

Presentation for investors

The RUSSIA Forum 2012

Moscow

January 31st, 2012

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Speakers



Director on economics and finance
Valentina Bragova



**Director on IT, innovations and
operational efficiency**
Andrey Snitskiy



Company overview

JSC “Moscow United Electric Grid Company”, JSC “MOESK” was incorporated on **April 1st, 2005** as a result of reorganization of JSC “Mosenergo” through separation.

The main activities of the Company are:

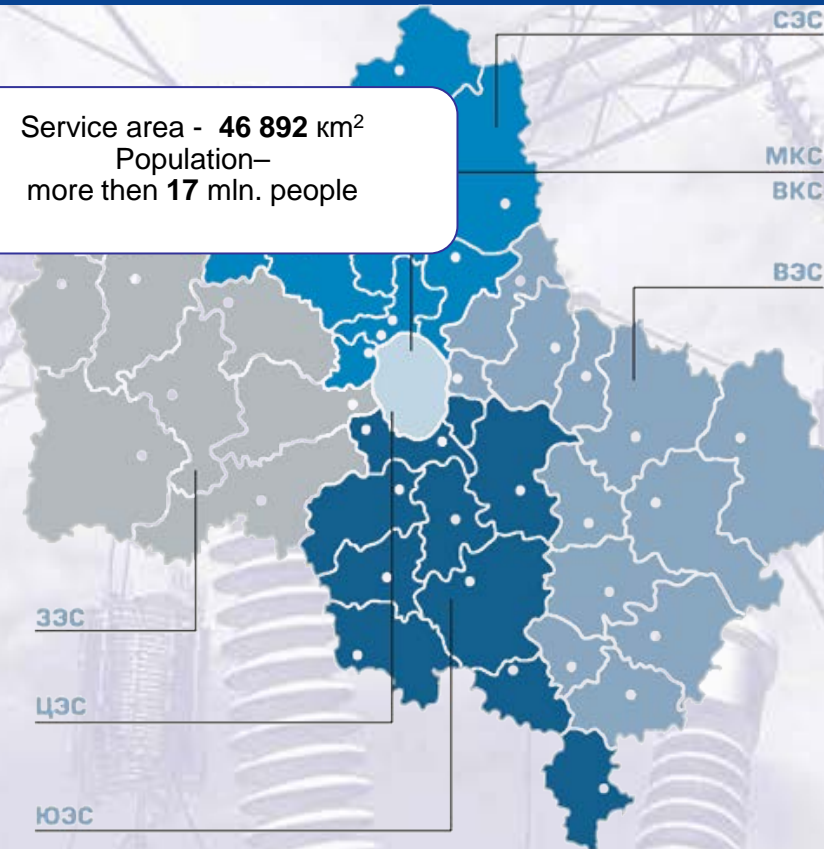
1. Transmission of electricity
2. Technological connections to the electric grids

Assets of the Company

2011

total length of overhead lines	km.	60 057
total length of cable lines	km.	68 257
high-voltage substations	pcs.	607
transformer substations of distribution grids	pcs.	28 689
installed transformer capacity:		
- high-voltage substations	MVA	44 041
- transformer substations of distribution grids	MVA	20 542
productive supply	mln. kWh	75 470
power losses	%	10,33
average quantity of stuff in a core business	people	14 900

Service area - 46 892 km²
Population—
more than 17 mln. people



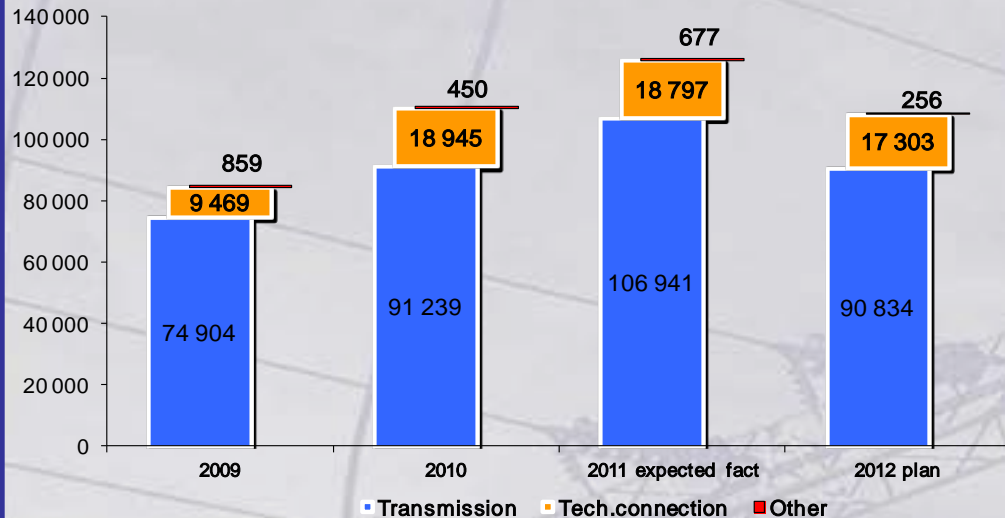
JSC “MOESK”:

- ⚡ Provides services in the most rapidly developing region of Russia.
- ⚡ Is constituent of natural monopolies as to services rendering by electricity transmission.
- ⚡ Is included in the list of Russian strategic companies.

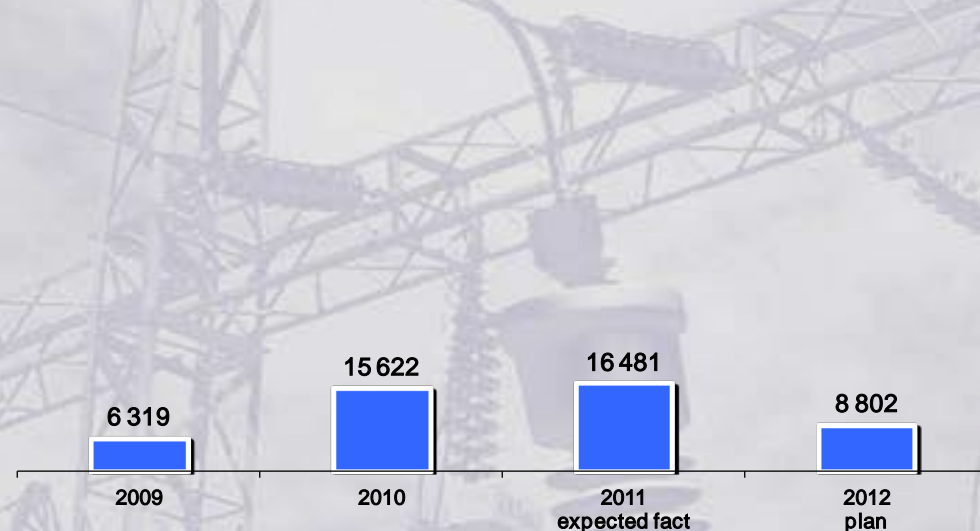
Key financial figures



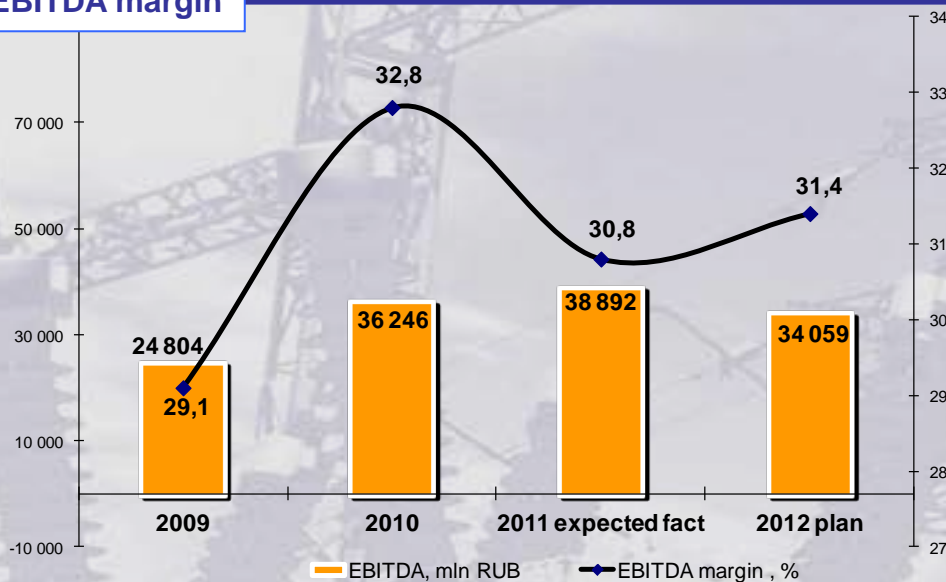
Revenue, mln RUB



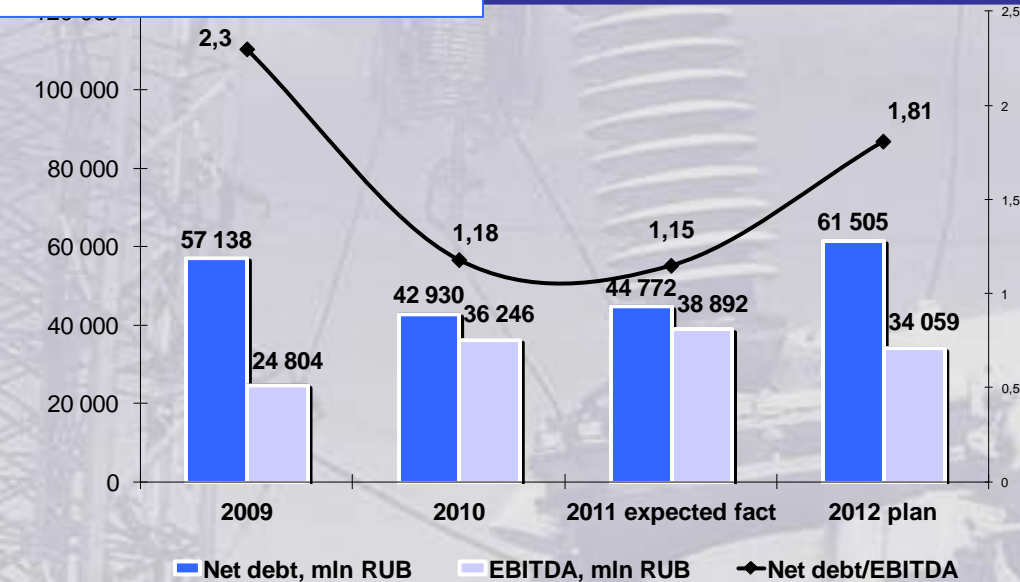
Net profit, mln RUB



EBITDA margin



Net debt*/EBITDA

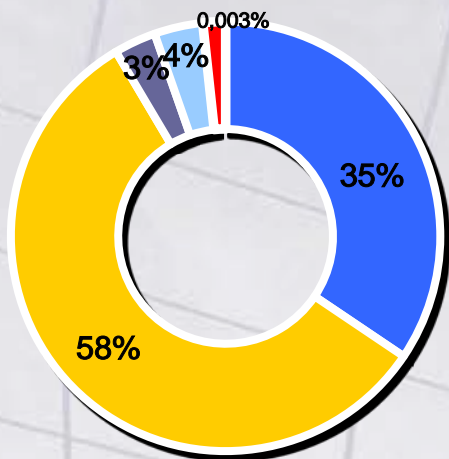


