	45 tn/yr	To reduce emissions of nitrogen oxides
Introduction of the cavitation technology and upgrading the existing setup of liquid fuel treatment, storage and burning at TEP-1, LAPSs Nos 3, 4 and 5; TEPs Nos 8, 21, 23 and 25	70 tn/yr	To reduce emissions of nitrogen oxides
Enhancement of efficiency of electrostatic precipitators of boilers No. 4 at TEP-22, Nos 4 and 6 at TEP-17	1500 tn/yr	To reduce ash emissions
Introduction of noise suppressors at the PWB of TEP-1, at gas distribution point No. 1 of TEP-25, at the main pressure relief valve of boiler units No. 11 of TEP-8, Nos 2 and 5 of TEP-20, downstream of the smoke exhausters of boilers No. 8 of TEP-12 and No. 5 of TEP-25, at blow fans of PWBs Nos 15 and 16 of TEP-21 and at cooling tower No. 2 of TEP-23		To eliminate adverse noise impact on dwelling houses

■ Pattern of Fuel Consumption in 2004, %



■ Equivalent Fuel Consumption and Pollutant Emissions by Moscow CHP Plants*



* Including TEP-22

During the last decade, MOSENERGO not even once had exceeded the ecological rates prescribed by the national standards, while annually reducing noxious emissions. The year 2004 also saw a 7.8% decline in the volume of pollutant emissions versus 2003, including 9.1% in sulfur dioxide, 7.3% in nitrogen oxides, 6.7% in solids.

In 2004, MOSENERGO's environmental costs exceeded the level of costs of 2003 by 15.5%.

The environmental measures are financed for the account of prime cost and profits, as well as funds, allocated for implementation of target programs for improvement of the environmental situation and appropriated in the form of benefits of the profit tax payable to the Moscow budget.

Water-Pollution Control

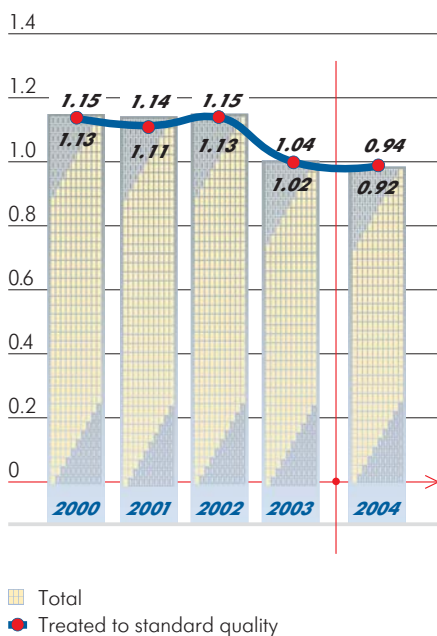
Generation of electricity and heat and other industrial activities of MOSENERGO involve consumption of a considerable amount of water. The issues of reducing water consumption and recycling of water are continuously on the Company's agenda.

Within the framework of water protection measures in the area, water consumption by the power system in 2004 reduced by 115.5 million cu m versus 2003, including by 4.6 million cu m in Moscow.

The Company consumed 7.3 million cu m of drinking water for industrial needs, including 5.4 million cu m in Moscow, down 0.6 million cu m on 2003.

The negative effect on the water basins can be alleviated with cutting down the discharge of contaminants through treatment and recycling of discharge water in TEPs' technological cycle, downsizing the discharge into surface bodies of water, and disposal of solid wastes.

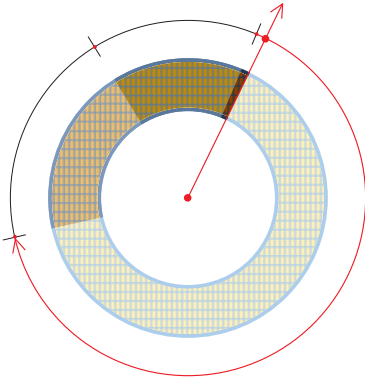
■ Wastewater Discharge, bln cu m/year



■ For the purposes of cutting water consumption and water discharge, improving the quality of wastewater and the effectiveness of wastewater treatment systems, our branches have elaborated and implemented the following measures:

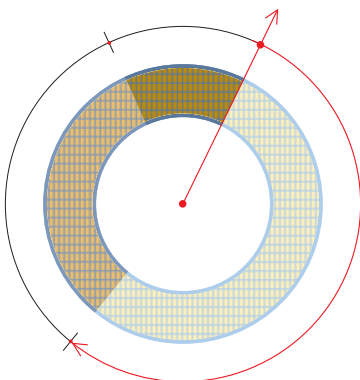
Effort	Efficiency	Aim
Refurbishment and setup of the makeup demineralizer and regenerative air heater wastewater neutralization system, utilizing the cavitation technology at LAPS-5, TEPs Nos 9 and 16	285 tn/yr	To reduce discharge of acidic and alkaline waters
Introduction and repair of the existing oily water treatment systems at LAPS-3, TEPs Nos 8, 9, 11, 12, 16, 17, 20 and 23, in Vostochniye Electricity Grids	400 tn/yr	To reduce discharge of petroleum products
Introduction of lime sludge dewatering facility at TEP-25 MUD	1200 tn/yr	To exclude lime sludge dumping at the waste disposal site
Introduction of water traps at cooling towers No. 1 of TEP-8, No. 3 of TEP-20, No. 1 of TEP-21, No. 3 of TEP-22, No. 1 of TEP-25	до 0.05%	To reduce the drift loss
Installation, repair and adjustment cavitation fish protection systems at LAPS-3, TEP-9, 12 and 21	80%, standard — 70%	To protect juvenile fish

■ **Human Resources Structure**
(as of January 01, 2005)



	pers.	%
Workers.....	29,719	64.3
Specialists.....	9,530	19.8
Managers.....	7,322	15.1
Office workers.....	378	0.8

■ **Employee Age Structure**
(as of January 01, 2005)



	pers.	%
30 to 50 years old.....	25,171	53.6
Above 50.....	15,237	32.5
Under 30.....	6,541	13.9

MOSENERGO attaches great importance to development and approval of regulatory maximum allowable limits for emissions and discharges, water consumption and sewage flow rates, obtaining of licenses for environmental activity and permits for waste disposal.

The Company has already managed to gain a great deal in environmental protection, but is not going to stop at what has been accomplished. The environmental issues are tackled in accordance with the Russian law and in concert with governmental authorities, regulating environmental activities of the Moscow area enterprises.

Human Resource Policy

Personnel

The human resource policy of the Company is aimed at staffing the production with highly-qualified personnel capable of coping with a wide range of tasks.

As of January 1, 2005, MOSENERGO's labor force accounted for 46,949 persons (47,596 employees as at the beginning of 2004).

For the year, the number of the power utility's employees decreased by 647, including 867 manual workers, and 30 office workers. The number of experts and managers increased by 250.

Reduction of total employment in the power system is connected with the efforts to optimize the Company's organizational framework and staffing level, as well as with the Company restructuring. In 2004, the Moscow Technical College, a MOSENERGO branch (staffing level 147), was transformed into Nonprofit Educational Institution "MOSENERGO College".

The age-related parameters of MOSENERGO personnel in 2004 remained approximately at the level of past years: 32.5% of employees are above 50, including the share of experts above 50 is 31.8%.

The education level of MOSENERGO's workforce is maintained high: 25.3% of the Company employees are professionals, 25.6% paraprofessionals. 113 candidates of science are currently working in the Company.

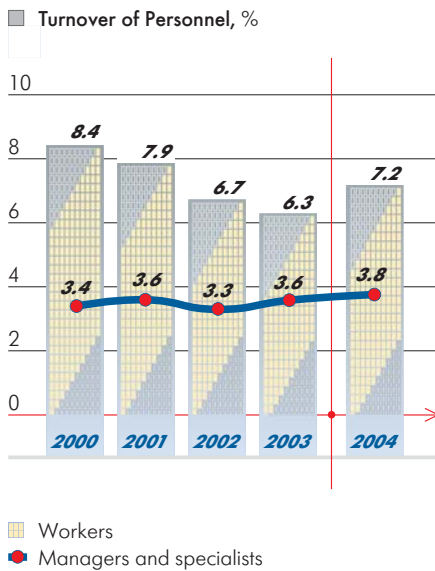
In 2004, MOSENERGO newly employed 138 young skills with higher education (including 39 MEI graduates), 127 persons with specialized secondary education.

- The major thrusts in the Company's personnel strategy are:
 - personnel development and advanced vocational training;
 - training of a managing staff pool;
 - ensuring conditions, that provide incentives for employees in their work, focusing on social aspects in the human resources management, and protection of their interests.

The turnover of personnel in 2004 slightly increased, however its rate is under the natural level.



Personnel Training



In 2004, MOSENERGO trained, retrained and provided a second job training for 1,356 workers. 22,976 workers and 14,255 engineers and technicians improved their qualifications. 12,826 persons had centralized off-site training, including 9,351 persons at the Moscow Personnel Training Center.

As pertaining to personnel training, MOSENERGO cooperates actively with the Moscow Energy Institute, the State Management Institute, the Moscow State Open University, post-graduate training establishments, and other educational institutions, that have relevant licenses and accreditations. In the reporting year, 3,475 persons were educated at outside educational establishments.

In 2004, 51 young skills graduated from higher educational establishments under agreements with MOSENERGO, received a higher education degree and were sent to work in the power utility's branches.

- During 2004, the MCPK hosted professional skill contests among:
 - operational and dispatching personnel of MOSENERGO electricity grid branches;
 - electricians servicing 35–220 kV overhead lines;
 - drivers of MOSENERGO branches;
 - on-line repair staff of electricity grid enterprises of the CIS member-states;
 - multiple-skill crews of operating personnel of MOSENERGO's package TEPs.

The Company held an open contest for the best graduation project in the domain of natural and engineering sciences amongst students of Moscow institutions of higher education, as well as founded and awarded seven fellowships to the best young faculty members of the Moscow Energy Institute.

Occupational Health and Safety

Much attention is paid by the Company to the issues of the personnel safety and health management.

- In 2004, the Company branches implemented an injury prevention action plan:
 - occupational training of managers and specialists in safe working of the collective with the participation of 62 specialists from 8 branches;
 - training in the first aid for victims with the participation of 934 employees from 25 branches. 93 instructors/resuscitators had been trained for holding classes in administering first aid for victims in situ;
 - detection of injury-prone personnel. Testing with the aid of computers was carried out in 10 branches, and the test results with recommendations were used by the management of the branches in training, formation of shifts, gangs, reassignment;
 - training of electricians/drivers in electrical safety under a dedicated program. 52 electricians/drivers from 6 electricity grid branches had been trained;
 - briefing/training of maintenance men in uses of sets of hot sticks (KShZ-10) that enable arranging of temporary ground without climbing a pylon of a 6–10 kV overhead line. 79 men in 4 electricity grid branches had been trained.

MOSENERGO has in place a psychological test system for personnel of power plants and electricity grids. In 2004, all freshly hired operating personnel were subject to psychophysiological testing in the MCPK.

In the reporting year, the power system on a monthly basis held a single Labor Safety Day as a prevention of on-the-job accidents.

To ensure efficient health protection and personnel safety, the Company in 2004 conducted monitoring of the special protection equipment market and bulk purchase and delivery to the branches of fireproof suits resistant to the electric arc effect, Phoenix protective hoods for respiratory protection during emergency evacuation from production premises in case of smoke or gas pollution therein. All electrical technicians are provided with special clothing, safety shoes and other personal protective equipment.

To step up the level of electrical safety of electrical installations, the Company in 2004 installed 26.3 thousand Kristall-S stationary voltage alarms, designed to warn personnel with audio and light signals against erroneous entry into 6–10 kV switchgear cells with live current-carrying parts.

In compliance with the requirements of standards regulating conditions at the workplaces of the electric power industry facilities, over 40 thousand workplaces were certified for working conditions in 2004. The workplace certification was completed in full at 18 power plants, in all electricity grids and 14 other branches.

■ The results of the certification had become the base for carrying out measures aimed to decrease the level of exposure, which allowed to reduce the number of workplaces with harmful labor conditions:

- for the noise and vibration factor — by 21%;
- for the gas-air environment — by 27%;
- for the illumination in PC rooms — by 12%.

As a result of well-planned labor protection and accident rate reduction efforts, general accident frequency rate at MOSENERGO has reduced more than three-fold for the last 5 years, from 27 accidents in 2000 to 8 accidents in 2004. There were no fatal accidents in 2004.

The frequency rate (Kf) of general accidents (number of injuries per thousand workers) for MOSENERGO stood at 0.17 in 2004 (0.23 in 2003).

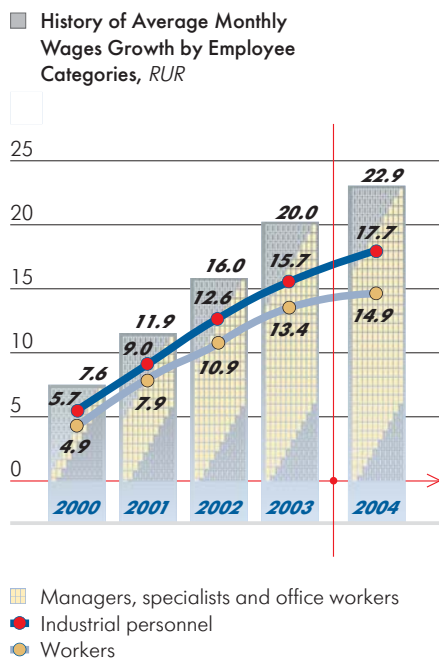
In 2004, 55 branches operated accident-free (52 branches in 2003).

Social Programs

The social policy of MOSENERGO is oriented to creating as much as possible comfortable conditions for effective work of the energy company employees.

An effective social safety net, developed and implemented in MOSENERGO, attracts qualified specialists to work in the Company and is the basis of successful production activities. The Company sticks close to the concluded tariff agreements and provides for timely payment of wages, hardship allowances, allowances for harmful labor conditions, and current bonuses, and for pay increase adjusted for inflation. Development of the system of material and moral incentives for the personnel has been and remains one of the highest priorities of the Company's management.

The average monthly wages of personnel in 2004 grew by 13% against 2003 to equal RUR 17,154.



A component part of MOSENERGO's social policy is clinical work and preventive measures, carried out by the medical section, equipped with modern medical equipment. The medical section priorities are disease prevention and early detection. In 2004, 16,194 employees of the Company were subject to preclinical research. All maintenance men regularly undergo a preventive medical examination.

In 2004, well-directed efforts were taken to arrange for child recreational process. 3,208 children had a rest at recreational camps during the summer holidays.

Organization of leisure time of workers of the power industry and their children is facilitated by 23 musical and vocal, 9 orchestrics, 4 theatrical creative associations and 3 circles of applied art created on the basis of clubs in the Company branches.

In 2004, MOSENERGO successfully held the 9th all-in Physical Culture Festival among its branches, the results of which became the base for composing MOSENERGO's picked teams of best athletes who prospered in various all-Russia and international competitions.

In 2004, 4,486 persons were provided with sanatorium & health resort treatment.

Pursuant to the sector's tariff agreement, MOSENERGO provides mandatory social insurance of all employees against accidents plus medical insurance. Agreements with Guta-Insurance (against accidents) and Health and Life, a Moscow branch of Energogarant Insurance Company, (medical insurance) were concluded and are effective. In 2004, under the accident insurance agreement benefits were paid in 351 events to the amount of 7.24 RUR million. Within the framework of the medical insurance agreement, medical services to MOSENERGO employees in 2004 were rendered to the amount of RUR 40.5 million.

The Company consistently takes care of the Great Patriotic War veterans providing them with fringe benefits. All retired pensioners of the Company receive an additional non-state pension from the MOSENERGO's Non-state Pension Fund.

Ethical Principles of the Company Operation

MOSENERGO follows the ethical code of business, which requires honesty and sincerity among the participants of business relations: the Company and its consumers (reliable and uninterrupted power supply and payment for it in due time), the Company and its employees (payment of wages and salaries for conscientious work without delays, application of systems of material and moral incentives), the Company and the Moscow area (welfare, concern for protection of human health and environment), the Company and its shareholders (payment of dividends, protection of the rights of shareholders, information transparency).

Supply of electrical and thermal power to its consumers is MOSENERGO's mission, and the Company turns all its efforts to its accomplishment.

MOSENERGO observes the rights and protects interests of the energy company's employees. An effective social safety net prevents personnel defections and is the basis of successful production activities. The Company always sticks close to the tariff agreements, under which it pays wages, hardship allowances and makes other payments in a timely manner and in full. Development of the system of material and moral incentives for the personnel remains the prime concern of MOSENERGO's management.

Welfare and charitable programs have become customary for large companies and part and parcel of the values of corporate ethics. Socially important projects, implemented in line with such values, uphold the well-deserved reputation of MOSENERGO, foster a stronger spirit of corporate solidarity, and considerably broaden the scope of constructive cooperation with shareholders, governmental authorities, consumers and partners.

Being the largest regional power utility in Russia, MOSENERGO considers it to be its duty and honor commitment to give support to the Russian culture, education, sports. The Company has a Charity and Welfare Commission, which selects the most significant charitable schemes and exercises a follow-up control.

The objects of address aid of MOSENERGO include the Laura of the Holy Trinity and St. Sergius, Public Union of Football Clubs of Handicapped, UN and UNESCO Foundation "Illustrated Books for Little Blind Children", and many others.

In 2004, for popularization and improvement of the status of the powerman profession, MOSENERGO went on with organization of excursions to its facilities in Moscow and the Moscow Region. Within the framework of the education program, Moscow comprehensive schools conducted electrical safety classes. For the fourth time, MOSENERGO held its open contest for the best graduation project and the best term project in the domain of natural and engineering sciences amongst students of Russian institutions of higher education.

MOSENERGO's Brand

MOSENERGO is one of the foremost and oldest Russian companies operating in the territory of the Moscow area. For years, MOSENERGO's insignia is a carte-de-visite of the Company and is important for its recognizability. At the present time the insignia can be seen not only on numerous power facilities, billboards, on sides of bright vehicles of the energy company, but also in news pages and on TV screens. It embodies reliable supply of heat and electricity to our customers.

After reorganization, MOSENERGO's brand will remain with the company, incorporating 17 CHP plants and a number of maintenance branches, that will generate the bulk of electricity and heat in the Moscow area.

V. Financial Performance Overview

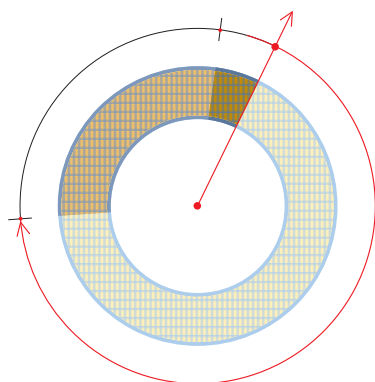
Every morning sees a regular spike of **electricity** consumption loads in MOSENERGO's system



<i>Profit</i>	58
<i>Sales</i>	58
<i>Production Cost</i>	61
<i>Tariff Policy</i>	63



■ Distribution of 2004 Net Profit, %



Accumulation fund	66.7
Dividends	28.3
Reserve capital	5.0

Profit

MOSENERGO's profit on sales of marketable products in 2004 amounted to RUR 13,599.5 million, including the profit on the electricity and heat sales of RUR 13,329.3 million. As compared with 2003, the profit on energy sales doubled (in 2003, the profit on energy sales amounted to RUR 6,486.2 million).

The profit on electricity sales totaled RUR 13,694.4 million, twice as much as in 2003. At the same time, forasmuch as the actual price of the sold heat energy turned out to be below the cost of its generation, the heat sales yielded a loss of RUR 365 million, however it is 1.4 times less that in 2003.

The pretax profit (adjusted for operating and non-sale revenues and expenditures) worked out at RUR 5,013.1 RUR million, the profit tax — at RUR 2,805.4 million.

After the profit tax and other mandatory payments the net profit of the Company came to RUR 2,207.7 million, 1.3 times the level of 2003.

■ Distribution of Profits, RUR'000

	2000	2001	2002	2003	2004*
Retained earnings	1,440,204	2,067,573	646,254	1,730,981	2,207,693
Reserve capital	72,010	206,757	32,313	86,549	110,385
Accumulation fund	790,452	1,343,187	94,663	1,031,305	1,472,997
Dividends	216,729	517,629	519,278	613,127	624,311
Other purposes	361,013	0	0	0	0

* It is suggested that the figures be approved by the general meeting of shareholders

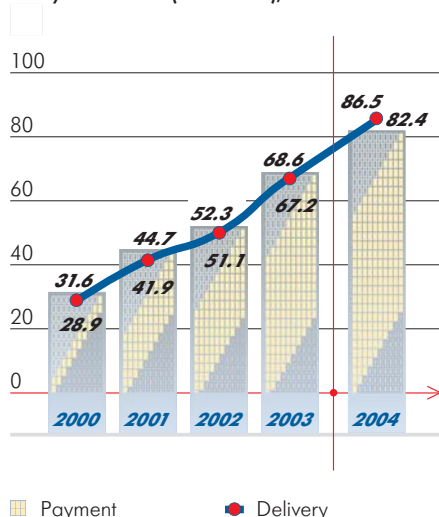
Sales

The cash-based sales of MOSENERGO's commercial output (net of VAT) in 2004 amounted to RUR 89,341 million, including RUR 86,541 million from sales of electricity and heat. The growth of electricity and heat sold, as compared with 2003, equaled RUR 19,323 million, or 28.7%. Sales of other products totaled RUR 2,800 RUR million, up RUR 413.2 million, or 17.3%, year on year.

An increase in commercial product sales was largely caused by a rise in average energy tariffs, as well as by a growth in effective sales of electricity to own consumers.

As a result of consistent work with the consumers, the Company achieved almost 100-percent payments for energy in cash.

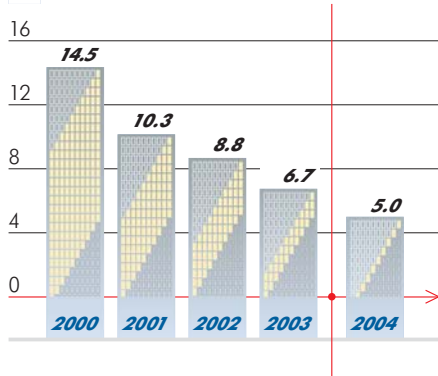
■ History of Energy Deliveries and Payment by Consumers (net of VAT), RUR billion



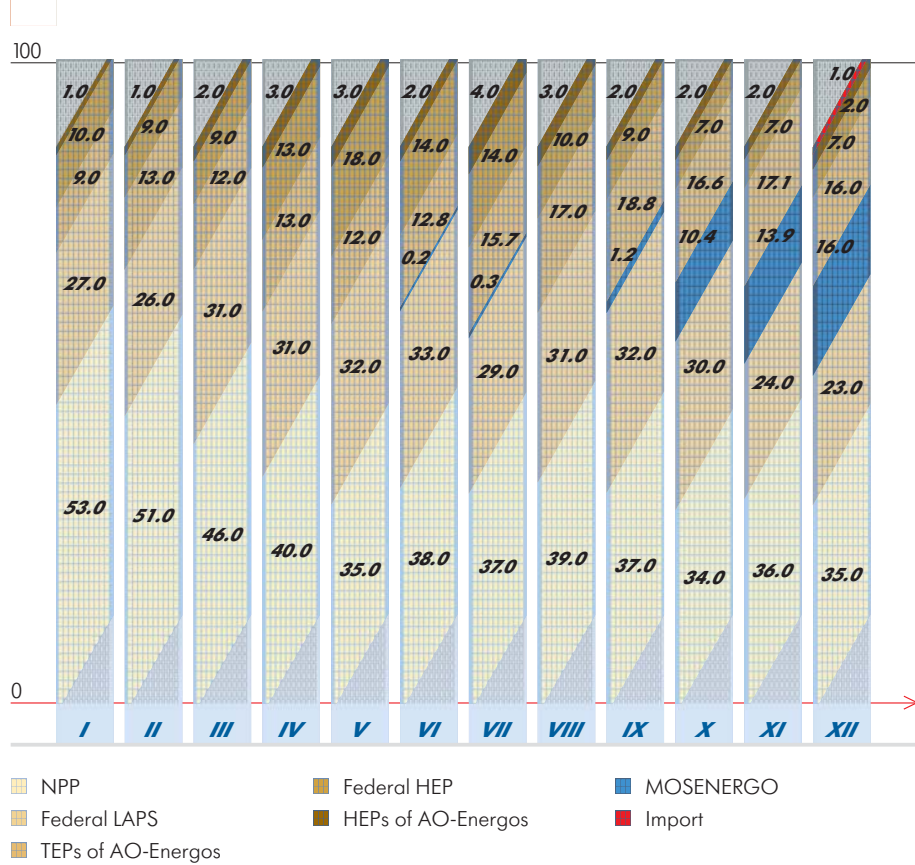
■ Structure of Assets, received for Energy (net of VAT), RUR mln

	Monetary assets	Bank bills	Other means of payments	Total
2002	51 807	450	2	52 259
2003	68 190	388	26	68 604
2004	82 147	278	0	82 425

History of Short-term Receivables Due from Buyers and Customers (VAT included), RUR bln



Pattern of Sales in the Free Market Segment of the Wholesale Electricity Market in 2004, %



From November 1, 2003, the transitional period wholesale electricity market (WEM), divided into three segments — regulated segment, free market segment (FMS) and discrepancy segment — commenced operations in the Russian Federation.

- The WEM has several fundamental distinctions:
 - every hour buyers may buy in the FMS up to 30% of their planned consumption, and sellers may sell up to 15% of the installed capacity;
 - if any buyer fails to buy electricity in the FMS, he automatically returns to the regulated segment;
 - the discrepancy segment operates at fixed rates and coefficients.

■ Purchase and Sale of Electricity in the Free Market Segment of the WEM

Month	Purchase			Sale		
	Volume, mln kWh	Av. tariff, kop./kWh	Amount, RUR mln	Volume, mln kWh	Av. tariff, kop./kWh	Amount, RUR mln
June	276.9	46.81	152.9	7.9	49.46	4.5
July	263.9	47.94	149.3	13.6	50.51	8.1
August	275.9	47.59	154.9	0.03	51.81	0.01
September	175.2	47.83	98.9	55.9	50.84	33.5
October	41.7	45.24	22.3	542.3	48.94	313.2
November	5.5	45.79	2.9	768.6	49.55	449.3
December	13.9	45.68	7.5	983.0	49.41	573.2

During 2004, in the regulated segment of the wholesale market MOSENERGO purchased 9,959.8 million kWh of electricity to the amount of RUR 5,441.2 million. MOSENERGO did not supply electricity to the regulated WEM segment.

From the date of MOSENERGO's joining NP ATS (June 1, 2004) the Company began active buying and selling electricity in the free segment of the wholesale electricity market. Totally, MOSENERGO's purchases of electricity in the free segment amounted to 1,053.0 million kWh for RUR 588.8 million, and sales — 2,371.3 million kWh for RUR 1,381.9 million.

By virtue of the peculiarities of the transitional period WEM, prices in the competitive segment are largely determined by buyers' requisition demands. MOSENERGO purchased electricity in the free market segment at lower tariffs, and sold at higher tariffs than in the regulated segment. An average sale tariff for electric energy and power at the WEM in 2004 was 46.14 kopecks/kWh.

October 2004 saw the first bilateral sale agreement concluded in the free segment of the WEM between MOSENERGO and OAO Yaroslavl Supply Company, under which 156.4 million kWh to the amount of RUR 96.5 million were delivered in October–December with the companies independently determining the electricity price and mode of payment.

By end-2004, MOSENERGO's sales in the free market segment (FMS) accounted for about 16% of the overall total.

The Company performs an ongoing work to gain a 100-percent payment for the energy supplied and to recover consumer debts.

For sober estimate of liquidity of its assets, the Company in 2004 took an inventory of the accounts receivable, as a result of which a RUR 7,323.4 million debt was recognized as value-impaired. With a view to maintain financial stability and to minimize fiscal charges, MOSENERGO provided for doubtful debts for the same amount. In the amount of the provision for doubtful debts, RUR 5,815 million is indebtedness resulting from unsettled accounts with the Energy Committee of the Moscow Region with regard to rates of charges for electricity, applied to the regional power suppliers.

The accounts due from buyers and customers in the balance sheet are stated as a net estimate unadjusted for the provision for doubtful debts. As of January 01, 2005, the amount equaled RUR 4,991.7 million.

The accounts due from energy consumers cum the provision for doubtful debts increased during 2004 by 65.6% (from RUR 6,956.9 million to RUR 11,523.1 million, inclusive of VAT). The receivables from electricity consumers grew by 138.0% (from RUR 4,054.6 million to RUR 9,651 million, inclusive of VAT), including by 171.1% for electricity, sold to own consumers. RUR 569.7 million was written off.

The accounts receivable for electricity, sold to the WEM, decreased by 27.3% (from RUR 714.6 million to RUR 519.4 million).

The accounts receivable for heat fell by 35.5% (from RUR 2,902 million to RUR 1,872 million). RUR 21.7 million was written off.

- The total receivables due from own consumers, that cannot be recovered without implementation of a long-term action program, comprise:
 - RUR 1,134,594 thousand in bad debts;
 - RUR 538,011 thousand in moratorium debts;
 - RUR 64,813 thousand in debts of consumers undergoing bankruptcy proceedings in an external management phase.

Out of the remaining accounts receivable, a RUR 122,340 thousand debt was restructured.

Moscow consumers' arrears for 2004 reduced in the aggregate by 30.5%, including by 1.3% for electricity, and by 37.8% for heat, on account of abatement of the receivables due from Mosgorteplo, Moscow Railroad and other consumers.

Overall receivables due from the Moscow Region consumers showed a 2.9-fold leap boosted by accumulating arrears of power suppliers. The accounts receivable for heat declined 11.6%.

The Company carries out a methodical work to recover debts, including in a judicial proceeding.

Production Cost

In 2004, the production cost of the commercial output, work and services of MOS-ENERGO ramped up 20.4% versus 2003, which is below the inflation rate in the Russian industry (28.3%).

The energy generation cost in 2004 scored 96.7% of the total cost.

The generation cost of electricity reached 83.05 kopecks/kWh (69.36 kopecks/kWh in 2003), of heat — 352.85 RUR/Gcal (300.25 RUR/Gcal in 2003).

Versus 2003, the energy cost run up RUR 11.7 billion, or 19.0%.

The generation cost of electricity grew by RUR 8.3 billion, or 19.7%, the generation cost of heat rose by RUR 3.4 billion, or 17.5%.

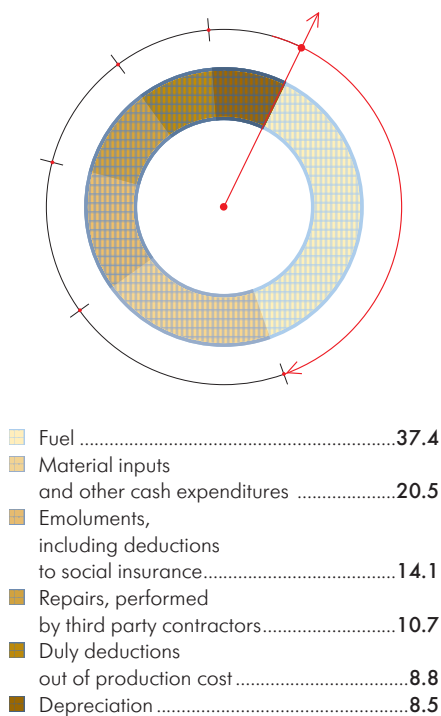
The principal factors, bumping up the cost of energy generation, are growing fuel prices, cost of the maintenance effort and payroll, higher connection fee, established by RAO UES of Russia, and charges for services of the companies, supporting the Company's operations within the Unified Energy System and at the wholesale market.

The price of the primary fuel, natural gas, in 2004 was RUR 1,018.03 per thousand cu m, a 19.6% accretion to the price of 2003.

The price of gas, purchased in excess of the volumes, established by the long-term agreements, was RUR 1,364.43 per thousand cu m (the purchases were made to reduce fuel oil burning).

A ton of fuel oil cost RUR 2,533.37, a 18.5% increase year on year.

■ Breakdown of Energy Generation Costs, %



Kuznetsk coal was RUR 876.32 per ton, inclusive of the railroad tariff, rising 14.4% against 2003.

The average price of equivalent fuel increased by 20.2% as compared with the level of 2003.

MOSENERGO's maintenance costs in 2004 totaled RUR 12.3 billion, which is higher than in 2003 by 12% due to a greater amount of repair operations and inflation.

The payroll costs, including allocations, climbed 11% in accordance with the tariff agreements, concluded with the energy sector's trade unions of Moscow and the Moscow Region.

The connection fee, established for 2004 by RAO UES of Russia, and charges for services of OAO UES SO-CDU, OAO FGC, ZAO TsDR-FOREM exceeded the level of 2003 by 13%.

MOSENERGO places a high emphasis on the cost-saving effort and creation of expenditure optimization mechanisms, allowing to increase the profitability of the Company's business. MOSENERGO is carrying out this work in accordance with the cost management program.

The actual fulfillment of the program in 2004 accounted for RUR 1,159 million, which is 1.4 times higher than the target figure mainly due to a reduction in repair costs (target — RUR 72 million, actual — RUR 221 million), a decrease in fuel costs (target — RUR 417.6 million, actual — RUR 570 million), and due to in-process and commercial energy loss saving, that equaled RUR 178 million with the target of RUR 136 million.

In accordance with its cost management program, the Company procures material and technical resources, contractor's work and services by tender.

MOSENERGO has in place an integrated system of preparation and holding of tenders for the supply of goods and services to cover the Company's needs.

In 2004, tenders and regulated off-tender procedures were carried out with a view to conclude contracts under the most favorable for MOSENERGO conditions in all areas of activities.

- In 2004, the Company planned tendering within the framework of competitive procedures in the amount of RUR 7 billion, including:
 - for the procurement of goods, work and services for maintenance and repair of power facilities — RUR 4.5 billion;
 - for the procurement of goods, work and services for capital construction — about RUR 2.5 billion.

In practice, the year 2004 saw 1,681 competitive procedures, as a result of which the Company awarded contracts for the supply of goods, performance of works and rendering of services along the lines of activity of the Company to the total amount of RUR 12.1 billion, 1.7 times the level of 2003.

The economies of the efficiently carried out competitive procedures exceeded RUR 360 million.

Tariff Policy

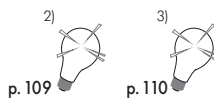


1.11

MOSENERGO's consumers pay for the energy consumed at the rates, approved by the Regional Energy Commission of the City of Moscow and the Energy Committee of the Moscow Region.¹

The moneys, received by the Company from payments for energy, are channeled for the procurement of fuel, capital construction and equipment repair, payment of wages and salaries. A cash gap undermines the operational reliability of the entire power system. For this reason, during 2004, MOSENERGO pursued a well-considered and weighted tariff policy, especially in respect of the most troublesome consumers.

Throughout the year, the Company had been trying to resolve an issue of appropriateness of application by MOSENERGO of tariffs for electricity dispatched to the Moscow Region power suppliers, established by the Company in pursuance of the MREC Minutes of December 17, 2003, as applicable to other consumers and renounced by the above suppliers. The Company keeps on carrying its point and is positive that the problem will be resolved in 2005.



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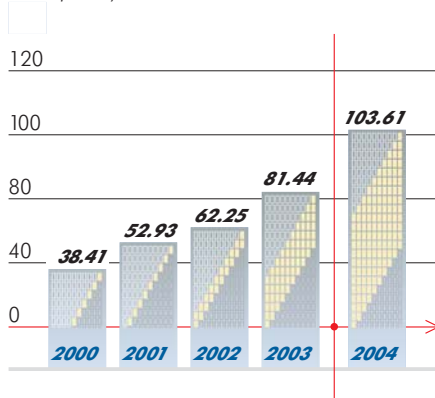
■ In 2004, new tariffs for electricity² and heat³ were introduced as from January 1 in Moscow and in the Moscow Region for the following consumer groups:

Electricity		Heat
Moscow	Moscow Region	Budget-sponsored cons.
Budget-sponsored cons.	Base consumers	Residents
Residents	Budget-sponsored cons.	Other consumers
Other consumers	Residents	
	Other consumers	

■ Electricity, kopecks/kWh

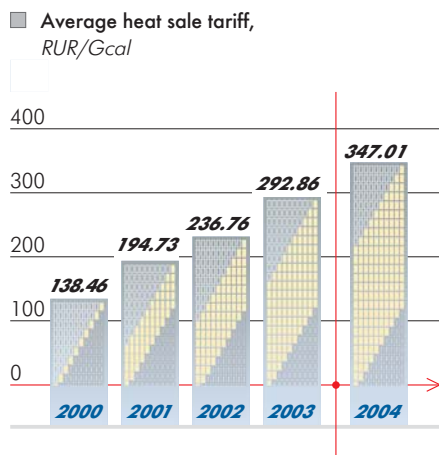
	MOSENERGO	Moscow	Moscow Region
Average schedule rate as from January 1, 2004	99.14	102.9	94.8
Accretion to the tariff effective before January 1, 2004, %	13.4	13	14.1
Average sale tariff for 2004	103.61	100.75	106.87
Accretion to the actual of 2003, %	27.3	14.5	44.7

■ Average electricity sale tariff, kopecks/kWh



The governmental tariff regulation authorities approved electricity rates differentiated with respect to the voltage levels.

- The average schedule rate is now 99.14 kopecks/kWh, including:
 - for high voltage — 70.55 kopecks/kWh;
 - for medium primary voltage — 94.33 kopecks/kWh;
 - for medium secondary voltage — 110.13 kopecks/kWh;
 - for low voltage — 101.64 kopecks/kWh.



■ Heat, RUR/Gcal

	MOSENERGO	Moscow	Moscow Region
Average schedule rate as from January 1, 2004	350.8	351.4	340.0
Accretion to the tariff effective before January 1, 2004, %	14	14.9	0
Average sale tariff for 2004	347.01	348.3	328.13
Accretion to the actual of 2003, %	18.4	19.3	5.9

MOSENERGO tariffs still feature sponsoring of households, however it declines for the account of outstripping growth of residential tariffs as compared with other consumer categories, but the growth dynamics of the tariffs is reined back by the local governments of the RF constituent members and by implementation of the government program for reforming the municipal housing economy.

■ Tariffs and margin of generation

	MOSENERGO	Moscow	Moscow Region
Electricity, kopecks/kWh			
Annual average schedule rate	99.14	102.9	94.8
Average sale tariff	103.61	100.75	106.87
Generation cost	83.05		
Margin, %	27.2		
Heat, RUR/Gcal			
Annual average schedule rate	350.8	351.4	340.0
Average sale tariff	347.01	348.3	328.13
Generation cost	352.85		
Margin, %	-1.6		

Heat generation in 2004, as in 2003, was loss-making for MOSENERGO. The effectively prevailing heat tariff was below the approved rate due to a change in the pattern of payments in favor of the settlements with the consumers, who enjoy lower tariffs, as well as by collection of receivables owed by the consumers chargeable at lower rates.

MOSENERGO's key goal in tariff policies is to stand upon its position at the RF FTS, the Moscow City REC and the Energy Committee of the Moscow Region, that is to bring the existing tariffs to an economically justified level step-by-step.

VI. Financial Statements

MOSENERGO prepares consolidated annual financial statements in accordance with the Russian Financial Reporting Standards, as well as in agreement with the International Financial Reporting Standards (IFRS).

The consolidated financial statements prepared by analysts of MOSENERGO in accordance with the Russian Financial Reporting Standards for the year ended on December 31, 2004, are presented in this section of this Annual Report.

The consolidated financial statements prepared in accordance with the International Financial Reporting Standards for the year ended on December 31, 2004, can be found on the Company's Web site in the "To Shareholders and Investors" section.¹



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Management's Opinion on Financial Statements

The financial statements of MOSENERGO are made out in full compliance with legislative and regulatory acts in force in the Russian Federation.

The Company's management bears full responsibility for preparation of consolidated annual financial 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, 2004.

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 June 28, 2004.

The financial statements for 2004 were examined by OOO RSM Top-Audit, an independent firm of auditors, approved as the Company auditor by the General Meeting of Shareholders on June 28, 2004. The independent auditors carry out their audits within the framework of generally accepted auditing standards. In the course of the audit, auditors have access to financial statements and other documents, as well as follow the prescribed procedure with a view to obtain adequate grounds for expression of their opinion about the compliance of the financial statements with the requirements of the legislation in force and absence of material distortions therein.

Based on the results of the conducted audit, MOSENERGO's management obtained pertinent reports, that bear evidence of the authenticity in all material respects of the data contained in financial statements and compliance of the accounting practices with the Russian Federation legislation.

The consolidated annual financial statements of MOSENERGO for the year, ended on December 31, 2004, was approved on March 1, 2005, on behalf of the management:

General Director

Chief Accountant



A.V. Yevstafiev

T.P. Dronova

Opinion of the Audit Commission of MOSENERGO, Open Joint Stock Company for Energy and Electrification

March 25, 2005

Moscow

The Audit Commission of MOSENERGO, Open Joint Stock Company for Energy and Electrification, elected by the General Meeting of Shareholders on June 28, 2004, acting within the powers defined by the Federal Law "On Joint Stock Companies", Charter of MOSENERGO, Open Joint Stock Company for Energy and Electrification, and the Articles of the Audit Commission of MOSENERGO, Open Joint Stock Company for Energy and Electrification, had audited financial and economic activities of the Company in 2004.

The audit was carried out as required by the Russian Federation legislation and the Audit Commission's resolution of February 25, 2005.