* Net debt = Long-term and short-term credit and borrowings + Remaining debt on leasing – cash remaining on the settlement accounts

Loan Portfolio

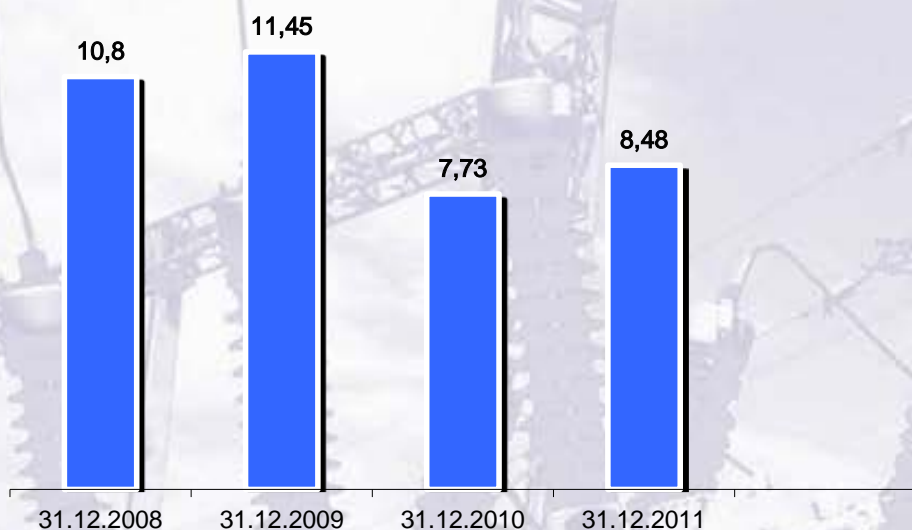


Financing support as per December 31st, 2011



Creditor	Rate	Maturity	Amount in mln RUB
Alfa bank	9,75%	2017	14 123
Sberbank	7,70%	2016	23 394
Bank of Moscow (bonds)	9,00%	2012	1 296
Gazprombank	8,50%	2016	1 500
Vneshekonombank	10,09%	2019	114
Overall			40 426