The purpose of the audit was to authenticate the metrics of the account books, statistical reports and other documents of the Company, their compliance with the Russian Federation legislation.

The auditing targets were financial and economic activities of the Company in 2004, financial and business records, including account books and statistical reports, as well as other documents.

The audit found as follows.

The Annual Report is a true reflection of the Company's assets, financial performance, and cash flows. Assets, liabilities, and economic operations are denominated in rubles, the legal tender of the Russian Federation. Sales profit was defined as the difference between proceeds from sales at the effective prices and tariffs, net of VAT, and the respective costs of production, distribution, and sales. Financial and business transactions are proved out by book records. The accounting ledgers are in compliance with their respective underlying instruments.

The audit found no material breaches or distortions, as regards compliance with the requirements of the Russian Federation legislation, in conducting financial and business transactions.

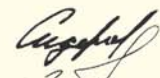
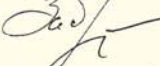
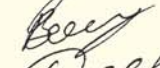
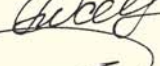

Authenticity of the annual financial statements in all material respects, as well as the compliance of the accounting practices with the Russian Federation legislation are affirmed by MOSENERGO Auditor's Opinion on Financial Statements No. EL-304 of February 18, 2005, prepared by RSM Top-Audit Limited.

Based on the above and as consistent with the findings of the audit of financial and economic activities of the Company, the Audit Commission hereby validates data contained in the annual report of the Company:

1. The Company's financial performance figures for 2004 are accurate.
2. The financial statements with the balance-sheet total of RUR 132,047,290 thousand give a true and fair view of the assets and liabilities as of December 31, 2004, and financial performance over 2004.
3. The net distributable profit for the accounting period is RUR 2,207,693,959.

Chairman of the Audit Commission

Members of the Commission:

	S.B. Sidorov
	O.V. Zabrodin
	V.A. Zagorodnikh
	O.N. Mansurova
	D.N. Nikitin

RSM Top-Audit

18.02.05г. № Эл-304



RSM Top-Audit Limited Company.
building 2, 54 Bolshaya Ordynka St., Moscow 119017.
Phone: +7 (095) 981-4121. Fax: +7 (095) 363-2848
www.top-audit.ru, E-mail@top-audit.ru

Auditor's Opinion on Financial Statements

To shareholders of MOSENERGO

Auditor: RSM Top-Audit Limited Company.

Legal address: building 4, 5 Shosse Entuziastov, Moscow 111024, Russia.

Mail address: building 2, 54 Bolshaya Ordynka St., Moscow 119017.

Phone/fax: 363 28 48, 981 41 21.

INN (Taxpayer ID) 7722020834

State Registration Certificate No. 360.640, dated April 02, 1992, issued by the Moscow Registration Chamber.

Auditing License No. E 004827, issued pursuant to the RF Ministry of Finance's Order No. 238 of August 01, 2003.

The said license is issued for five years from the date thereof.

RSM Top-Audit Limited Company is a member of the Institute of Professional Auditors (IPAR).

Audited Entity

Name: MOSENERGO Open Joint Stock Company for Energy and Electrification (abbreviated name: MOSENERGO).

Location: 8 Raushskaya Naberezhnaya, Moscow 115035, Russia.

Registration number 12473, date of state registration April 06, 1993, re-registered on October 18, 2004.

MOSENERGO has the following key centralized licenses:

License for operation of electricity grids No. 50023203, effective from May 20, 2004, through May 19, 2009.

License for operation of heating grids No. 60023207, effective from May 20, 2004, through May 19, 2009.

License for operation of facilities liable to pressure vessel control, No. 42EK-002439, effective from August 11, 2000, through August 11, 2005.

License for operation of natural gas facilities No. 42EK-002560, effective from August 25, 2000, through August 25, 2005.

License for operation in the sphere of construction of buildings and structures, No. GS-1-50-02-22-0-7705035012-000502-1, dated December 21, 2001, with effect until December 21, 2006.

License for operations relating to use of information, that constitutes state secret, No. 6622 of November 10, 2004, with effect through November 10, 2009.

License for repair of measurement instruments, No. 000027-R, dated December 02, 2002, with effect until December 02, 2007.

Member of RSM International
International Audit
and Consulting association

Member of Institution
of Professional Auditors (IPAR)

Profit and Loss Statement

■ Metric	Note No.	RUR'000	
		2004	2003
I. Income and expenditure for core activities			
Proceeds from sales of goods, products, works, services (net of VAT, excises and similar mandatory payments)	[1]	89,340,979	69,605,033
Production cost of goods, products, works, services sold		(75,672,995)	(62,895,953)
Gross profit		13,667,984	6,709,080
Business expenses		(68,457)	(65,842)
Management expenses		—	—
Sales profit		13,599,527	6,643,238
II. Other income and expenditure			
Interest receivable		2,250	1,935
Interest payable		(1,270,145)	(678,717)
Revenues from interest in other organizations		5,851	6,672
Other operating income	[2]	6,240,852	2,046,127
Other operating expenses	[2]	(11,303,666)	(4,029,760)
Nonoperating income	[3]	1,182,174	1,038,140
Nonoperating expenses	[3]	(3,443,772)	(1,830,037)
Pre-tax profit		5,013,071	3,197,598
Deferred tax assets		1,420	1,761
Deferred tax liabilities		(150,193)	(213,307)
Profit tax expense-current		(2,656,605)	(1,255,071)
Net profit		2,207,693	1,730,981
For reference			
Standing tax liabilities (assets)		1,615,610	699,188
Basic earnings (loss) per share		0.0781	0.0612
Diluted earnings (loss) per share		—	—

Decoding of Individual Profits and Losses

Metric	RUR'000	
	2004	2003
Penalties, fines and forfeits recognized or imposed by decision of the court (arbitration)		
profit	45,748	44,438
loss	(10,286)	(39,308)
Profit (loss) of previous years		
profit	394,158	588,470
loss	(186,904)	(55,060)
Reimbursement for losses inflicted by nonfulfillment or improper fulfillment of obligations		
profit	592	1,104
loss	(2,143)	(4,431)
Differences in rates of exchange for transactions in foreign currency		
profit	213,544	280,544
loss	(85,586)	(64,607)
Allocations toward assessed reserves		
loss	7,600,354	865,119
Writing off of accounts receivable and payable with expired period of limitation		
profit	1,858	6,086
loss	(183,265)	(14,329)

Balance Sheet

■ Assets	Note No.	RUR'000	
		as of 31.12.2003	as of 31.12.2004
I. I. NONCURRENT ASSETS			
Intangible assets		47	44
Fixed assets	[4]	95,578,825	100,572,605
Construction in progress	[5]	6,707,036	9,433,502
Income-bearing placements in tangibles		0	0
Long-term financial investments	[6]	86,811	67,289
Deferred tax assets		1,761	3,181
Sundry noncurrent assets		0	0
Section I TOTAL		102,374,480	110,076,621
II. CURRENT ASSETS			
Inventories	[7]	5,287,160	5,860,420
including:			
stores, supplies and other similar valuables		4,724,259	5,062,991
rears and fatteners		63,359	68,603
expenditures for work in progress (distribution costs)		62,774	189,060
finished products and goods for reselling		42,106	48,973
goods forwarded		0	0
deferred expenses		394,662	490,793
other inventories and expenses		0	0
Value-added tax on valuables acquired	[8]	1,747,493	2,652,292
Receivables (expected to be paid in more than 12 month from the reporting date)	[9]	182,973	143,160
including:			
buyers and customers		86,463	60,236
Receivables (expected to be paid within 12 month after the reporting date)	[10]	12,380,276	8,297,452
including:			
buyers and customers		6,733,120	4,991,685
Short-term financial investments	[11]	30,378	26,672
Monetary assets	[12]	4,672,173	4,990,673
Sundry current assets		0	0
Section II TOTAL		24,300,453	21,970,669
BALANCE		126,674,933	132,047,290

■ Liabilities	Note No.	RUR'000	
		as of 31.12.2003	as of 31.12.2004
III. CAPITAL AND RESERVES			
Charter capital		28,267,726	28,249,360
Company stocks redeemed from stockholders		0	0
Additional capital	[13]	72,707,691	72,429,312
Reserve capital	[14]	311,405	397,954
including:			
reserve funds formed in compliance with the legislation		311,405	397,954
reserve funds formed in compliance with the constituent documents		0	0
Retained earnings (uncovered loss)		3,165,569	4,903,295
Section III TOTAL		104,452,391	105,979,921
IV. LONG-TERM LIABILITIES	[15]		
Loans and credit facilities		2,748,767	1,498,120
Deferred tax liabilities		595,935	746,128
Other long-term liabilities		0	0
Section IV TOTAL		3,344,702	2,244,248
V. SHORT-TERM LIABILITIES	[16]		
Loans and credit facilities		9,236,614	10,545,886
Accounts payable		7,361,706	11,064,236
including:			
suppliers and contractors		2,900,385	4,030,618
accrued payroll		391,567	390,150
debts payable to public extra-budgetary funds		92,030	101,957
arrears of taxes and levies		1,350,623	2,995,461
other accounts payable		1,523,638	2,037,077
Arrears of revenues payable to members (founders)		1,006	579
Deferred incomes		2,278,514	2,212,420
Provision for liabilities and charges		0	0
Other short-term liabilities		0	0
Section V TOTAL		18,877,840	23,823,121
BALANCE		126,674,933	132,047,290

Statement of Valuables on Off-balance Sheet Accounts

Metric	RUR'000	
	as of 31.12.2003	as of 31.12.2004
Fixed assets taken on lease	6,395,848	8,582,828
including on long-term leasing	426,750	433,824
Inventory taken in charge	110,316	96,879
Goods taken on commission	0	0
Bad debts written off to losses	1,080,422	1,841,216
Security for liabilities and payments received	232,474	232,484
Security for liabilities and payments issued	2,226,599	8,519,181
Depreciation of housing stock	10,769	8,463
Depreciation of utilities and other similar facilities	0	0
Intangible assets received for use	0	0

Statement of Change in Owners' Equity for 2004

	RUR'000				
	Charter capital	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
I. Alteration in Capital					
Metric					
1	2	3	4	5	6
Balance as of December 31, 2002	28,267,726	73,113,443	279,092	2,056,647	103,716,908
	2003				
Changes in the accounting policy	x	x	x	(382,628)	(382,628)
Balance as of January 1, 2003	28,267,726	73,113,443	279,092	1,674,019	103,334,280
Net profit	x	x	x	1,730,981	1,730,981
Dividends	x	x	x	(519,278)	(519,278)
Allocations to the reserve fund	x	x	32,313	(32,313)	—
Increase of the capital value for the account of:					
additional issue of shares	—	x	x	x	—
increase of the shares par value	—	x	x	x	—
reorganization of the legal entity	—	x	x	—	—
other	—	13,568	—	330,985	344,553

1	2	3	4	5	6
Decrease of the capital value for the account of:					
reduction of the shares par value	—	x	x	x	—
reduction of the number of shares	—	x	x	x	—
reorganization of the legal entity	—	x	x	—	—
other	—	(419,320)	—	(18,825)	(438,145)
Balance as of December 31, 2003	28,267,726	72,707,691	311,405	3,165,569	104,452,391
2004					
Changes in the accounting policy	x	x	x	—	—
Balance as of January 1, 2004	28,267,726	72,707,691	311,405	3,165,569	104,452,391
Net profit	x	x	x	2,207,693	2,207,693
Dividends	x	x	x	(613,127)	(613,127)
Allocations to the reserve fund	x	x	86,549	(86,549)	—
Increase of the capital value for the account of:					
additional issue of shares	—	x	x	x	—
increase of the shares par value	—	x	x	x	—
reorganization of the legal entity	—	x	x	—	—
other	—	—	—	250,796	250,796
Decrease of the capital value for the account of:					
reduction of the shares par value	—	x	x	x	—
reduction of the number of shares	(18,366)	x	x	x	(18,366)
reorganization of the legal entity	—	x	x	—	x
other	—	(278,379)	—	(21,087)	(299,466)
Balance as of December 31, 2004	28,249,360	72,429,312	397,954	4,903,295	105,979,921

II. Provisions

Metric	RUR'000			
	Balance	Received	Used	Balance
Reserve funds formed in compliance with the legislation:				
data of the preceding year	279,092	32,313	—	311,405
data of the reporting year	311,405	86,549	—	397,954
Assessed reserves:				
provision for doubtful debts				
data of the preceding year	—	865,119	(71,311)	793,808
data of the reporting year	793,808	7,600,354	(948,348)	7,445,814

Reference Information

Metric	RUR'000			
	Balance as at the begin of the year		Balance as at the end of the year	
1) Net assets	106,730,905		108,192,341	
	Budgetary funds		Extra-budgetary funds	
	for the account- ing year	for the preced- ing year	for the account- ing year	for the preced- ing year
2) Received for core activities spending — total	10,644	10,350	3,421	3,228
including:				
for payments to Chernobyl victims	694	689	—	—
miscellaneous	9,950	9,661	3,421	3,228

Cash Flow Statement

Metric	RUR'000	
	2004	2003
Opening cash flow	4,659,702	1,740,285
Cash flow for day-to-day operation		
Cash received from buyers, customers	99,116,227	84,109,082
Receipts of purchased foreign currency	645,681	754,631
Proceeds from contingencies	46,523	38,858
Cash received from in-house account	46,832,553	43,511,340
Other income (proceeds)	1,077,473	438,544
Cash allocated for:		
payment for purchased goods, works, services, raw materials and other current assets	(33,349,855)	(27,536,738)
to payment for labor	(8,642,914)	(7,771,099)
to payment of dividends, interest	(567,715)	(474,717)
payment of taxes and levies	(11,654,764)	(9,172,338)
contingency payments	---	(5,581)
in-house interaccount transfers	(46,832,553)	(43,511,340)
social transfers	(74,693)	(46,546)
other expenses (payments)	(40,377,908)	(33,932,886)
Net cash from day-to-day operations	6,218,055	6,401,210
Cash flow in investment activities		
Proceeds from sales of fixed assets and other non-current assets	677,667	157,083
Proceeds from sales of securities and other financial investments	22,734	10,624
Dividends received	5,505	7,318
Interest received	—	191
Other receipts	25,892	10,592
Acquisition of fixed assets, income-bearing placements in tangible and intangible assets	(4,718,731)	(4,950,853)
Acquisition of securities and other financial investments	—	(490)
Other expense	(1,910,365)	(3,531,699)
Net cash from investment activities	(5,897,298)	(8,297,234)
Cash flow in financial activities		
Proceeds of loans and credit facilities granted by other organizations	11,612,229	11,715,000
Receipt of funds under target financing	12,340	11,959
Other income	7,077	—
Repayment of loans and credit facilities (net of interest)	(11,407,011)	(6,825,523)
Extinction of financial lease obligations	(208,497)	—
Other expense	(9,018)	(76,462)
Net cash from financial activities	7,120	4,824,974
Net increase (decrease) in cash and cash equivalents	327,877	2,928,950
Cash balance as at the end of the accounting period	4,987,579	4,669,235
Effect of foreign exchange movements with respect to ruble	9,533	14,370

General Principles of Accounting Policy

Accounting policy of MOSENERGO is pursued in conformity with Federal Law No. 129-FZ "On Accounting" of November 29, 1996, and normative acts of the Russian Ministry of Finance regulating the bookkeeping practices and accounting rules.

Based on the above regulatory documents, MOSENERGO's General Director issued Order No. 1048 of December 24, 2003, "On Accounting Policy for 2004", with subsequent amendments and addenda thereto, to formulate major accounting principles of the Company for 2004.

Business transactions are accounted in the books according to the Working Chart of Accounts of Financial and Economic Operations of MOSENERGO, approved by MOSENERGO's General Director's Order No. 1067 of December 29, 2003.

MOSENERGO and all its branches apply interdepartmental model forms of primary accounting documents, recommended by the State Committee for Statistics of Russia.

Financial and business transactions, for which model forms of primary accounting documents are not provided, as well as internal accounts are formalized with the use of forms of primary accounting documents approved by MOSENERGO.

Assets, liabilities, and economic operations are denominated in rubles, the legal tender of the Russian Federation.

Changes in the Accounting Policy

The Company's accounting policy in 2004 underwent no major changes.

Fixed Assets

Fixed assets include assets, that are used in output of products, execution of works, rendering of services or for management exigencies of MOSENERGO during a term lasting more than 12 months.

Items referred to the fixed assets are accounted at their actual costs of acquisition or construction. In the statements, the fixed assets are shown at their initial cost less depreciation accumulated over the entire period of their operation.

Fixed assets are subject to straight-line depreciation. For the purposes of accounting of fixed assets, recorded in the books before January 1, 2002, depreciation is accrued proceeding from the useful life thereof applicable as of the date of placing such fixed assets in operation.

The useful life of fixed assets, recorded in the books after January 1, 2002, for the purposes of accounting is determined according to the Russian Federation Government's

Resolution No. 1 "On Classification of Fixed Assets Included in Depreciation Groups" dated January 1, 2002.

No depreciation was accrued on land and housing facilities.

Income and expenditure incidental to the retirement of fixed assets are stated in the Profit and Loss Statement among operating income and expenses, with expenditure caused by write-off and gratuitous transfers of fixed assets shown within the operating expenses.

The interests on loans, obtained to finance fixed assets acquisitions (construction), are incorporated in the initial cost of such fixed assets. The interests, accrued on the loans after the fixed assets have been posted into the ledger, are charged to the fiscal effects.

Intangible Assets

Included among intangible assets are costs of intangibles, that are used over a period exceeding 12 months.

The intangible assets are valued and accounted at actual acquisition costs.

The intangible assets included MOSENERGO's trademark.

Inventories

Inventories are assessed at their actual acquisition costs.

The inventories released into the production process or otherwise disposed of were valued in 2004 at their mean cost.

Work in progress and end products (work, services) were valued at the actual cost.

Expenses, incurred by the Company in the reporting year, but relating to the next reporting periods, are shown as deferred expenses subject to the appropriate flat-rate amortization within their relevant periods.

Payables Due from Buyers and Customers

Payables due from buyers and customers are determined, based on the prices, set in agreements between the Company and such buyers, inclusive of all discounts (mark-ups).

Bad debt is subject to writing off the books as it is recognized as such.

Provision for Liabilities and Charges

The Company makes no provision for liabilities and charges.

Foreign Currency-Denominated Assets and Liabilities

Entries, related to the Company's foreign currency accounts and foreign currency-denominated transactions, are made in rubles. Entries are made by way of converting the foreign currency at the rate of the Central Bank of Russia as effective on the transaction date. The same entries are also made in the currency of relevant settlements and payments.

In accounting of a foreign currency-denominated transaction, the official rate of the ruble effective on the date of the transaction was applied. Cash assets and liabilities, denominated in foreign currencies, are reflected in the accounting statements as amounts calculated, based on the official rate of the ruble effective on December 31, 2004, i.e. RUR 27.7487 per USD and RUR 37.8104 per EUR.

The exchange rate differences are posted to the "Profits and Losses" account and then included in the calculation of the profit tax, unless otherwise prescribed by the laws of the Russian Federation. The period of accounting is one month.

Any exchange differences, emerging during the year in transacting assets and liabilities, and also in their recalculation as of December 31, 2004, are charged to the fiscal effect and reflected among non-operating income and expenses.

Additional Capital and Reserve Capital

- Additional capital is derived from:
 - the increased value of the fixed assets as determined in their re-evaluation; and from
 - revenues, received through selling some of the Company shares at a premium price.

The Company forms a reserve fund that is intended to cover losses that may occur in the course of the Company's business, as well as for redemption of the Company's bonds and shares if other funds are unavailable. In accordance with Article 8.1 of the Company's Charter,¹ the amount of mandatory annual allocations to the reserve fund is at least five per cent of the net profit of the Company until the established amount of the reserve fund is reached (five per cent of the Company's charter capital).

Short-term and Long-term Assets and Liabilities

The assets and liabilities in the accounts are charged to a short-term category, if their maturity does not exceed 12 months starting with the balance sheet date. All other assets and liabilities are shown in the accounts as long-term.

Acknowledgement of Income

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

- Recognized as other income of the Company are:
 - proceeds associated with interest in charter capitals of other organizations;
 - 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.

Share Investments

Income and expenditure incidental to financial investments in non-core activities are shown in the Profit and Loss Statement among operating income and expenses.

Subsidiaries and associated companies are listed in the Supplemental Information section.²


Taxes


- In 2004, MOSENERGO paid its taxes as follows:
 - profits tax, as provided by the Tax Code of the Russian Federation, Chapter 25, Article 288, based on the average ratio of staff on the payroll and weight of the depreciated cost of property. This tax is paid from MOSENERGO's account to the budgets of all levels separately: to the federal budget, to the budgets of the City of Moscow, the Moscow Region, local budgets of the towns of the Moscow Region and the Ryazan Region at the rates specified by the Tax Code of the Russian Federation, Chapter 25, Article 284;
 - value added tax, as set forth in the Tax Code of the Russian Federation, Chapter 21. The tax is calculated for the Company as a whole and paid from MOSENERGO's account to the federal budget;
 - property tax, as provided by the Tax Code of the Russian Federation, Chapter 30, Articles 383, 384, 385, MOSENERGO pays to the budget at the location of the organization, at the location of every separate subdivision, and at the location of every real property facility located elsewhere than the location of the separate subdivision.

All other taxes are calculated and paid independently by branches on behalf of MOSENERGO in accordance with the established legal procedure.

Determination of Fiscal Effect

The fiscal effect of MOSENERGO's economic operations is determined in terms of the Company at large on a quarterly basis at the level of the General Directorate. Every month the Company branches present information about balances of the balance turnover accounts and the bill of the Profit and

1)  1.5

2)  p. 106

Loss Statement to the General Directorate within the time-limits set forth in the General Director's order.

The sales profit is defined as the difference between proceeds from sales at the effective prices and tariffs, net of value-added tax, and the respective costs of generation, distribution, and sales.

The pre-tax profit is determined as a profit (loss) from sales of products (works, services), operating earnings gain net after operating expenses and non-operating income less non-operating expenses.

In the Balance Sheet and Profit and Loss Statement, the fiscal effect of the reporting year is reflected as net profit (retained earnings), i.e. resulting fiscal effect ascertained for the accounting period net after taxes chargeable on profits and other similar mandatory payments, including penalties for non-compliance with the taxation rules, as well as with an allowance for deferred tax assets and deferred tax liabilities.

Appropriation of MOSENERGO's net profit is approved by the general meeting of shareholders.

Notes to Financial Statements

Note to the Profit and Loss Statement

[1] Proceeds from sales of products			<i>RUR'000</i>
	2003	2004	Deviation
Proceeds, total	69,605,033	89,340,979	19,735,946
Including from sales of:			
electricity to internal consumers	47,146,694	63,973,427	16,826,733
heat	20,071,415	22,567,444	2,496,029
other goods (works, services)	2,386,924	2,800,108	413,184

For the accounting year, the sales proceeds has grown by 28.35% as compared with the last year, and amounted to RUR 89,340,979 thousand.

[2] Other operating income and expenses			<i>RUR'000</i>
	2003	2004	Deviation
Other operating income	2,046,127	6,240,852	4,194,725
Other operating expenses	4,029,760	11,303,666	7,273,906

The operating income in 2004 added RUR 4,194,725 thousand on 2003, principally for the account of taking over fixed assets under the loss compensation agreements. Sales of flats contributed RUR 12,306 thousand to the operating income. Proceeds from sales of inventories and conversion of securities amounted to RUR 151,336 and 193,440 thousand, respectively.

The operating expenses rose RUR 7,273,906 thousand. The primary reason for this is a RUR 6,735,235 thousand increase of the accrued provision for doubtful debts, as well as higher fixed assets distribution costs and bank charges.

[3] Nonoperating income and expenses			<i>RUR'000</i>
	2003	2004	Deviation
Nonoperating income	1,038,140	1,182,174	144,034
Nonoperating expenses	1,830,037	3,443,772	1,613,735

■ The non-operating income in 2004 grew by RUR 144,034 thousand mainly for the account of carrying over a RUR 461,332 thousand unexpended balance of the provision for doubtful debts to the nonoperating income account. The "Profit of Past Years" item decremented by RUR 194,312 thousand. At the same time, the non-operating expenses run up RUR 1,613,735 thousand versus 2003, including under the following items:

- losses of the past years: RUR 131,844 thousand;
- accounts receivable accrued for over three years: RUR 168,936 thousand;
- out-of-profits VAT: RUR 587,741 thousand;
- expenses under the Moscow Region Energy Saving Program: RUR 74,000 thousand;
- restructuring expenses: RUR 93,989 thousand.

By resolution of the Executive Board, accounts receivable accrued for over three years in the amount of RUR 183,265 thousand were carried over to the non-operating expenses account.

In 2004, after the balance sheet date, the amount of standing tax liabilities (assets) was adjusted to the amount of RUR 46,230 thousand downward.

Note to Changes in the Balance Sheet Lines

[4] Fixed assets	<i>RUR'000</i>		
	as of 31.12.2003	as of 31.12.2004	Deviation
Land and objects of nature management	6,204	7,228	1,024
Buildings, machinery and equipment, structures	94,268,782	99,937,929	5,669,147
Other types of fixed assets	1,303,839	627,448	-676,391
Total	95,578,825	100,572,605	4,993,780

In 2004, the Company acquired titles to parcels of land for production exigencies of the Severniye Grids branch. An increase in the "Buildings, Machinery and Equipment, Structures" line came on the back of commissioning fixed assets in the Heating Grids, MCG, HVCG, and Yuzhniye Grids branches. A RUR 676,391 thousand

reduction in the "Other Types of Fixed Assets" line is associated with retirement of assets of the MCPK and MTK branches in connection with their reorganization in the course of restructuring into Non-profit Educational Institution "MOSENERGO's Training Center" and Nonprofit Educational Institution "MOSENERGO's College".

[5] Construction in progress	<i>RUR'000</i>		
	as of 31.12.2003	as of 31.12.2004	Deviation
Equipment for installation	809,598	929,426	119,828
Investments in noncurrent assets	5,897,438	8,504,076	2,606,638
Total	6,707,036	9,433,502	2,726,466

The Company is engaged in construction and reconstruction of its facilities. As at the beginning of 2004, expenditures connected with the construction-in-progress totaled RUR 5,897,438 thousand; during the year, the Company spent RUR 15,162,757 thousand, and phased in RUR 12,556,119 thousand worth of assets, and now has the balance of the construction-in-progress expenses of RUR 8,504,076 thousand.

■ Expenditures connected with the major capital construction projects in 2004 stood at: *RUR'000*:

— Vykhino substation (Yuzhniye Grids).....	551,805
— Chkalovskaya substation (Oktyabrskiy Grids).....	625,998
— Ostashkovskaya Heating Main (Heating Grids).....	1,103,597
— Bittsa substation (Yuzhniye Grids).....	283,484
— Yubileynaya substation (Yuzhniye Grids).....	296,436

[6] Long-term financial investments¹⁾	<i>RUR'000</i>		
	as of 31.12.2003	as of 31.12.2004	Deviation
Investments in subsidiary companies	26,441	26,431	-10
Investments in associated companies	2,264	2,264	0
Investments in other organizations	53,528	34,016	-19,512
Sundry long-term financial investments	4,578	4,578	0
Total	86,811	67,289	-19,522


■ The underlying causes for a downturn in the long-term financial investments are as follows:

— in keeping with Item 12 of the Accounting Rules "Expenses of an Organization", RAS 10/99, resolutions of the Executive Board of MOSENERGO No. 91pr of 05.04.2004 and No. 92pr of 12.04.2004, the Company attached RUR 2.4 thousand worth of OAO Energotekhbusiness shares and RUR 5.3 thousand worth of OAO Tovus shares to the nonoperating expenses account;

— on July 03, 2003, the Board of Directors resolved that MOSENERGO should terminate its membership in ZAO MTR-Svyaz by way of selling 10,455 ordinary registered non-documentary shares. In 2004, the shares were disposed of;

— on October 09, 2003, the Board of Directors resolved that MOSENERGO should terminate its membership in the Savings Bank of Russia by way of lump sum sale of ordinary registered non-documentary shares. In 2004, the shares were disposed of;

— on October 17, 2003, the Board of Directors resolved that MOSENERGO should terminate its membership by way of alienation of shares in the following organizations: ZAO Raienergo, ZAO Econef, OOO PKB GALS, OAO NIIVA, OAO Prio-Vneshtorgbank, ZAO AKB Pervy Investitsionny (First Investment Bank), OAO AKB Avtobank-NIKoil, OAO Shaturskiy Dairy. In 2004, the shares were disposed of.

¹⁾ 
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[7] Inventories	<i>RUR'000</i>		
	as of 31.12.2003	as of 31.12.2004	Deviation
Stores, supplies and other similar valuables	4,724,259	5,062,991	338,732
including:			
fuel oil	1,394,630	1,476,414	81,784
coal	1,280,079	1,018,696	-261,383
diesel fuel	102,701	109,821	7,120
other process fuel	4,238	2,816	-1,422
spare parts	655,880	697,890	42,010
other raw materials and supplies	1,286,731	1,757,354	470,623
Rearers and fatteners	63,359	68,603	5,244
Expenditures for work in progress (distribution costs)	62,774	189,060	126,286
Finished products and goods for reselling	42,106	48,973	6,867
Deferred expenses	394,662	490,793	96,131
Total	5,287,160	5,860,420	573,260

The amount of inventories, as at the end of the year, increased by RUR 573,260 thousand.

For the most part, the increase came on the back of metal price hike and expansion of procurement of inventory items for conducting a repair campaign, which is represented in the "Other

Raw Materials and Supplies" item. At the same time, the coal stock was reduced with a view to bring its quantity to the rated value, which, in terms of money, amounted to RUR 261,383 thousand.

[8] Value-added tax on valuables acquired	<i>RUR'000</i>		
	as of 31.12.2003	as of 31.12.2004	Deviation
Value-added tax on valuables acquired	1,747,493	2,652,292	904,799

The amount under the "VAT on Acquired Values" item rose basically in connection with the December 2004 introduction of fixed assets the VAT on which (in the amount of RUR 460,991 thou-

sand) was eligible for reimbursement in January 2005, as well as on account of a dramatic run up of the volume of VAT on purchased electricity.

[9] Receivables	<i>RUR'000</i>		
(expected to be paid in more than 12 month from the reporting date)			
	as of 31.12.2003	as of 31.12.2004	Deviation
Buyers and customers	86,463	60,236	-26,227
Other debtors	96,510	82,924	-13,586
Total	182,973	143,160	-39,813

[10] Receivables	<i>RUR'000</i>		
(expected to be paid within 12 month after the reporting date)			
	1	2	3
	as of 31.12.2003	as of 31.12.2004	Deviation
Buyers and customers	6,733,120	4,991,685	-1,741,435
of them:			
electricity sales through OREM within the group	647,535	452,316	-195,219
intermediaries in sales of electricity and heat	374,134	434,038	59,904
organizations financed from the federal budget	240,315	485,211	244,896
organizations financed from budgets of the RF constituent members	1,928,111	906,001	-1,022,110
organizations financed from local budgets	319,420	249,698	-69,722
other consumers of electricity and heat	2,737,533	1,803,947	-933,586
other buyers and customers	486,072	660,474	174,402

1	2	3	4
Advances granted	2,150,922	1,082,408	-1,068,514
including:			
to electricity and heat suppliers	104,146	244	-103,902
to fuel suppliers	174,078	125,315	-48,763
to material suppliers	66,642	204,246	137,604
to building organizations	359,143	348,100	-11,043
to repair organizations	1,288,333	123,598	-1,164,735
to service providers	110,282	221,630	111,348
other advances granted	48,298	59,275	10,977
Other debtors	3,496,234	2,223,359	-1,272,875
including:			
overpayment of taxes to the federal budget	14,198	5,074	-9,124
overpayment of taxes to the budgets of the RF constituent members	427,163	789,148	361,985
overpayment of taxes to local budgets	36,484	22,912	-13,572
overpayments to public extra-budgetary funds	23,472	19,075	-4,397
other debtors	2,994,917	1,387,150	-1,607,767
Total	12,380,276	8,297,452	-4,082,824

■ Based on the annual returns of 2004, the short-term receivables dropped RUR 4,082,824 thousand, or 32.98%. All principal items accounted for a cutback:

— payables due from buyers and customers fell RUR 1,741,435 thousand mainly owing to the retirement of debts of the organizations financed from the budgets of the RF constituent members, and other electricity consumers;

— the amount of advances paid shrunk by RUR 1,068,514 thousand driven by the Company's policy aimed to scale down diversion of cash assets from the business cycle;

— other accounts receivable edged down by RUR 1,272,875 thousand largely due to the reimbursement of advances by OAO Moskapstroy through execution of work for MOSENERGO.

[11] Short-term financial investments	<i>RUR'000</i>		
	as of 31.12.2003	as of 31.12.2004	Deviation
Loans granted to organizations for a term shorter than 12 months	0	0	0
Company stocks redeemed from stockholders	0	0	0
Sundry short-term financial investments	30,378	26,672	-3,706
Total	30,378	26,672	-3,706

The short-term financial investments in the amount of RUR 30,378 thousand originated in 2003 from the acquisition

of the assignment of book debt for the electricity consumed from wholesale resellers.

[12] Monetary assets	<i>RUR'000</i>		
	as of 31.12.2003	as of 31.12.2004	Deviation
Cash	4,026	3,539	-487
Settlement accounts	4,432,946	4,773,561	340,615
Foreign currency accounts	12,359	9,313	-3,046
Sundry monetary assets	222,842	204,260	-18,582
Total	4,672,173	4,990,673	318,500

[13] Additional capital		<i>RUR'000</i>	
	as of 31.12.2003	as of 31.12.2004	Deviation
Additional capital	72,707,691	72,429,312	-278,379

The additional capital for the accounting year depleted by RUR 278,379 thousand due to retirement of a number of fixed assets that had been earlier revaluated. In pursuance of the RF Ministry of Finance's Order No. 91N "On Approval of

Guidelines for Fixed Assets Accounting" dated 13.10.2003, the amount of upvalue of such assets was carried over to the retained profit.

[14] Reserve capital		<i>RUR'000</i>	
	as of 31.12.2003	as of 31.12.2004	Deviation
Reserve funds formed in compliance with the legislation	311,405	397,954	86,549
Reserve funds formed in compliance with the constituent documents	0	0	0
Total	311,405	397,954	86,549

A RUR 86,549 thousand gain in the reserve capital was due to distribution of the 2003 profits pursuant to the resolution of the Shareholders' Meeting in June 2004.

[15] Long-term liabilities		<i>RUR'000</i>	
	as of 31.12.2003	as of 31.12.2004	Deviation
Bank credits repayable in over 12 months after the accounting date	2,164,955	1,497,739	-667,216
Loans repayable in over 12 months after the accounting date	583,812	381	-583,431
Deferred tax liabilities	595,935	746,128	150,193
Total	3,344,702	2,244,248	-1,100,454

The Company's long-term liabilities decreased for the account of carry-over of some of the long-term borrowings to the short-term category in view of their maturing within 12 months.

[16] Short-term liabilities		<i>RUR'000</i>	
1	2	3	4
	as of 31.12.2003	as of 31.12.2004	Deviation
Loans and credit facilities	9,236,614	10,545,886	1,309,272
including:			
bank credits repayable within 12 months after the accounting date	8,653,190	9,962,455	1,309,265
loans repayable within 12 months after the accounting date	583,424	583,431	7
Accounts payable	7,361,706	11,064,236	3,702,530
including:			
Suppliers and contractors	2,900,385	4,030,618	1,130,233
of them:			
OREM electricity suppliers	0	427,618	427,618
other suppliers of electricity and heat	40,181	55,770	15,589
gas suppliers	210,870	414,623	203,753
fuel oil suppliers	14,609	23,465	8,856
coal suppliers	49,518	27,568	-21,950
other fuel suppliers	17,762	36,018	18,256
to building organizations	823,822	733,732	-90,090
to repair organizations	678,108	647,231	-30,877
to ROSENERGOATOM Concern	275,419	479,544	204,125
connection fee due to OAO "UES SO-CDU"	6,968	61,157	54,189

1	2	3	4
connection fee due to OAO FGC	59,105	65,131	6,026
to other suppliers and contractors	724,023	1,058,761	334,738
Accrued payroll	391,567	390,150	-1,417
including: current	391,567	390,150	-1,417
Debts payable to public extra-budgetary funds	92,030	101,957	9,927
including:			
RF Pension Fund	79,371	86,938	7,567
Federal Obligatory Medical Insurance Fund	10,258	11,568	1,310
Social Insurance Fund	2,072	3,425	1,353
penalty interest and fines to public extra-budgetary funds	329	26	-303
Arrears of taxes and levies	1,350,623	2,995,461	1,644,838
including:			
federal budget	855,646	1,594,444	738,798
budgets of the RF constituent members	423,904	1,367,376	943,472
local budgets	71,073	33,641	-37,432
Advances received	1,103,463	1,508,973	405,510
including:			
from other consumers of electricity and heat	1,039,998	1,317,032	277,034
other advances received	63,465	191,941	128,476
Other accounts payable	1,523,638	2,037,077	513,439
including:			
VAT in unpaid products	1,336,828	1,947,708	610,880
debts payable to RAO UES of Russia			
for engineering services	2,881	2,881	0
other accounts payable	183,929	86,488	-97,441
Arrears of revenues payable to members (founders)	1,006	579	-427
Deferred incomes	2,278,514	2,212,420	-66,094
Total	18,877,840	23,823,121	4,945,281

MOSENERGO's borrowed assets as of December 31, 2003, in the amount of RUR 11,985,381 thousand included long-term loans and credit facilities in the amount of RUR 2,748,767 thousand and short-term loans and credit facilities in the amount of RUR 9,236,614 thousand.

During 2004, the structure of the borrowed assets changed. The Company paid down long-term credits to EBRD and part of the loan of RAO UES of Russia, as a result of which the long-term borrowings as of December 31, 2004, totaled RUR 1,498,120 thousand (down 45.50%).

The short-term borrowings ramped up by 14.17% — to RUR 10,545,886 thousand — basically for the account of carry-over of some of the long-term borrowings to the short-term category in view of their maturing within 12 months. The gross amount of borrowings accounted for RUR 12,044,006 thousand, i.e. in line with 2003.

The Company's accounts payable during 2004 climbed RUR 3,702,530 thousand, or 50.29%.

The accounts due to suppliers and contractors at the end of 2004 equaled RUR 4,030,618 thousand, a RUR 1,130,233 thousand, or 38.97%, jump as compared with the beginning of the year.

Payables due to natural gas suppliers as of December 31, 2004, made up at RUR 414,623 thousand, i.e. a 96.62% spurt over the year. The arrears are of the present-day nature and are connected with changes in due dates of payments for the fuel supplied by Mezhrefiongaz.

An increase of the accounts payable for works and services stems from escalation of costs of materials, modification of the terms of payment under a number of contracts, and is of the present-day nature.

A growth in amounts owed for purchased energy results from an expansion of energy buying. This is a floating debt, and under the contract terms it becomes due in the month following the reporting month.

The arrears of taxes and levies grew by RUR 1,644,838 thousand, and is also of the present-day nature.

Accretion of the amount under the "VAT in Unpaid Products" item bumped up other accounts payable by RUR 513,439 thousand.

MOSENERGO has no problematic accounts payable, concluded no payables restructuring agreements.