Dynamics of average interest rate



Credit rating

	International scale	Russian scale	Update date
MOODY'S INVESTORS SERVICE	Ba2 - stable outlook	Aa2.ru	28.06.2011
STANDARD & POOR'S	Bb - stable outlook	ruAA-	Confirmation date 12.01.2012

* Excluding promissory notes and bonds



Operating expenses

OPEX, mln RUB

	2009	2010	2011 expected fact	2012 plan
Overall costs	69 382	85 240	100 502	89 001
Uncontrollable costs:	40 064	56 176	69 746	59 150
purchased electricity for losses compensation	10 605	13 629	13 038	13 689
JSC "FGC UES" services	5 958	8 579	11 026	12 081
services of other distribution companies	12 455	21 812	30 423	16 843
depreciation	11 047	12 156	15 259	16 537
Controllable costs:	29 318	29 064	30 756	29 851
personnel costs (compensations, insurance contribution, nongovernmental pension funds)	9 230	10 409	12 635	13 595
repair services (materials + contracting method)	2 539	2 997	3 734	2 975
production services + materials for the operation	2 695	1 867	2 356	2 283
other controlled costs	14 854	13 792	12 031	10 998

Measures taken to reduce costs in 2011

An expected affect of costs reduction in 2011 compare with the fact of 2010 will be **3,04%** as a result of the following actions:

- ⚡ reduction of the repair costs by means of decreasing estimated costs' indexes in current prices;
- ⚡ reduction of the cost for row materials, including fuels and lubricants;
- ⚡ reduction of costs for operation and production services;
- ⚡ optimization of other expenses.

Measures to be taken to reduce costs in 2012

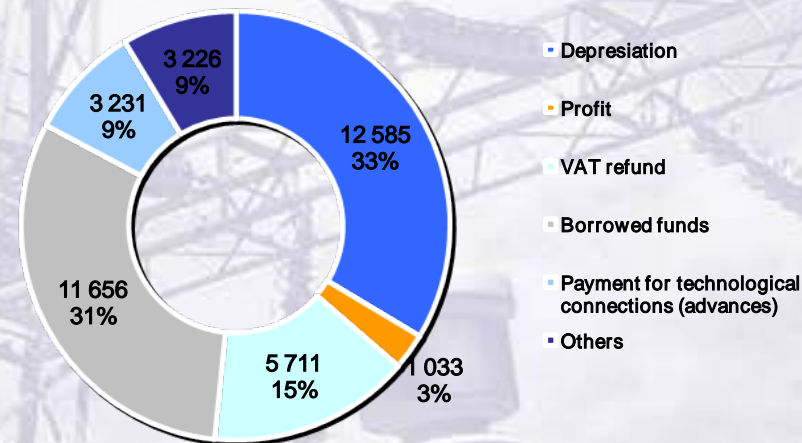
In 2012 the Company plans to reduce costs by **5,19%** comparing to the fact of 2010 as a result of the following actions:

- ⚡ reduction of costs for purchasing of electricity to compensate power losses as a result of enforcement of energy saving Program and improve energy efficiency by reducing power consumption for production and business needs;
- ⚡ reduction in row materials and services as a result of enforcement of regulated procurement procedures;
- ⚡ reduction in personnel costs as a result of optimizing the number of staff;
- ⚡ management expenditures reduction.