Borrowings (as of 31.12.2003)

■ Creditor banks	Amount borrowed	Interest rate	Principal maturity	Collateral	Purpose of borrowing
EBRD	US\$ 20,235.29 thousand	libor+3,5	15.07.2009	Power unit No. 6 at TEP-26	Construction of Zagorsk PSP and corporate needs
IFC	US\$ 13,490.20 thousand	libor+3,5	15.07.2009	Power unit No. 6 at TEP-26	Construction of Zagorsk PSP and corporate needs
EBRD-II	US\$ 58,204.37 thousand	libor+4,0	28.11.2007	Debt service account	Redemption of eurobond loan and investments
Total for currency credits in RUR	RUR 2,707,748,230		<i>USD rate — 29.4545</i>		
Loan of RAO UES of Russia	RUR 1,166,855,000	10	25.12.2005	Blank	Payment of arrears to OOO Mezhregiongaz
OAO Alfa-Bank	RUR 1,002,876,710	15	11.05.2004	Blank	Replenishment of current assets
OAO Alfa-Bank	RUR 2,005,753,430	15	25.09.2004	Blank	Financing of investment program
OAO Alfa-Bank	RUR 400,986,300	15	25.12.2004	Blank	Replenishment of current assets
OAO Bank Moskyv	RUR 300,000,000	15	29.04.2004	Fuel oil at power plants	Corporate purposes
OAO Bank Moskyv	RUR 1,200,000,000	12,5	29.12.2004	Fuel oil at power plants	Corporate purposes
OAO AKB Evrofinans	RUR 700,575,340	15	28.05.2004	Fuel oil at power plants	Financing of day-to-day operations
OAO Agropromcredit Commercial Bank	RUR 65,000,000	17	09.07.2004	Blank	Corporate purposes
OAO Agropromcredit Commercial Bank	RUR 685,000,000	17	29.07.2004	Blank	Corporate purposes
OAO Agropromcredit Commercial Bank	RUR 750,000,000	17	23.11.2004	Blank	Corporate purposes
ZAO International Industrial Bank	RUR 1,000,205,480	15	09.12.2004	Blank	Corporate purposes
Commodity credit (Shatursky Agroindustrial Complex)	RUR 381,000	10	2010		
Total for ruble crediting	RUR 9,277,633,260				
Grand total	RUR 11,985,381,490				

Borrowings (as of 31.12.2004)

■ Creditor banks	Amount borrowed	Interest rate	Principal maturity	Collateral	Purpose of borrowing
EBRD	US\$ 16,862.75 thousand	libor+3,5	15.07.2009	Power unit No. 6 at TEP-26	Construction of Zagorsk PSP and corporate needs
IFC	US\$ 11,241.83 thousand	libor+3,5	15.07.2009	Power unit No. 6 at TEP-26	Construction of Zagorsk PSP and corporate needs
EBRD-II	US\$ 45,397.11 thousand	libor+4,0	28.11.2007	Debt service account	Redemption of eurobond loan and investments
Total for currency credits in RUR	RUR 2,039,576,130		<i>USD rate – 27.7487</i>		
Loan of RAO UES of Russia	RUR 583,431,000	10	25.12.2005	Blank	Payment of arrears to OOO Mezhregiongaz
OAO AKB EUROFINANCE-MOSNARBANK	RUR 1,301,465,160	13,75	25.03.2005	Blank	Financing of day-to-day operations
OAO Bank Moskvyy	RUR 2,100,000,000	13,75	30.04.2005	Fuel oil at power plants (RUR 1,118,895,300.) Bills of exchange (RUR 1,650,000,000)	Replenishment of fuel stores
OAO Vneshtorgbank	RUR 1,001,584,700	14,5	26.02.2005	Blank	Replenishment of current assets
OAO Vneshtorgbank	RUR 1,506,885,250	12	30.06.2005	Bills of exchange (RUR 2,260,000,000)	Financing of the statutory activities
OAO Vneshtorgbank	RUR 2,008,797,810	11,5	29.10.2005	Bills of exchange (RUR 2,973,333,330)	Financing of the statutory activities
OAO Alfa-Bank	RUR 1,501,885,250	11,5	28.02.2005	Blank	Financing of investment program
Commodity credit (Shatursky Agroindustrial Complex)	RUR 381,000	10	2010	Blank	Corporate purposes
Total for ruble crediting	RUR 10,004,430,170				
Grand total	RUR 12,044,006,290				

In conducting its credit policy, the Company abides by the principles and provisions adopted by the Board of Directors of MOSENERGO (Minutes No. 26 of February 11, 2004).¹⁾

¹⁾
3.1.9 

Analytical Balance Sheet

■ Assets, RUR'000				Balance sheet structure, %		
	31.12.2003	31.12.2004	Deviation	31.12.2003	31.12.2004	Deviation
I. NONCURRENT ASSETS						
Intangible assets	47	44	-3	0.00	0.00	0.00
Fixed assets [4]	95,578,825	100,572,605	4,993,780	75.45	76.16	0.71
Construction in progress [5]	6,707,036	9,433,502	2,726,466	5.30	7.15	1.85
Long-term financial investments [6]	86,811	67,289	-19,522	0.07	0.05	-0.02
Deferred tax assets	1,761	3,181	1,420	0.00	0.00	0.00
Section I total	102,374,480	110,076,621	7,702,141	80.82	83.36	2.54
II. CURRENT ASSETS						
Inventories [7]	5,287,160	5,860,420	573,260	4.17	4.44	0.27
Value-added tax on valuables acquired [8]	1,747,493	2,652,292	904,799	1.38	2.01	0.63
Receivables (expected to be paid in more than 12 month from the reporting date) [9]	182,973	143,160	-39,813	0.15	0.11	-0.04
Receivables (expected to be paid within 12 month after the reporting date) [10]	12,380,276	8,297,452	-4,082,824	9.77	6.28	-3.49
Short-term financial investments [11]	30,378	26,672	-3,706	0.02	0.02	0.00
Monetary assets [12]	4,672,173	4,990,673	318,500	3.69	3.78	0.09
Section II total	24,300,453	21,970,669	-2,329,784	19.18	16.64	-2.54
BALANCE	126,674,933	132,047,290	5,372,357	100.00	100.00	
■ Liabilities, RUR'000						
III. CAPITAL AND RESERVES						
Charter capital	28,267,726	28,249,360	-18,366	22.32	21.40	-0.92
Additional capital [13]	72,707,691	72,429,312	-278,379	57.40	54.85	-2.55
Reserve capital [14]	311,405	397,954	86,549	0.24	0.30	0.06
Retained earnings	3,165,569	4,903,295	1,737,726	2.50	3.71	1.21
Section III total	104,452,391	105,979,921	1,527,530	82.46	80.26	-2.20
IV. LONG-TERM LIABILITIES [15]						
Loans and credit facilities	2,748,767	1,498,120	-1,250,647	2.17	1.13	-1.04
Deferred tax liabilities	595,935	746,128	150,193	0.47	0.57	0.10
Section IV total	3,344,702	2,244,248	-1,100,454	2.64	1.70	-0.94
V. SHORT-TERM LIABILITIES [16]						
Loans and credit facilities	9,236,614	10,545,886	1,309,272	7.29	7.99	0.70
Accounts payable	7,361,706	11,064,236	3,702,530	5.81	8.38	2.57
Arrears of revenues payable to members (founders)	1,006	579	-427	0.00	0.00	0.00
Deferred incomes	2,278,514	2,212,420	-66,094	1.80	1.67	-0.13
Section V total	18,877,840	23,823,121	4,945,281	14.90	18.04	3.14
BALANCE	126,674,933	132,047,290	5,372,357	100.00	100.00	

Comments on the Analytical Balance Sheet

As of December 31, 2004, MOSENERGO's total assets were RUR 132,047,290 thousand showing a RUR 5,372,357 thousand, or 4.24%, increase based on the balance of the last year.

The noncurrent assets of the Company in 2004 grew by RUR 7,702,141 thousand, or 7.52%, rising from 80.82% to 83.36% of the total Company's assets.

91.37% of the noncurrent assets are fixed assets, the depreciated cost of which at the close of the year accrued by RUR 4,993,780 thousand (5.22%) [4].

The sundry noncurrent assets run up by RUR 2,708,361 thousand (39.85%). The primary reason for such behavior is expansion of investments under the "Construction in process" item by RUR 2,726,466 thousand (40.65%) [5].

■ The share of current assets in the structure of the Company's assets slid down from 19.18% to 16.64%. Apart from growth of the noncurrent assets, this happened due to the following reasons:

— the amount of long-term receivables shrunk by RUR 39,813 thousand (21.76%) [9];

— the amount of short-term receivables decreased by RUR 4,082,824 thousand (32.98%) [10];

— the short-term financial investments firmed down RUR 3,706 thousand (12.20%) [11].

— At the same time, sundry current assets (inventories [7], VAT on acquired values [8], monetary assets [12]) climbed by RUR 1,796,559 thousand (15.35%).

In general, the current assets over the year declined by RUR 2,329,784 thousand, or 9.59%. The weight of the receivables in the structure of the current assets run down from 51.70% as of December 31, 2003, to 38.42% as of December 31, 2004.

The 2004 closing liabilities of the Company also showed some changes.

The content of the equity capital shrunk from 82.46% to 80.26%.

The year-end amount of borrowings ramped up by RUR 3,844,827 thousand, or 17.30%. The value of equity capital therewith increased by RUR 1,527,530 thousand, or 1.46%.

■ The gain in short-term liabilities accounted for RUR 4,945,281 thousand (26.20%) [16] and was caused by the following factors: — the amount of raised bank loans and credits added RUR 1,309,272 thousand (14.17%);

— the Company's accounts payable leaped by RUR 3,702,530 thousand (50.29%). The reason for this was principally a rise in trade liabilities, arrears of taxes and levies, and other accounts payable. In this case, all arrearage of the Company is of the present-day nature. MOSENERGO has no problematic accounts payable, concluded no payables restructuring agreements. The weight of the accounts payable in the balance-sheet total was 5.81% as of December 31, 2003, versus 8.38% as of December 31, 2004.

Other short-term liabilities descended by RUR 66,521 thousand (2.92%).

The long-term liabilities reduced by RUR 1,100,454 thousand (32.90%) for the account of carry-over of some of the long-term borrowings to the short-term category in view of their maturing within 12 months [15].

Accretion of the Company's equity capital stems from successful operations during 2004 and, as a result, from gaining a net profit in the amount of RUR 2,207,693 thousand.

In general, the balance sheet structure of MOSENERGO saw no significant change, which is indicative of invariance of the Company's basic economic proportions.

■ Structure of total assets as of 31.12.2003, % **7.20**

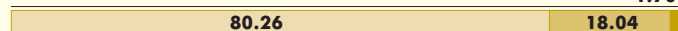


■ Structure of total assets as of 31.12.2004, % **5.37**



■ Fixed assets
■ Current assets
■ Sundry noncurrent assets

■ Structure of total liabilities as of 31.12.2003, % **1.70**



■ Structure of total liabilities as of 31.12.2004, % **2.64**



■ Shareholders' equity
■ Short-Term Borrowings
■ Long-Term Borrowings

Calculation of net assets (in terms of balance valuation)

■ Metric	RUR'000	
	as of 31.12.2003	as of 31.12.2004
I. ASSETS		
Intangible assets	47	44
Fixed assets	95,578,825	100,572,605
Construction in progress	6,707,036	9,433,502
Long-term financial investments	117,189	93,961
Deferred tax assets	1,761	3,181
Inventories	5,287,160	5,860,420
Value-added tax on valuables acquired	1,747,493	2,652,292
Accounts receivable	12,563,249	8,440,612
Monetary assets	4,672,173	4,990,673
Total assets	126,674,933	132,047,290
II. LIABILITIES		
Long-term borrowing liabilities	2,748,767	1,498,120
Deferred tax liabilities	595,935	746,128
Short-term borrowing liabilities	9,236,614	10,545,886
Accounts payable	7,361,706	11,064,236
Arrears of revenues payable to members (founders)	1,006	579
Total asset-deductible liabilities	19,944,028	23,854,949
Net asset worth (total assets less total liabilities)	106,730,905	108,192,341

Earnings per Share

■	2003	2004
Net profit for the reporting year, <i>RUR thousand</i>	1,730,981	2,207,693
Weighted average number of ordinary shares outstanding during the reporting year, <i>thousand shares</i>	28,267,726	28,264,665
Earnings per share, <i>RUR</i>	0.0612	0.0781

The requirement to disclose information on the earnings (losses) per share is contained, in relation to Joint Stock Companies, in Accounting Rules 4/99 "Accounting Statements of an Organization" and the Guidelines for Disclosing Information on Earnings per Share as approved by the RF Ministry of Finance's Order No. 29n of March 21, 2000.

MOSENERGO issued no preference shares; therefore, the basic earnings are equal to the net profit of the reporting year.

The earnings per share indicator reflects that part of the reporting period's profit that potentially can be distributed among ordinary shareholders. It is calculated as a ratio of the net profit for the reporting year to the weighted average number of shares outstanding during the reporting year.

Analytical Ratios

The Methodology for Calculation of Analytical Ratios was refined to improve the robustness and accuracy of calculations. As a consequence, values of 2000–2003 ratios show minor changes versus the values stated in the 2003 annual report.

In calculation of the absolute and current liquidity ratios as part of the short-term debt, we allowed for the arrears of revenues payable to members (founders).

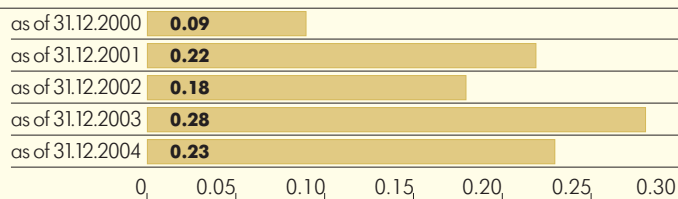
In calculation of the financial stability ratio, stable sources of financing include deferred incomes and provision for liabilities and charges.

For calculation of the business activity and profitability ratios, the average amount of assets was determined from the arithmetical mean formula.

Absolute liquidity ratio

Indicates the proportion of the short-term debt that the organization can promptly pay with its cash:

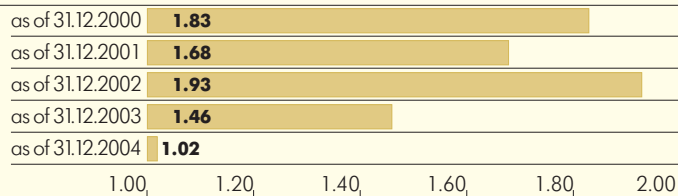
(Short-term financial investments + Monetary assets) / (Short-Term Borrowings + Short-term payables + Arrears of revenues payable to members (founders) + Other short-term liabilities)



Current liquidity ratio

Indicates the proportion of the short-term debt that can be paid with the total current assets:

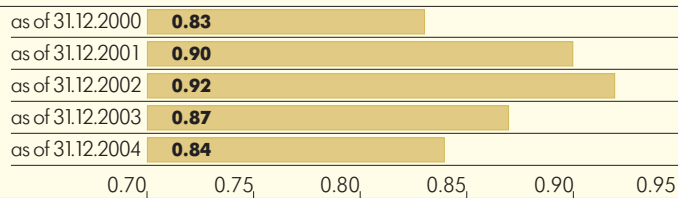
Section 2 total (CURRENT ASSETS) / (Short-term borrowings + Short-term payables + Arrears of revenues payable to members (founders) + Other short-term liabilities)



Financial stability ratio

Shows which part of the assets is financed from stable sources:

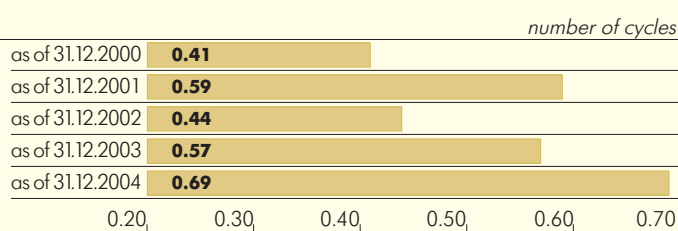
(Section 3 total (CAPITAL AND RESERVES) + Section 4 total (LONG-TERM LIABILITIES) + Deferred incomes + Provision for Liabilities and Charges) / Balance-sheet total



Overall capital turnover ratio

Reflects the speed of circulation of the organization's total capital (in cycles per period):

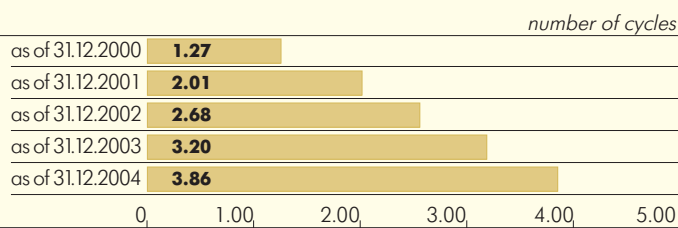
Sales proceeds / Balance-sheet total (a mean value for the period under review)



Current assets turnover ratio

Shows the turnover speed of the organization's total current assets (both tangible and monetary):

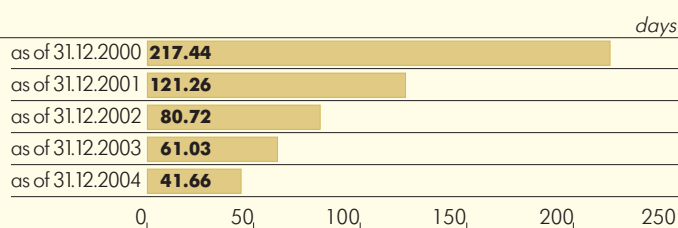
Sales proceeds / Section 2 total (CURRENT ASSETS) (a mean value for the period under review)



Receivables turnover rate

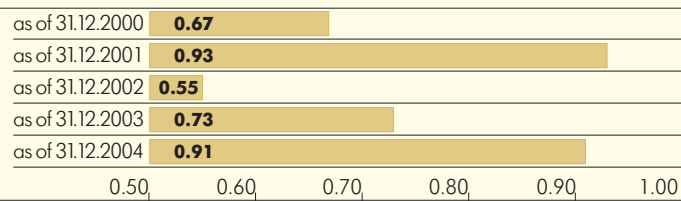
Indicates the efficiency with which the proceeds from sales are used, and the quality of work with debtors:

Mean receivables due within 12 months X 360 / Sales proceeds



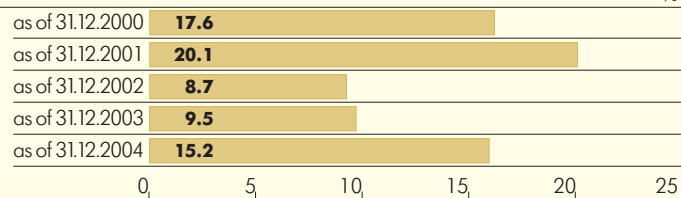
■ Capital productivity

Measures how efficiently the organization's fixed assets are used:
Sales proceeds/Fixed assets (a mean value for the period under review)



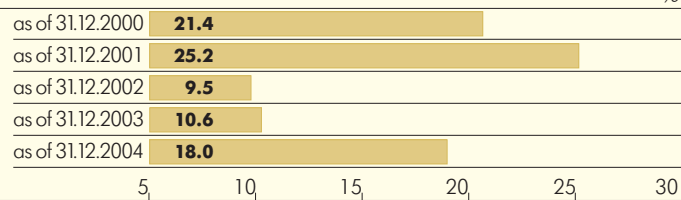
■ Sales margin

Shows the profit per unit of sales:
Profit on sales/Sales proceeds X 100%



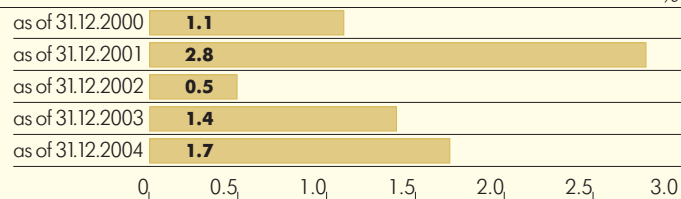
■ Production margin

Shows the profit per unit of costs of generation and sales:
Profit on sales/Production cost of sold goods, work, services X 100%



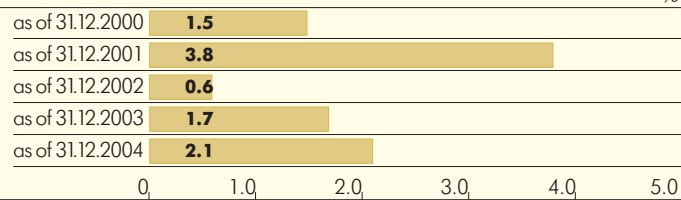
■ Return on aggregate capital

Shows how efficiently the aggregate capital is used:
Net profit / Balance-sheet total (a mean value for the period under review) X 100%



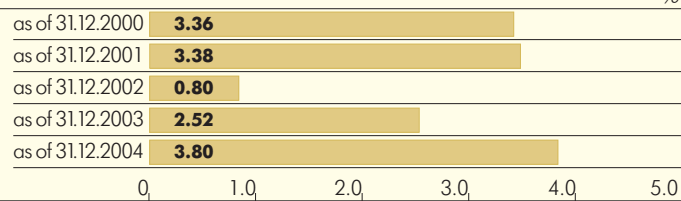
■ Return on equity

Shows how efficiently the equity is used:
Net profit / Section 3 total (CAPITAL AND RESERVES) (a mean value for the period under review) X 100%



■ Return on Total Assets (ROTA)

Describes the level of assets efficiency in the accounting period:
Pre-tax profit / Balance-sheet total X 100%



Notes to the Analytical Ratios

The analytical financial ratios are calculated based on the accounting data for the last five years.

In 2004, the behavior of short-term liabilities of the Company was affected by the growth of accounts payable, as well as by carry-over of some of the long-term borrowings to the short-term category in view of their maturing within 12 months. As a result, the absolute liquidity ratio slid from 0.28 to 0.23. The current liquidity ratio also plunged from 1.46 to 1.02 driven as by the above factor, so by MOSENERGO's inventory of doubtful accounts receivable from wholesale resellers in the amount of RUR 5,815 million. The debt was recognized as doubtful as of December 31, 2004, and excluded from the accounts receivable (carried over to the provision for doubtful debts).

Notwithstanding the effect of the above factors, the absolute and current liquidity ratios remain within the range of recommended values (0.2–0.5 and 1–2, respectively).

A rise in the amount of the short-term borrowed funds with a simultaneous drop of the value of long-term loans and credit facilities showed up in a trifling decline in the financial stability ratio. However, the metric has been standing flat at a high level which bears evidence of high stability of the Company in the long-term. The minimum recommended value of the ratio is 0.6–0.7.

Growing sales proceeds in connection with higher average energy tariffs and greater effective sales of electricity to own consumers had a positive effect on the Company's business activity indices. The overall capital turnover ratio, current asset turnover ratio and capital productivity show a sustained growth as compared with their values as at the end of 2003. The receivables turnover rate calculated in days demonstrates a similar trend.

Based on the annual returns of 2004, the Company had managed to greatly improve its profitability group indices.

On December 14, 2004, the Board of Directors of MOSENERGO approved the ROTA value equal to 3.64. The year-end scored 3.8.

In general, all major indices of liquidity, stability, business activity and margins represent a positive fiscal effect of the industrial and economic activities of MOSENERGO in 2004.

VII. Management and Supervision



Members of the Board of Directors (left to right) *Sitting:* P.S. Smirnov, A.V. Yevstafiev, D.V. Vasiliev, I.T. Goryunov; *Standing:* P.N. Aksenov, A.I. Sobol, A.Ya. Kopsov, Yu.A. Udaltsov, A.A. Chabak, A.F. Bodunkov, A.A. Matveyev.

<i>Members of the Board of Directors</i>	94
<i>Members of the Executive Board</i>	97
<i>Members of the Audit Commission</i>	100

Members of the Board of Directors

(elected at the Annual General Meeting of the Company's Shareholders on June 28, 2004)

Yuriy Arkadievich UDALTSOV

Year of birth / Education / Citizenship: 1961 / Higher, postgraduate higher / Russia

Position: Chairman of the Board of Directors, MOSENERGO, Member of the Executive Board, RAO UES of Russia, Head of the Reform Management Center, RAO UES of Russia.

Offices held during the last 5 years / Shareholding in the Company: Chairman of the Board of Directors, MOSENERGO, Member of the Executive Board, RAO UES of Russia; Head of the Reform Management Center, RAO UES of Russia; Head of the Department for Energy Reform, RAO UES of Russia; Head of the Corporate Strategy Department, RAO UES of Russia; Director General, OOO Carana; Director, Moscow Representative Office of CARANA Corporation / No shareholding.

Date of first election to the Board of Directors: 28.06.2004.

Pyotr Nikolayevich AKSENOV.

Year of birth / Education / Citizenship: 1946 / Higher / Russia.

Position: First Deputy Mayor of Moscow in the Moscow Government, Head of the Municipal Services and Facilities.

Offices held during the last 5 years / Shareholding in the Company: First Deputy Mayor of Moscow in the Moscow Government, Head of the Municipal Services and Facilities; Prefect of the Southern Administrative District of Moscow / No shareholding.

Date of first election to the Board of Directors: 28.06.2004.

Aleksey Feliksovich BODUNKOV.

Year of birth / Education / Citizenship: 1966 / Higher / Russia.

Position: Minister of Property Relations, the Moscow Region Government.

Offices held during the last 5 years / Shareholding in the Company: Minister of Property Relations, the Moscow Region Government; First Deputy Minister of Property Relations, Moscow Region Government; Deputy Chief, Department for Support of the Moscow Government Office; Superintendent Examiner — Deputy General Director, ZAO Regional Pledge Company / No shareholding.

Date of first election to the Board of Directors: 30.05.2003.

Dmitry Valerievich VASILIEV.

Year of birth / Education / Citizenship: 1962 / Higher / Russia.

Position: First Deputy General Director — Managing Director for Corporate Policies and Property Management, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: First Deputy General Director — Managing Director for Corporate Policies and Property Management, MOSENERGO; Chairman of the Board of Directors, Association for Protection of Investor Rights; Executive Director, Autonomous Non-commercial Organization "Institute of Corporate Law and Management"; Chairman of the Federal Commission for Securities Market (FCSM of Russia) / No shareholding.

Date of first election to the Board of Directors: 30.05.2003.

Igor Timofeyevich GORYUNOV.

Year of birth / Education / Citizenship: 1937 / Higher / Russia.

Position: First Deputy General Director — Chief Engineer, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: First Deputy General Director — Chief Engineer, MOSENERGO / No shareholding.

Date of first election to the Board of Directors: 22.04.1996.

Arkady Vyacheslavovich YEVSSTAFIEV.

Year of birth / Education / Citizenship: 1960 / Higher / Russia.

Position: Chairman of the Executive Board, MOSENERGO, General Director, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: Chairman of the Executive Board, MOSENERGO, General Director, MOSENERGO; Acting General Director, MOSENERGO; Deputy General Director for Relations with Bodies of State Administration and Mass Media, Authorized Representative of General Director, MOSENERGO; General Director, Nonprofit Foundation Private Property Protection Center / No shareholding.

Date of first election to the Board of Directors: 30.05.2002.

Anatoly Yakovlevich KOPSOV.

Year of birth / Education / Citizenship: 1942 / Higher / Russia.

Position: Director for Construction of Generation Facilities, RAO UES of Russia.

Offices held during the last 5 years / Shareholding in the Company: Director for Construction of Generation Facilities, RAO UES of Russia, Chairman of the Board of Directors, MOSENERGO; director for Construction of Generation Facilities, RAO UES of Russia; Adviser to the Chairman of the Executive Board, Department — Secretariat of the Chairman of the Executive Board, RAO UES of Russia; Deputy Chairman of the Executive Board, RAO UES of Russia; Head of the Department for Regional Subsidiaries (AO-Energos) / 0.0015%.

Date of first election to the Board of Directors: 22.04.1996.

Artem Vladislavovich KUZNETSOV.

Year of birth / Education / Citizenship: 1967 / Higher / Russia.

Position: President, NP GUTA Group.

Offices held during the last 5 years / Shareholding in the Company: President, NP GUTA Group; Deputy Chairman, First Deputy Chairman, Public Investment Corporation / No shareholding.

Date of first election to the Board of Directors: 30.05.2003.

Aleksey Anatolievich MATVEYEV.

Year of birth / Education / Citizenship: 1963 / Higher / Russia.

Position: Deputy Chairman of the Executive Board, Gazprombank Joint Stock Bank.

Offices held during the last 5 years / Shareholding in the Company: Deputy Chairman of the Executive Board, Gazprombank Joint Stock Bank; Managing Director, Troika Dialog Investment Company; Head of the Investment Banking Department, Fleming USB; Adviser to the Chairman of the Executive Board, East European Investment Bank (Join Stock Bank) / No shareholding.

Date of first election to the Board of Directors: 28.06.2004.

Andrey Natanovich RAPPOPORT.

Year of birth / Education / Citizenship: 1963 / Higher / Russia.

Position: Member of the Executive Board, RAO UES of Russia, Chairman of the Executive Board, FGC UES.

Offices held during the last 5 years / Shareholding in the Company: Member of the Executive Board, RAO UES of Russia, Chairman of the Executive Board, FGC UES; Deputy Chairman of the Executive Board, RAO UES of Russia / No shareholding.

Date of first election to the Board of Directors: 30.05.2003.

Pavel Stepanovich SMIRNOV.

Year of birth / Education / Citizenship: 1952 / Higher, postgraduate higher/ Russia.

Position: Member of the Executive Board, RAO UES of Russia.

Offices held during the last 5 years / Shareholding in the Company: Member of the Executive Board, RAO UES of Russia; Director, Department for International Financial and Economic Relations, Bank of Russia / No shareholding.

Date of first election to the Board of Directors: 18.05.2001.

Alexander Ivanovich SOBOL.

Year of birth / Education / Citizenship: 1969 / Higher, postgraduate higher/ Russia.

Position: Deputy Chairman of the Executive Board, Gazprombank Joint Stock Bank.

Offices held during the last 5 years / Shareholding in the Company: Deputy Chairman of the Executive Board, Gazprombank Joint Stock Bank; Deputy Head of the Department for Strategic Bank Development and Resource Planning — Adviser to the Chairman of the Executive Board, Gazprombank Joint Stock Bank / No shareholding.

Date of first election to the Board of Directors: 28.06.2004.

Anatoly Antonovich CHABAK.

Year of birth / Education / Citizenship: 1966 / Higher / Russia.

Position: General Director of NIKoil-Sberezheniya Management Company.

Offices held during the last 5 years / Shareholding in the Company: General Director of NIKoil-Sberezheniya Management Company / No shareholding.

Date of first election to the Board of Directors: 30.05.2002.

Pursuant to the Regulation on Payment of Remuneration and Compensations to the Members of the Board of Directors approved by the Annual General Meeting of Shareholders on May 30, 2003,¹⁾ each member of the Board of Directors received a remuneration at the rate of three minimum wages of a first class worker for the participation in the meetings.

As consistent with the above Regulation and based on the 2004 work results, after an ordinary general meeting the members of the Board of Directors will receive remunerations subject to the number of meetings attended thereby.

¹⁾



Members of the Executive Board

Arkady Vyacheslavovich YEVSTAFIEV.

Year of birth / Education / Citizenship: 1960 / Higher / Russia.

Position: Chairman of the Executive Board, MOSENERGO, Member of the Board of Directors, MOSENERGO, General Director, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: Chairman of the Executive Board, MOSENERGO, Member of the Board of Directors, MOSENERGO, General Director, MOSENERGO; Acting General Director, MOSENERGO; Deputy General Director for Relations with Bodies of State Administration and Mass Media, Authorized Representative of General Director, MOSENERGO; General Director, Nonprofit Foundation Private Property Protection Center / No shareholding.

Urusbiy Agubekirovich BALIKOYEV.

Year of birth / Education / Citizenship: 1933 / under-graduate, vocational / Russia.

Position: Director of Heating Grids, a MOSENERGO branch.

Offices held during the last 5 years / Shareholding in the Company: Director of Heating Grids, a MOSENERGO branch / No shareholding.

Aleksandr Mikhailovich BOYAR.

Year of birth / Education / Citizenship: 1946 / Higher / Russia.

Position: Director of Mozhaiskiye Electricity Grids, a MOSENERGO branch.

Offices held during the last 5 years / Shareholding in the Company: Director of Mozhaiskiye Electricity Grids, a MOSENERGO branch / 0.007%.

Dmitry Valerievich VASILIEV.

Year of birth / Education / Citizenship: 1962 / Higher / Russia.

Position: Member of the Board of Directors, MOSENERGO, First Deputy General Director — Managing Director for Corporate Policies and Property Management, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: Member of the Board of Directors, MOSENERGO, First Deputy General Director — Managing Director for Corporate Policies and Property Management, MOSENERGO; First Deputy General Director for Corporate Policies and Property Management, MOSENERGO; Chairman of the Board of Directors, Association for Protection of Investor Rights; Executive Director, Autonomous Non-commercial Organization "Institute of Corporate Law and Management"; Chairman of the Federal Commission for Securities Market (FCSM of Russia) / No shareholding.

Igor Timofeyevich GORYUNOV.

Year of birth / Education / Citizenship: 1937 / Higher / Russia.

Position: Member of the Board of Directors of MOSENERGO, First Deputy General Director — Chief Engineer of MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: Member of the Board of Directors of MOSENERGO, First Deputy General Director — Chief Engineer of MOSENERGO / No shareholding.

Yuri Leonidovich GUSKOV.

Year of birth / Education / Citizenship: 1938 / Higher / Russia.

Position: Director of TEP-21, a MOSENERGO branch.

Offices held during the last 5 years / Shareholding in the Company: Director of TEP-21, a MOSENERGO branch / No shareholding.

Tatiana Petrovna DRONOVA.

Year of birth / Education / Citizenship: 1954 / Higher / Russia.

Position: Chief Accountant, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: Chief Accountant, MOSENERGO; Deputy Head of the Department, ROSENERGOATOM Concern, Ministry of Atomic Energy of the Russian Federation; Chief Accountant, MOSENERGO / 0.0018%.

Vitaly Vasilyevich KUZMIN.

Year of birth / Education / Citizenship: 1959 / Higher / Russia.

Position: Deputy General Director of MOSENERGO for Sales and Relations with Electricity and Heat Consumers.

Offices held during the last 5 years / Shareholding in the Company: Deputy General Director of MOSENERGO for Sales and Relations with Electricity and Heat Consumers; First Deputy Head of the Department for Planning and Economic Analysis, RAO UES of Russia; First Deputy Head of the Department for Economy, RAO UES of Russia / 0.001%.

Anatoly Pavlovich KULESHOV.

Year of birth / Education / Citizenship: 1954 / Higher / Russia.

Position: Deputy General Director for Capital Construction, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: Deputy General Director for Capital Construction, MOSENERGO; Director of Complete Equipment Supply Company (PPTK), a MOSENERGO branch; Director of Zagorsk PSP, a MOSENERGO branch / 0.004%.

Alexander Aleksandrovich MITYAYEV.

Year of birth / Education / Citizenship: 1952 / Higher / Russia.

Position: Deputy General Director for Distribution Systems and Long-Term Development, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: Deputy General Director for Distribution System and Long-Term Development, MOSENERGO / 0.003%.

Sergei Nikolayevich NAUMENKO.

Year of birth / Education / Citizenship: 1966 / Higher / Russia.

Position: Deputy Managing Director for Organization of the Wholesale Electricity Market, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: Deputy Managing Director for Organization of the Wholesale Electricity Market, MOSENERGO; Deputy Managing Director for Stock Market, MOSENERGO; Chairman of the Executive Board, Deputy Chairman of the Executive Board, Volgoinvestbank Joint Stock Bank / No shareholding.

Vladislav Lvovich NAZIN.

Year of birth / Education / Citizenship: 1966 / Higher / Russia.

Position: Deputy General Director for Economics, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: Deputy General Director for Economics, MOSENERGO; Financial Adviser to the General Director, MOSENERGO; Finance Director, Vice President for Finance, Vice President — Head of the Department for Banking, AFK Sistema / No shareholding.

Nestor Ivanovich SEREBRYANIKOV.

Year of birth / Education / Citizenship: 1929 / Higher / Russia.

Position: Adviser to the General Director, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: Adviser to the General Director, MOSENERGO; Chairman of the Executive Board, Member of the Board of Directors, General Director, MOSENERGO / 0.0003%.

Inna Nikolayevna TSKHOVREBOVA.

Year of birth / Education / Citizenship: 1972 / Higher / Russia.

Position: Deputy General Director for Relations with NGOs and Mass Media.

Offices held during the last 5 years / Shareholding in the Company: Deputy General Director for Relations with NGOs and Mass Media; Head of the Section (Advisor) for Relations with Bodies of State Administration and Mass Media, MOSENERGO; Deputy General Director, Nonprofit Foundation Private Property Protection Center / No shareholding.

Vladimir Sergeyevich CHISTYAKOV.

Year of birth / Education / Citizenship: 1959 / Higher / Russia.

Position: Deputy General Director for Fuel Supply and Complete Equipment, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: Deputy General Director for Fuel Supply and Complete Equipment, MOSENERGO; Acting Deputy General Director for Fuel Supply and Complete Equipment, MOSENERGO; Director of Complete Equipment Supply Company, a MOSENERGO branch; Deputy Director for Economics and Finance, Complete Equipment Supply Company; Deputy General Director for Economic Policy and Investments, AO Saratov Bearing Plant / No shareholding.

The amount of remuneration due to the General Director of the Company is determined in accordance with the Regulation on Stimulating Remuneration of MOSENERGO's General Director, approved by the Board of Directors (Minutes No. 23, dated 15.04.2002).

■ The criteria for stimulating remuneration of the General Director are as follows:

1. On a month-end basis:

- fulfillment of the dispatch schedule;
- meeting of the requirement criterion for fuel (coal, black oil) stores provided that there are no fatal industrial accidents and the operating capacity targets have been reached.

2. On a quarter-end basis:

- reaching of the cash flow benchmarks;
- meeting of the index of budgeting quality;
- achievement of the "Acid-test ratio" target.

3. On the year-end basis:

- scoring of the planned value of the "Return on Total Assets" metric (ROTA index);

- attainment of the "Net Profit" target (provided that the ROTA index has been met);
- discharge of dividend distribution commitments.

The amount of remunerations due to the members of the Executive Board is determined by the Resolution passed by the Board of Directors of the Company on June 18, 2001 (Minutes No. 2), at the level of the 20th step of payment for labor as per the table of rates adopted in the Company.

Remunerations to the members of the Executive Board, who are simultaneously the members of the Board of Directors of the Company, are paid only as to the members of the Board of Directors.

The amount of remunerations, benefits and compensations for expenses, paid to all members of the MOSENERGO governing bodies in 2004, totaled RUR 97,074,195.

Audit Commission

Oleg Viktorovich ZABRODIN.

Year of birth / Education: 1960 / Higher.

Position: Deputy Chief Accountant for Audits, MOSENERGO.

Offices held during the last 5 years / Shareholding in the Company: Deputy Chief Accountant for Audits, MOSENERGO / No shareholding.

Danil Nikolayevich NIKITIN.

Year of birth / Education: 1974 / Higher.

Position: Deputy Managing Director, Executive Director of business-unity number 1, RAO UES of Russia.

Offices held during the last 5 years / Shareholding in the Company: Deputy Managing Director, Executive Director of business-unity number 1, RAO UES of Russia; First Deputy Head of the Corporate Policies Department, RAO UES of Russia; Deputy Head of the Section, Corporate Policies Department, RAO UES of Russia / 0.000000035%.

Olga Nikolayevna MANSUROVA.

Year of birth / Education: 1958 / Higher.

Position: Chief Specialist, Department of Economic Security and Routine, RAO UES of Russia.

Offices held during the last 5 years / Shareholding in the Company: Chief Specialist, Department of Economic Security and Routine, RAO UES of Russia; Chief of the Investigative Section, Tax Police Department of the Moscow Region / No shareholding.

Sergei Borisovich SIDOROV.

Year of birth / Education: 1952 / Higher.

Position: Head of the Financial Audit Department, RAO UES of Russia.

Offices held during the last 5 years / Shareholding in the Company: Head of the Financial Audit Department, RAO UES of Russia / 0.000000035%.

Vladimir Anatolievich ZAGORODNIKH.

Year of birth / Education: 1951 / Higher.

Position: Head of the Section, Financial Audit Department, RAO UES of Russia.

Offices held during the last 5 years / Shareholding in the Company: Head of the Section, Financial Audit Department, RAO UES of Russia / No shareholding.

The size of and procedure for payment of all remunerations and compensations to the members of the Company's Audit Commission are established by the Regulation on Payment of Remuneration and Compensations to the Members of MOSENERGO's Audit Commission, approved by the Annual General Meeting of the Company's Shareholders on May 30, 2002.¹⁾

For the participation in audits of the financial and economic activities, every member of the Audit Commission receives a lump-sum remuneration at the rate of three minimum wages of a first class worker with an allowance for indexation stipulated by the sector's tariff agreement.

For every completed audit of the financial and economic activities of the Company, every member of the Audit Commission may receive an extra fee at the rate of up to twenty minimum wages of a first class worker with an allowance for indexation.

The total amount of remunerations, paid by the Company to the members of MOSENERGO's Audit Commission for the year 2004, was RUR 228,965.

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1.7

VIII. Additional Information

Energy Generation in 2002-2004

■ Power station	Electricity generation, kWh mln			Heat dispatched from manifolds, Gcal/000		
	2002	2003	2004	2002	2003	2004
TEP-1	391.6	395.1	380.1	2,079.2	2,079.1	1,895.1
LAPS-3	141.1	154.8	138.1	457.5	444.3	436.8
LAPS-4	6,305.8	6,541.9	5,803.2	407.0	393.9	396.7
LAPS-5	3,247.8	3,751.8	3,135.6	520.1	509.0	491.4
TEP-6	37.7	33.7	34.3	199.1	184.7	177.0
TEP-8	2,589.4	2,865.8	2,770.1	2,535.0	2,628.2	2,378.5
TEP-9	1,202.1	1,314.1	1,221.1	1,770.3	1,661.1	1,558.0
TEP-11	1,847.7	2,049.1	1,867.9	2,578.5	2,236.2	2,033.8
TEP-12	2,528.8	2,693.8	2,614.8	3,589.8	3,588.2	3,349.3
TEP-16	2,171.3	2,283.2	2,396.7	4,242.1	4,343.3	4,016.6
TEP-17	582.5	579.4	565.4	632.9	646.5	682.0
TEP-20	3,664.4	3,819.4	3,768.9	4,709.7	4,949.0	4,644.1
TEP-21	8,807.0	9,047.8	9,113.6	11,845.8	11,894.8	11,420.9
TEP-22	7,775.5	8,036.2	8,199.6	10,066.0	9,898.9	9,226.0
TEP-23	8,300.1	8,589.2	8,734.3	9,461.0	9,701.8	9,331.6
LAPS-24	1,544.2	1,911.5	1,492.8	—	—	—
TEP-25	8,336.6	8,842.8	8,313.0	6,501.4	6,843.4	7,190.2
TEP-26	8,505.8	9,027.7	8,932.2	8,982.6	8,965.6	8,766.9
TEP-27	1,138.7	1,141.9	1,116.4	1,705.8	2,101.5	2,315.4
TEP-28	105.1	104.7	106.7	210.7	207.1	199.8
Total:						
TEP	69,223.2	73,183.9	70,704.8	72,494.5	73,276.6	70,510.1
Zagorsk PSP	1,961.6	1,943.6	1,950.2	—	—	—
MOSENERGO	71,184.8	75,127.5	72,655.0	72,494.5	73,276.6	70,510.1

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Information on Material Facts

The year 2004 saw 11 material facts (in keeping with the Russian FCSM's classification). Detailed information on all material facts is available on the Company's Web site (www.mosenergo.ru).

Resolutions, Adopted by the General Meeting of Shareholders

■ **Date and place of the meeting:** June 28, 2004; 3 Lenina's St., Dzerzhinsky, Moscow Region.

■ **General Meeting quorum:**

The total number of votes which the holders of voting shares of the Company possess is 28,267,726,000.

As directed by Article 58 (1) of the Federal Law "On Joint Stock Companies," a general meeting of shareholders is legally qualified (have a quorum) if attended by shareholders possessing in the aggregate more than half of the votes (50% + 1) of the issued voting shares of the Company (14,133,863,001 votes).

At the commencement of the meeting, cum ballots received two days before the date of the meeting of shareholders, the shareholding of the members registered for participation in the meeting personally or by proxy totaled 23,300,460,492 voting shares, or 82.43% of votes having the right to participate in the General Meeting of Shareholders.

The quorum present. The General Meeting of Shareholders of MOSENERGO, Open Joint Stock Company for Energy and Electrification, was declared legally qualified.

■ **Issues put to vote and voting results in respect of them are as follows:**

I. On Approval of the Annual Report, Annual Financial Statements, including the Profit and Loss Account of the Company based on the results of 2003.

The counting of votes of the voted valid ballots showed the following results:

"For".....99.81%
"Against".....0.02%
"Abstained".....0.02%

II. Distribution of profits, including payment (declaration) of dividends based on the balance of the Company's work for 2003.

The counting of votes of the voted valid ballots showed the following results:

"For".....99.81%
"Against".....0.01%
"Abstained".....0.03%

III. On Payment of Remunerations and Compensations to the Members of the Company's Board of Directors.

The counting of votes of the voted valid ballots showed the following results:

"For".....99.76%
"Against".....0.05%
"Abstained".....0.05%

IV. On Payment of Remunerations and Compensations to the Members of the Company's Internal Audit Commission.

The counting of votes of the voted valid ballots showed the following results:

1. Andrey Igorevich Akimov.....0.01%
2. Pyotr Nikolayevich Aksenov.....6.61%
3. Aleksey Feliksovich Bodunkov.....6.61%
4. Dmitry Valerievich Vasiliev.....6.62%

5. Igor Timofeyevich Goryunov.....6.73%
6. Arkady Vyacheslavovich Yevstafiev.....6.68%
7. Vladimir Anatolievich Kimerin.....0.01%
8. Anatoly Yakovlevich Kopsov.....6.63%
9. Andrey Nikolayevich Kravtsov.....0.01%
10. Artem Vladislavovich Kuznetsov.....7.23%
11. Aleksey Anatolievich Matveyev.....8.32%
12. Boris Vasilyevich Nikolsky.....0.02%
13. Maria Nikolayevna Pichugina.....0.01%
14. Vladimir Yurievich Platonov.....0.01%
15. Andrey Natanovich Rappoport.....6.61%
16. Cyrill Gennadievich Seleznev.....0.01%
17. Pavel Stepanovich Smirnov.....6.61%
18. Alexander Ivanovich Sobol.....8.32%
19. Wolfgang Skribot.....2.52%
20. Yuri Arkadiyevich Udaltsov.....6.61%
21. Alisher Burkhanovich Usmanov.....0.01%
22. Jacob Harmut.....0.02%
23. Anatoly Antonovich Chabak.....7.16%
24. Alexander Vasilievich Chikunov.....6.44%
25. Alexander Nikolayevich Chistyakov.....0.01%
26. Ilya Viktorovich Shcherbovich.....0.01%

VI. On Election of the Members of the Company's Internal Audit Commission. Shares owned by members of the Board of Directors of the Company, or by persons 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:

O.V. Zabrodin....."For".....99.79%
"Against".....0.02%
"Abstained".....0.004%
V.A. Zagorodnikh....."For".....99.78%
"Against".....0.017%
"Abstained".....0.018%

O.N. Mansurova....."For".....99.77%
"Against".....0.021%
"Abstained".....0.018%
D.N. Nikitin....."For".....99.77%
"Against".....0.023%
"Abstained".....0.016%
S.B. Sidorov....."For".....99.78%
"Against".....0.017%
"Abstained".....0.016%

VII. On Approval of the Auditor of the Company.

The counting of votes of the voted valid ballots showed the following results:

"For".....80.64%
"Against".....19.17%
"Abstained".....0.04%

VIII. On the Introduction of Amendments and Addenda to the Company's Charter (Articles 1 through 20).

A decision on the issue is to be adopted by a three-fourths majority vote of the members holding voting shares in the Company. The results of the voting on the item can be found at the Company's web site.

IX. On MOSENERGO reorganization in the form of separation, on the procedure for and conditions of separation, on the formation of new companies, on the allotment of shares of the emerging companies and on the procedure for such allotment, and on the approval of the separation balance sheet.

The counting of votes of the voted valid ballots showed the following results:

"For".....99.77%
"Against".....0.06%
"Abstained".....0.03%

■ **Wordings of the resolutions made by the General Meeting:**

On Item 1:

1. The Annual Report of the Company for 2003 be approved.
2. The annual financial statements of the Company for 2003 be approved.

3. The Profit and Loss Statement of the Company for 2003 be approved.

On Item 2:

1. The following distribution of the profit/loss be

approved based on the balance of the Company's work for 2003, *RUR'000*:

Unappropriated profit (loss) of the accounting period.....1,730,981

Be distributed to:

— Reserve capital.....	86,549
— Accumulation fund.....	1,031,305
— Dividends.....	613,127
— Cover for losses of the past years.....	—

2. Dividends on the Company's ordinary shares based on the annual returns of 2003 be paid at the rate of RUR 0.02169 per ordinary share of the Company in cash within 60 days after the date when the decision to pay the same was made.

On Item 3:

Remunerations and compensations to the members of the Board of Directors be paid based on the year-end returns in accordance with the Regulation on Payment of Remuneration and Compensations to the Members of the Board of Directors of MOSENERGO approved by the Annual General Meeting of Shareholders on May 30, 2003.

On Item 4:

Remunerations and compensations to the members of the Audit Commission be paid based on the year-end returns in accordance with the Regulation on Payment of Remuneration and Compensations to the Members of the Audit Commission of MOSENERGO approved by the Annual General Meeting of Shareholders on May 30, 2002.

On Item 5:

The following members be elected on the Company's Board of Directors:

1. Pyotr Nikolayevich Aksenov
2. Aleksey Feliksovich Bodunkov
3. Dmitry Valerievich Vasiliev
4. Igor Timofeyevich Goryunov
5. Arkady Vyacheslavovich Yevstafiev
6. Anatoly Yakovlevich Kopsov
7. Artem Vladislavovich Kuznetsov
8. Aleksey Anatolievich Matveyev
9. Andrey Natanovich Rappoport
10. Pavel Stepanovich Smirnov
11. Alexander Ivanovich Sobol
12. Yuri Arkadievich Udaltsov
13. Anatoly Antonovich Chabak

On Item 6:

The following members be elected on the Audit Commission of the Company:

1. Oleg Viktorovich Zabrodin
2. Vladimir Anatolievich Zagorodnikh
3. Olga Nikolayevna Mansurova
4. Danil Nikolayevich Nikitin
5. Sergei Borisovich Sidorov

On Item 7:

RSM Top-Audit Limited Company, Moscow be approved as the Company auditor.

On Item 8:

The Company's Charter be amended as follows.

On Item 9:

Wording of the resolution:

1. MOSENERGO be reorganized by way of splitting off Open Joint Stock Companies:
 - OAO Energy Management Company;
 - OAO Trunk Network Company;
 - OAO Moscow City Electricity Network Company;
 - OAO Moscow Heating Network Company;
 - OAO Moscow Region Electricity Network Company;
 - OAO Mosenergosbyt;
 - OAO Specialized Design Bureau for Repair and Modernization;
 - OAO Mosteplosetenergoremont;
 - OAO Mosenergosetstroy;
 - OAO GRES-4;
 - OAO GRES-5;
 - OAO GRES-24;
 - OAO Zagorskaya GAES.
2. The following procedure for and conditions of splitting off be established (www.mosenergo.ru).
3. The spin-off companies be set up into legal entities.
4. The following procedure for allocation of shares of the spin-off companies be established:
 - 4.1. Shares of the spin-off companies be allocated among MOSENERGO's shareholders, including among shareholders who voted against or abstained from voting on the issue of the Company reorganization, in proportion to the number of shares in the Company of which they are holders.

4.2. The following coefficients be established for distribution of ordinary shares in each of the formed companies, as well as the rates of their par values (subject to simultaneous distribution per each ordinary share in MOSENERGO be):

- one (1) ordinary share in OAO GRES-4 with the par value of RUR 0.05;
 - one (1) ordinary share in OAO GRES-5 with the par value of RUR 0.05;
 - one (1) ordinary share in OAO GRES-24 with the par value of RUR 0.02;
 - one (1) ordinary share in OAO Zagorskaya GAES with the par value of RUR 0.1;
 - one (1) ordinary share in OAO Moscow Region Electricity Network Company with the par value of RUR 0.5;
 - one (1) ordinary share in OAO Moscow City Electricity Network Company with the par value of RUR 0.2;
 - one (1) ordinary share in OAO Moscow Heating Network Company with the par value of RUR 0.3;
 - one (1) ordinary share in OAO Trunk Network Company with the par value of RUR 0.05;
 - one (1) ordinary share in OAO Energy Management Company with the par value of RUR 0.0000037;
 - one (1) ordinary share in OAO Mosenergosbyt with the par value of RUR 0.01;
 - one (1) ordinary share in OAO Mosteplosetenergoremont with the par value of RUR 0.01;
 - one (1) ordinary share in OAO Mosenergosetstroy with the par value of RUR 0.001;
 - one (1) ordinary share in OAO Specialized Design Bureau for Repair and Modernization with the par value of RUR 0.0001.
5. The separation balance sheet be approved.

More details and information on Resolutions, Adopted by the General Meeting of Shareholders, are available on the Company's Web site.¹



3.1.8

Corporate Governance Code — Compliance Information

■ Provision of the Corporate Governance Code / Observed or not observed

— General Meeting of Shareholders:

1. Notifying shareholders about a general shareholders meeting not less than 30 days prior to its holding irrespective of the business to be transacted unless a longer period is stipulated by law / **Observed.** Charter, Art. 11, Item 11.5
2. Granting shareholders an opportunity to familiarize themselves with the list of persons entitled to participate in the general shareholders meeting, starting with the day of notification of a general shareholders meeting to be held 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.**
3. Granting shareholders an opportunity to familiarize themselves with information (materials), that

are to be provided to shareholders during preparation for holding of a general shareholders meeting, by means of communications equipment, including through the Internet / **Observed in part.** Charter, Art. 11, Item 11.7.

4. The shareholders' entitlement to enter an item on the general meetings' agenda or demand the convocation of a general shareholders meeting without presenting any documents if his/her rights to shares are exercised within the register-keeping system, and if his/her rights to shares are accounted on a custody account — with the presentation of a statement of the custody account in order to exercise the aforementioned rights / **Observed.** The procedure for enter an item on the general shareholders meetings' agenda and the procedure for convocation of

a general shareholders meeting is determined by the current legislation.

5. Existence of a requirement in a joint stock company's charter or internal documents providing for compulsory attendance at the general shareholders meetings of the general director, members of the managerial board, members of the board of directors, members of the audit commission and auditor of the joint stock company / **Observed in part.** Amendments and addenda to MOSENERGO's Charter of June 29, 2004, Art. 11, Item 11.1.
6. Compulsory attendance of candidates during discussion at a general shareholders meeting of items concerning election of members of the board of directors, the general director, members of the managerial board, members of the audit commis-

sion, as well as the item of approval of the joint stock company's auditor / **Observed in part.** *Observed in actual practice, not stipulated in the Company's internal documents.*

7. Detailing in a joint stock company's internal documents the procedure for 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.*

— **Board of Directors:**

8. Stipulating in a joint stock company's charter the authority of the board of directors to approve annually a financial and economic plan of the joint stock company / **Observed.** *Amendments and addenda to the Charter of June 02, 2003, Art.15, Item 15.1, 19.*

9. Existence in a joint stock company of a board of directors-approved risk management procedure / **Observed.** *MOSENERGO's Risk Management Regulation.*

10. Stipulating in a joint stock company's charter the authority of the board of directors to suspend the mandate of the general director appointed by the general shareholders meeting / **Not observed.** *Charter, Art. 15, Item 15.1, 12. The Director General is elected by the Board of Directors of the Company.*

11. Stipulating in a joint stock company's charter the authority of the board of directors to set requirements to the qualifications and amount of remuneration of the general director, members of the managerial board, principal executives of the joint stock company / **Observed in part.** *The Board of Directors determines the amount of remuneration payable to the Executive Board members, and approves the employment contract conditions.*

12. Stipulating in a joint stock company's charter the authority of the board of directors to approve the terms and conditions of employment contracts with the general director and members of the managerial board / **Observed in part.** *Charter, Art. 19, Items 19.5 through 19.7.*

13. Existence of a requirement in a joint stock company's charter or internal documents stipulating that the votes of the members of the board of directors who are the general director or members of the managerial 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 managerial board / **Not observed.** *Charter, Art. 19, Items 19.6 through 19.7, The Board of Directors of the Company determines terms and conditions of employment contracts, including with regard to the term of office.*

14. Presence of not 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 four 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, revenue, 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. Stipulating in a joint stock company's charter a requirement for the board of directors to be elected by cumulative voting / **Observed.** *Charter, Art. 10, Item 10.8.*

18. Stipulating in a joint stock company's internal documents of a requirement for the members of the board of directors to hold back 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. Stipulating in a joint stock company's internal documents 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 (associated 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.** *Amendments and addenda to MOSENERGO's Charter of June 29, 2004, 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 2004, the Board of Directors held 29 meetings.*

22. Stipulating in a joint stock company's internal documents proceedings at meetings of the board of directors / **Observed.** *Procedure for Convocation and Holding of Meetings of the Company's Board of Directors.*

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 to a sum of ten and more percent of the company's asset value, with the exception of transactions carried out in the ordinary course of business / **Observed.** *Amendments and addenda to the Charter of June 02, 2003, Art. 15, Item 15.1, Sub-item 38.*

24. Stipulating in a joint stock company's internal documents the right of the members of the board of directors to receive information from the executive bodies and heads of major divisions of the joint stock company that they need to properly discharge their functions, as well as penalties for failure to do so / **Observed.** *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 personnel and remuneration committee) / **Not observed.** *The committee has not been appointed.*

26. Existence of a committee of the board of directors (the audit committee) which recommends 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 has passed a resolution on setting up the Audit Committee, Minutes No. 12 of 09.10.2003, and approved the Regulation on the Audit Committee of MOSENERGO's Board of Directors, Minutes No. 18 of 04.03.2005.*

27. Only independent and non-executive directors on the audit committee / **Observed in part.** *See Item 26 Individual members have not been approved.*

28. An independent director at the head of the audit committee / **Observed in part.** *See Item 26 Individual members have not been approved.*

29. Stipulating in a joint stock company's internal documents 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. 10.*

30. Establishment of a committee of the board of directors (the human resources and remuneration committee) charged with definition of eligibility criteria applicable to candidates for the position of member of the board of directors and development of the joint stock company's remuneration policy / **Not observed.** *The human resources and remuneration committee will be formed in 2005.*

31. An independent director at the head of the human resources and remuneration committee / **Not observed.** *See Item 30.*

32. No officers of the joint stock company on the human resources and remuneration committee / **Not observed.** *See Item 30.*

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 personnel and remuneration committee) / **Not observed.** *The committee has not been appointed.*

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) / **Not observed.** *The committee has not been appointed.*

35. No officers of the joint stock company on the corporate conflict resolution committee / **Not observed.** See Item 34.
36. An independent director at the head of the corporate conflict resolution committee / **Not observed.** See Item 34.
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 in part.** *Amendments and addenda to the Charter of June 29, 2004, Art. 18.1.*
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, Art. 18, Items 18.7 through 18.13.*
- **Executive Bodies:**
39. Existence of a collegial executive body (managerial board) of a joint stock company / **Observed.** *MOSENERGO's Charter, Art. 19, Item 19.1.*
40. Existence of a provision in a joint stock company's charter or internal documents envisaging the requirement of the managerial 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 its business / **Observed in part.** *Charter, Art. 20, Item 20.2.*
41. Detailing in a joint stock company's internal documents the procedure for obtaining approval for operations outside the scope of the financial and business plan of the joint stock company / **Not observed.**
42. Absence among the members of the executive bodies of a joint stock company of persons who are a shareholder, the general director (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 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, revenue, and securities market. Where the functions of the sole executive body are exercised by a managing organization or a manager, the general director and members of the managerial board of the managing organization or the manager should meet the eligibility criteria applicable to the general director and members of the managerial 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 rival company or have any connection with the joint stock company apart from carrying out the functions of the managing organization (manager) / **Observed in part.** *Charter, Art. 19, Item 19.3.*
45. Existence of a requirement in a joint stock company's internal documents to the members of the executive bodies to hold back 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.** *Charter, Art. 19, Item 19.14, Articles of the Executive Board of MOSENERGO, Art. 3, Item 3.1.3, Regulation on MOSENERGO's Information Policy, Art. 8.*
46. Stipulating in a joint stock company's charter or internal documents 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 on their work to the board of directors / **Observed.** *Charter, Art. 15, Item 15.1, Sub-item 8.*
48. Stipulating in contracts concluded between a joint stock company and its general director (management organization, manager) and members of the managerial 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 (the secretary of the company) whose objective is to ensure that corporate bodies and officers of the joint stock company comply with procedural requirements safeguarding the rights and legitimate interests of the company's shareholders / **Observed in part.** *Compliance of the corporate bodies and officers of the joint stock company with procedural requirements safeguarding the rights and legitimate interests of the company's shareholders is ensured by an ad hoc operating unit and the Secretary of the Board of Directors based on the Procedure for Convocation and Holding of Meetings of the Company's Board of Directors, Art. 4, Sub-item 4.4.*
50. Detailing in a joint stock company's charter or internal documents the procedure for appointment (election) of the secretary of the company and his/her responsibilities / **Observed in part.** See Item 49.
51. Stipulating in a joint stock company's charter the eligibility criteria applicable to candidates for the position of the secretary of the company / **Observed in part.** See Item 49.
- **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 consummation / **Observed.** *Charter, Art. 15, Item 15.1, Sub-item 23.*
53. Obligatory invitation of independent assessors to determine the market value of property involved in major transactions / **Observed.** *Amendments and addenda to MOSENERGO's Charter of June 29, 2004, Art. 15, Item 15.1, Sub-item 42.*
54. Stipulating 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 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 authorized by the charter of the company) / **Not observed.** *The Charter contains no such provisions.*
55. Stipulating 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 it could 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.** *Amendments and addenda to MOSENERGO's Charter of June 29, 2004, Art. 5, Item 5.8.*
57. Stipulating 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 in part.** *Amendments and addenda to MOSENERGO's Charter of June 29, 2004, Art. 15, Item 15.1, Sub-item 42.*
- **Disclosure of Information:**
58. Existence of a 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.*
59. Stipulating in a joint stock company's internal documents the requirement to disclose information about the purposes of issuing new shares and the persons 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 / **Observed in part.** *The relevant requirements will be observed should the Company issue its shares.*
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 brought up at a general shareholders meeting / **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.mosenergo.ru).

62. Stipulating in a joint stock company's internal documents 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 percent 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. Stipulating in a joint stock company's internal documents the requirement to disclose information about all transactions which may substantially 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 (h), Items 4.4.8, 4.4.19.

64. Existence of a board of directors-approved internal document regulating the use of significant 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 in part**. Regulation on MOSENERGO's Information Policy, Art. 7.

— **Supervision of the 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 / **Not observed**. The pertinent amendments will be considered by the Board of Directors after the Annual General Shareholders Meeting of the Company based on the annual returns of 2004.

66. Existence of an ad hoc unit of the joint stock company that ensures compliance with the internal control procedures (control and audit service) / **Observed**. The table of organization provides for the control and audit service.

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 / **Not observed**. See Item 65.

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 wrong-doing in the sphere of finance, revenue, 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, the general director (manager), members of the management bodies or employees of a legal entity competing with the joint stock company / **Observed**.

70. Stipulating in a joint stock company's internal documents the period of time for presentation of documents and materials to the control and audit service for evaluation of the 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**. Is specified in the audit program and procedure.

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 in part**. See Item 70.

72. Stipulating 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 preliminary evaluated by the control and audit service / **Not observed**. Such requirements are not stipulated by the internal documents of the Company.

73. Stipulating in a joint stock company's internal documents the procedure for obtaining the board

of directors' approval of a non-standard operation / **Not observed**.

74. Existence of a board of directors-approved internal document setting forth the procedure for conducting audits of the financial and business activity of the joint stock company by the audit commission / **Not observed**. See Item 65.

75. Evaluation by the audit committee of the auditor's report before it is presented to shareholders at a general shareholders meeting / **Observed**. Regulation on the Audit Committee of MOSENERGO's Board of Directors, Art. 2, Item 2.1.4.

— **Dividends:**

76. Existence of a board of directors-approved internal document which is followed by the board of directors in adoption of recommendations concerning the dividend rate (Regulation on Dividend Policy) / **Not observed**. The pertinent amendments will be considered by the Board of Directors after the Annual General Shareholders Meeting of the Company based on the annual returns of 2004.

77. Stipulating in the Regulation on Dividend Policy the procedures for determining the minimal portion of 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 / **Observed in part**. MOSENERGO's Charter, approved by the extraordinary general meeting of MOSENERGO's shareholders, Art. 7.

78. Publishing of information about the dividend policy of the joint stock company and all amendments thereto in a periodic publication authorized by the company's charter to announce general shareholders meetings, as well as on the company's website / **Observed in part**. The Company abides by the Guidelines for Dividend Payment approved by RAO UES of Russia.

Subsidiaries and Associated Companies

■ Name of joint stock company (business entity)	Core activities	Amounts of investments, Interest in statutory	
		RUR '000	capital, %
1	2	3	4
ZAO Energoinvest-ME	trade	2,249.1	90.0
ZAO Energoconsult	advisory services, design activity, engineering services	4.999	100.0
OOO EPA	travels, dentistry	153.375	99.92
CB Transinvestbank (OOO)	banking operations	21,054.9	42.11
Mosenergo-Finance B.V.	financial operations	118.139	100.0
OAO ACB Moskovskiy Industrialny Bank (Moscow Industrial Bank)	banking	1,652.0	1.5
OOO Seba-Energo	device development and manufacture	520.96	44.0
Segol Radio Page Inc	telecommunications	4,446.27	8.81
ZAO Moskon	production waste disposal	200.0	20.0
ZAO Unikhimtek	manufacturing of graphite products	500.0	13.08

1	2	3	4
AOZT Khoroshevskaya Energy Utility	construction of gas-turbine CHP plants	91.22	16.09
OOO EnTsentr	manufacturing of graphite products	30.0	30.0
OOO Ergomaks	building, construction and repair operations	0.5	24.27
OAO Kriokor	scientific R & D	0.25	0.59
OOO Teploset-Servis	heating utility maintenance	0.045	45.0
ZAO Kartek Association	anticorrosion protection	0.17	2.5
ZAO Telecomenergo	telecommunications	150.0	15.0
ZAO IK Energogarrant-Invest	Investing	3,000.0	12.0
OAO SAK "Energogarrant"	insurance	1,564.86	0.22
OAO Elektrosentrnladka	equipment setup	93.375	15.0
OAO Energomekhanicheskiy Zavod (Power Engineering Works)	manufacturing of equipment	44.732	4.37
OAO Bank of Moscow	banking	21,329.2	0.18
MACB Vozrozhdeniye (OAO)	banking	620.35	0.02
OAO Zhilishchnaya Initsiativa Corporation	construction	4.0	12.82
MAB Temp-Bank(OAO)	banking	291.053	0.35
OAO KAMAZ	motor-vehicle construction	19.043	0.0002
ZAO Birzha Metallov (Metal Exchange)	trading	0.1	0.03
OAO GUM Trade House	trade	8.832	0.0003
AOZT Akvatron	fishing	0.02	0.67
OAO Shaturtorf	production of peat	1,712.524	33.99
OAO Shaturskiy Meat Processing Plant	foods	0.891	1.1

Information about the Company's Shareholding in the Charter Capitals of the Affiliates¹

Description of affiliate	Amount of investment in the affiliate, RUR	Interest in the charter capital of the affiliate, %	Core business of the affiliate
Mosenergo-Finance B.V Closed Joint Stock Company	118,139.2	100	Financial operations
Energoinvest-ME Closed Joint Stock Company	2,249,100.0	90	Foodstuff wholesale
Energoconsult (successor of ZAO Trelex)	4,999.0	100	Advisory services, design activity, engineering services
Transport Investment Bank Limited	21,054,900.0*	42.11	Banking operations
SEBA-ENERGO Russian-German Joint Venture Limited	520,960.0	44	Development, manufacture and assembly of separate units, devices, mobile laboratories for fault location in trunk networks of water, heat and gas supply, power and data cables
Teploset-Service Limited	45.0	45	Service maintenance of heat metering units, automation equipment for heat dispatch control
EPA Power Industry Enterprise Limited	153,375.0	99.92	Travels, dentistry
N-Center Limited	30,000.0	30	Manufacture and sale of washed and oxidized graphite and its derivatives
Ergomax Manufacturing Firm Limited	500.0	24.27	Building, construction and repair operations, including manufacture and sale of building materials, development of design and estimate documentation
Open Joint Stock Company "Shatura Peat Digging Production Association"	1,712,523.5	33.99	Peat digging for the needs of the energy sector, production of peat (by way of its processing), manufacturing and household products and consumer goods

* According to the accounting data of the Company, MOSENERGO's equity investments in 2004 amounted to RUR 23,904,900.0. Under the Sales and Purchase Agreement of December 23, 2004, part of the Company's interest in the Commercial Bank was sold. The variations are shown in the financial statements for the 1st quarter of 2005.



**MOSENERGO'S Generating and a Send Branches
as of 01.01.2005**

■ Power stations	Aggregate electrical capacity, MW	Aggregate heat capacity*, Gcal/h	First unit commissioned	Latest unit commissioned	
				turbines	boilers
TEP-1, including the branch	70.00	893.00	1897	1998	2001
LAPS-3	627.08	298.98	1914	1999	2000
LAPS-4	1,580.00	399.00	1922	1983	1987
LAPS-5	1,100.00	344.30	1920	1982	1986
TEP-6	24.00	139.00	1930	1985	1961
TEP-8	605.00	2,192.00	1930	1986	1986
TEP-9	250.00	859.00	1933	1991	1993
TEP-11	330.00	1,011.00	1936	2001	2002
TEP-12, including the branch	408.00	2,043.00	1941	1998	1992
TEP-16	360.00	1,484.00	1955	1994	1963
TEP-17	192.00	712.00	1950	2002	1957
TEP-20	730.00	2,400.00	1952	1999	2002
TEP-21	1,340.00	4,603.00	1963	2000	1983
TEP-22	1,300.00	3,614.00	1960	2003	1973
TEP-23	1,410.00	4,515.00	1966	1997	1982
LAPS-24	310.00	—	1988	1988	1988
TEP-25	1,370.00	4,088.00	1976	1991	1991
TEP-26	1,410.00	4,006.00	1981	1988	1988
TEP-27	160.00	1,276.00	1992	1998	1998
TEP-28	25.00	40.00	1992	1993	1993
Zagorsk PSP	1,200.00	—	1988	2000	—
Total:	14,801.08	34,917.28			

* The aggregate heat capacity includes the capacity of steam water boilers

■ High-voltage electric grids	Length of overhead transmission lines, km				Area covered, sq km
	Total	220 kV	110 kV	35 kV	
Yuzhniye	1,240.7	323.9	788.3	128.5	2,392
Vostochniye	636.9	128.5	404.6	103.8	3,600
Oktyabrskiy	1,515.8	272.7	842.5	400.6	3,244
Severniye	1,154.8	127.1	641.6	386.1	2,189
Noginskiye	1,325.5	60.6	1,010.1	254.8	3,057
Podolskiye	1,480.1	132.5	1,008.1	339.5	2,913
Kolomenskiye	1,200.3	—	1,055.2	145.1	3,310
Shaturskiye	1,174.4	41.6	724.4	408.4	3,304
Zapadniye	1,922.9	356.5	1,071.0	495.4	3,146
Dmitrovskiy	899.2	6.3	502.0	390.9	2,621
Mozhayskiye	871.4	—	339.7	531.7	4,186
Volokolamskiye	717.9	—	214.0	503.9	3,030
Kashirskiy	1,201.2	—	967.4	233.8	2,566
Trunk	3,157.3	3,157.3	—	—	7,442
Total:	18,498.4	4,607.0	9,568.9	4,322.5	47,000

■ Distribution grids	Installed transformer capacity, thousand kVA	Number of 6–10 kV distribution and transformer substations, units					Length of 0.4–10 kV overhead transmission lines, km.				Number of feeders in 6–10 kV, units
		Total	Including*				Total	Including insulated cable	Including 6–10 kV cable lines	Including 6–10 kV lines	
			DTS	ITS	UTS	PMTS					
1	2	3	4	5	6	7	8	9	10	11	12
Yuzhniye	284	577	35	248	163	131	2,217	99	439	841	107
Vostochniye	133	366	12	144	190	20	1,415	120	321	516	200
Oktyabrskiy	403	1,360	65	684	382	229	5,340	149	865	2,082	520
Severniye	449	1,310	76	436	540	258	4,652	256	1,268	1,578	276
Noginskiye	175	574	31	171	340	32	2,619	83	245	1,309	116
Podolskiye	514	1,514	82	518	569	345	6,741	2	852	3,332	577
Kolomenskiye	531	1,592	53	636	749	154	6,493	94	529	3,050	395
Shaturskiye	143	560	0	161	234	165	3,124	30	59	1,687	96

* DTS — Distribution transformer substation. ITS — Indoor transformer substation. UTS — Uninitiated transformer substation. PMTS — Pole-mounted substation

1	2	3	4	5	6	7	8	9	10	11	12
Dmitrovskiy	290	968	22	333	472	141	3,569	83	229	1,949	187
Zapadniye	767	1,872	137	658	966	111	8,179	130	2,321	2,960	706
Mozhayiskiy	402	1,513	44	469	835	165	5,296	199	464	2,617	348
Volokolamskiy	301	1,134	20	355	741	18	3,662	114	89	2,067	185
Kashirskiy	280	883	44	281	226	332	4,860	62	178	2,685	312
Total:	4,672	14,223	621	5,094	6,407	2,101	58,167	1,421	7,859	26,674	4,025

■ Moscow cable grid

Number of cable inlets, <i>units</i>	115,030
Installed transformer capacity, <i>thousand kVA</i>	15,452.7
Length of cable lines, <i>km</i>	57,253.9
including by voltage:	
0.4–1 kV	19,570.5
6–10 kV	37,647.9
20 kV	1.9
35 kV	33.6
Number of distribution substations, <i>units</i>	1,855
Number of transformer substations, <i>units</i>	13,734

■ High-voltage cable grids

Length of cable lines, <i>km</i>	755.0
including by voltage:	
110 kV	601.6
220 kV	152.5
500 kV	0.9

* The length of 110-500 kV cable lines is indicated for 14 branches of MOSENERGO

■ Heating grids

Aggregate connected load, <i>thousand Gcal/h</i>	32.2
Length of grids expressed as two-pipe length, <i>km</i>	2,291.4
including:	
water	2,254.2
steam	37.2
Pressure pumping stations, <i>stations</i>	22
Drain pumping stations, <i>stations</i>	236
FPU-insulated grids, <i>km</i>	123.2

Electricity and Heat Tariffs

■ Electricity Tariffs for Moscow Consumers (by dates of approval by Moscow REC)

kopecks/kWh

Consumers	Moscow REC Ordinance No. 8	Moscow REC Ordinance No. 79
	dated 14.02.2003 (as from March 1, 2003)	dated 08.12.2003 (as from January 1, 2004)
Budget-sponsored consumers	101.00	112.80
Urban households, electric stoves (inclusive of VAT)	74.00	86.00
Urban households, gas stoves (inclusive of VAT)	105.00	122.00
Rural households (inclusive of VAT)	74.00	86.00
Electricity-driven railroad transport	88.20	102.50
Electricity-driven municipal transport	96.60	101.70
Others (cum industry) including:		
high voltage	63.57	68.20
medium voltage	105.67	108.26
low voltage	108.80	122.37

■ Electricity Tariffs for Moscow Region Consumers (by dates of approval by the Moscow Region EC)

kopecks/kWh

Consumers	MREC Minutes No. 5	MREC Minutes No. 30
	dated 18.02.2003 (as from February 20, 2003)	dated 17.12.2003 (as from January 1, 2004)
Base consumers	84.10	88.90
Budget-sponsored consumers	88.70	99.80
Urban households, electric stoves (inclusive of VAT)	83.00	96.00
Urban households, gas stoves (inclusive of VAT)	98.00	113.00
Rural households (inclusive of VAT)	83.00	96.00
Electricity-driven railroad transport	77.00	79.20
Electricity-driven municipal transport	113.00	124.30
Others (cum industry) including:		
high voltage	92.00	101.20
medium voltage	113.00	124.30
low voltage	122.00	134.20

■ Heat Tariffs for Moscow Consumers (by dates of approval by Moscow REC)		<i>RUR/Gcal</i>
Consumers	Moscow REC Ordinance No. 8 dated 14.02.2003 (as from March 1, 2003)	Moscow REC Ordinance No. 79 dated 08.12.2003 (as from January 1, 2004)
Hot water		
Housing organizations	282	325
Budget-sponsored consumers	282	325
Industry	361	406
Miscellaneous	435	547
Households (inclusive of VAT)	150	175
Steam		
Industry	404	431

■ Heat Tariffs for Moscow Region Consumers (by dates of approval by the Moscow Region EC)		<i>RUR/Gcal</i>
Consumers	MREC Minutes No. 5 dated 18.02.2003 (as from February 20, 2003)	MREC Minutes No. 30 dated 17.12.2003 (as from January 1, 2004)
Hot water		
Housing organizations	300	300
Budget-sponsored consumers	300	300
Industry	380	380
Miscellaneous	380	380
Households (inclusive of VAT)	300	300
Steam		
Industry	438	436

Information about the Company's Registrar

■ Full corporate name	Closed Joint Stock Company Register-Service Specialized Registrar
Abbreviated corporate name	ZAO Register-Service Specialized Registrar
Legal address	15 Sadovnicheskaya St., Moscow 115035
Mail address	15 Sadovnicheskaya St., Moscow 115035
License	
License number	10-000-1-00312
Date of issue	30.03.2004
Effective date	for an indefinite term
License issuing authority	Federal Commission for the Securities Market (FCSM of Russia)
Position and full name of the CEO	General Director — Mikhail G. Kabanov
Date from which the named registrar keeps the register of registered securities of the issuer	10.03.1995. Contract No. 1 for keeping the register of security holders dated 06.02.1995
Bank details of the registrar	Settlement a/c No. 40702810738240101290 with the Savings Bank of Russia, Central Branch of the Savings Bank No. 8641/1589, corr. a/c No. 30101810400000000225, Moscow, BIC 044525225, INT 7705017479
Contact phone/fax	(095) 234 70 76, (095) 234 79 78
E-mail	reestr@rol.ru

Glossary

■ Abbreviations

ATH — Avtokhozyaistvo
CCP — Combined Cycle Plant
CGP — Cogeneration Plant
CL — Cable Line
CRMZ — Central maintenance-mechanical plant
EBRD — European Bank for Reconstruction and Development
ETG — Electrical Trunk Grids
FAS — Factory-Assembled Switchgear
FAS of Russia — Federal Antimonopoly Service, established by the RF President's Decree No. 314 of March 9, 2004.
FCSM — Federal Commission for the Securities Market, transformed in August 2004 into the FSFM of Russia (Federal Service for Financial Markets)

FGC UES of Russia — Federal Grid Company of the Unified Energy System of Russia.
FTS of Russia — Federal Tariff Service (former FEC — Federal Energy Commission).
GDP — Gas Distribution Point
GTU (GTE) — Gas Turbine Unit (gas-turbine power plant)
GUP — State Unitary Enterprise
HEP — Hydro Electric Plant
HP (LP) cylinder — high (low) pressure cylinder
HP (LP) rotor — high (low) pressure rotor
H-VCG — High-voltage cable grids
ITC — Interregional Transmission Company
IVC — Information-computing centre
LAPS — Local Areal Power Station (a historical name)
MAC — Maximum Allowable Concentration
MAD — Maximum Allowable Discharges

MAE — Maximum Allowable Emissions
MCG — Moscow cable grid
MCPK — Moscow Personnel Training Center
MEN — Mosenergonaladka
MEP — Mosenergoprojekt
MERE — Moselektroremenergo
MESR — Mosenergospetsremont
MESS — Mosenergostroy
MIBC — Moscow International Business Center
MKER — Moskabelenergoremont
MKSM — Moskabelsetmontazh
MREC — Moscow Region Energy Committee
MRV — Main Relief Valve
MSC — Medsanchast
MTER — Mosteplosetenergoremont
MTK — Moscow Technical Lyceum
MUD — Makeup Demineralizer

NP ATS — Nonprofit Partnership "Administrator of Trading System" of the wholesale electricity (power) market

NPEI — Non-Profit Educational Institution

ODU — Operational Dispatch Unit (Administration)

OL — Overhead Transmission Line

OZAP — Experimental plant for automation means and devices

PPTK — Industrial-technological completing enterprise

PSP — Pumped-Storage Plant

PTL — Power Transmission Line

PWB — Peak Water Boilers

RAH — Regenerative Air Heater

REC — Regional Energy Commission

RETO — Plant for repairing electrotechnical equipment

RTS — Russian Trading System (stock exchange)

SAC — Subsidiaries and Associated Companies

SKTB VKT — Special construction-technological bureau for high-voltage and cryogenic technology

SPKB RR — Special design-construction bureau for reconstruction and maintenance

SS — over 35 kV substation

TC — Transmission Company

TEP — Thermal Electric Plant

TG — turbogenerator

TSS — 20, 10, 6/0.4 kV transformer substation

UES SO-CDU of Russia — System Operator — Central Dispatch Unit of the Unified Energy System of Russia

UNEG — Unified National Electricity Grid

WEM — Wholesale Electricity (Power) Market

WGC — Wholesale Generation Company

WS/RS — Wholesale Resellers

■ Unit of Measurement

atm (abs) — absolute atmosphere. A unit of pressure

Gcal — Gigacalorie. A unit of calorific energy

Gcal/h — Gigacalorie/hour. A unit of thermal power

kV — kilovolt. A unit of voltage

kVA — kilovolt-ampere. A unit of apparent transformer power

kWh — kilowatt-hour. A unit of electric energy

MW — megawatt. A unit of electric power

toe — ton of equivalent fuel

■ Terms

"5+5" Strategy. "Concept of RAO UESR's Strategy for 2003–2008" a framework document for restructuring of the Russian electric power industry, that stipulates main stages of restructuring, its terms and principles

Bilateral contract. An agreement under which a supplier undertakes to supply a definite quantity of electricity of a definite quality to a buyer, and the buyer undertakes to accept and pay for such electricity under terms and conditions of the contract, concluded as consistent with the rules of the wholesale market

Budgeting. A management system, including financial planning and budget preparation procedures and monitoring of their implementation

Capacity, installed. A maximum active electric power, with which an electric installation is capable of running continuously without overload in accordance with the equipment certificate

Capacity, operating. Available capacity of an electric power plant less equipment, laid up for repair

Discrepancy segment of the WEM. The segment trading in discrepancies between actual and planned generation (consumption) of electricity by the wholesale market players in a particular time of day at regulated tariffs and coefficients

Free market segment (FMS). The competitive segment, the "5–15" segment — a system of relations at the wholesale electricity market, defined by the WEM rules and based on competition among suppliers and among buyers of electric energy

Generation. Production of electricity and heat

Isolated generating plants. Electric power plants in possession of other owners and/or departments,

connected directly or via subscriber networks to the electricity grid of the power system and subordinate to a single operational dispatch administration of a power supplier

Minority shareholder. A shareholder whose gross shareholding in a company is less than 25%

Power suppliers. Profit-making organizations, selling generated and/or purchased electric energy (power) and heat energy (power) to consumers in the area

Regulated segment of the WEM. The segment of electricity (power) supply to the wholesale market and consumption from the WEM at the tariffs, approved by the Federal Tariff Service

SF6 circuit breaker. A circuit breaker, employing SF6 gas instead of air or oil insulation, which enables to increase load on current-carrying parts and to reduce their mass for the account of its cooling properties

Unit. A power boiler (steam generator), represented by one or two shells and a turbine (or several turbines), rigidly connected thereto with a directly coupled electric generator (several generators according to the number of the turbines)

Wholesale transitional market. Operates until the Federal Law "On Electric Power Industry" has come in full force and effect (i.e. until the 100% competitive electricity market has become fully operational). Consists of the regulated and competitive segments

Contact Information

■ Full corporate name

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Aleksey Nikolayevich Zharikov, Head of the Securities Department. Phone: (095) 957-3417

■ Register holder: ZAO Register Service Specialized Registrar

Address: 15 Sadovnicheskaya St., Moscow, 115035. Phone: (095) 234 70 76, fax: (095) 234 79 78

■ Auditor: RSM Top-Audit Limited Company

Taxpayer ID 7722020834. Legal address: building 4, 5 Shosse Entuziastov, Moscow 111024. Phone: (095) 916 09 11, fax: (095) 917 87 89

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