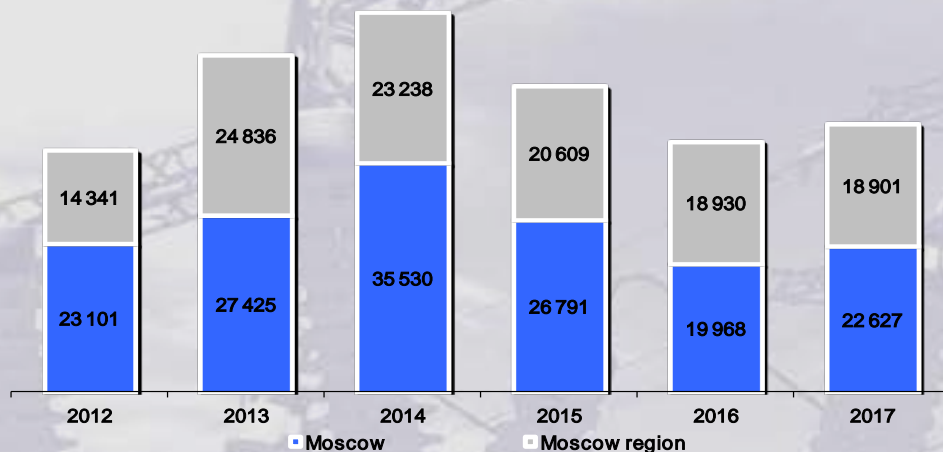
Key investment priorities in 2012

- ✦ Replacement of main power equipment – 39,5%;
- ✦ New construction of power grid facilities (substations, high-voltage lines, cable lines – 32,7%;
- ✦ Design and survey work – 6,1%;
- ✦ Secondary systems (automating dispatching system, connection, IT) – 5,5%;
- ✦ Creation/upgrading of accounting system – 3,9%;
- ✦ Program of wire replacement to self-supporting isolating wire – 3,2%;
- ✦ Reconstruction of high-voltage lines 110-220 kV (enlargement of cross-holes) – 2,7%;
- ✦ RAB—in part of the grids reconstruction for technological connections – 1,4%;
- ✦ Others – 5,0%.

Sources of finance in 2012, mln RUB, including VAT



Capex 2012-2017 (financing, mln RUB, including VAT)



Overall in JSC "MOESK"

37 442 52 261 58 768 47 400 38 898 41 528

Main investment projects of 2012

No.	Investment project	Power input in fixed assets (MVA)
1.	Reconstruction of the substation 110 kV "Mayakovckaya". Replacement of transformers and reactors.	125
2.	Substation "Novobratcevo" 110/10/6 kV. Transfer to strain 220 kV.	200
3.	Substation "Babushkin" 110/10/6 kV. Transfer to 220 kV.	252
4.	Substation "Sigma" 110/10 kV transfer to 220 kV .	500
5.	Substation 110 kV №836 "Sloboda" (graceful input)	126
6.	Substation №14 "Aparenki" transformer replacement from 25 to 63.	126
7.	Substation 110/10/6 kV "Sheremetievo".	126

Strategic guideline



Targeted future vision till 2020

- ⚡ JSC “MOESK” – the leader of the distribution grid complex in Russia and Eastern Europe.
- ⚡ The Company renders a wide range of services - from electricity transmission and technological connection to the automatic control of power consumption customers.
- ⚡ An intelligent network is created to provide reliability and quality of power supply according to the best world standards.
- ⚡ Innovations and market-based capabilities allow the Company to achieve strong financial and operating results.
- ⚡ Harmonious and team work based on knowledge, skills and opportunities for self-realization is the basis for continuous improvement and sustainable development.

Strategic goals:

Increasing investment attractiveness and value of the Company

Providing high reliability of power supply and the quality of services to the capital region

Providing the availability of network infrastructure and market share

Increasing energy efficiency by reducing power losses and innovation

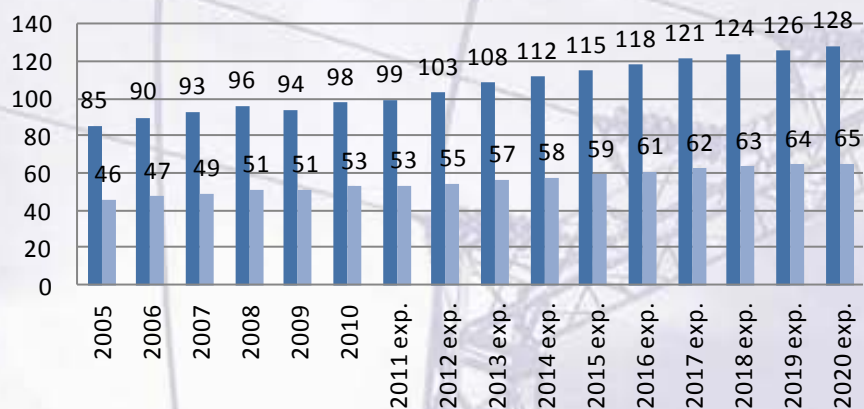


Moscow energy system development



The positive dynamics of economic development of metropolitan area provides a steady demand for energy resources. Energy consumption in the region has been growing since 2005 by 2.8% per year. At the 2020 average annual growth of electricity consumption is expected to reach 2.4% in line with the base forecast (3.5% in accordance with the regional version of the forecast).

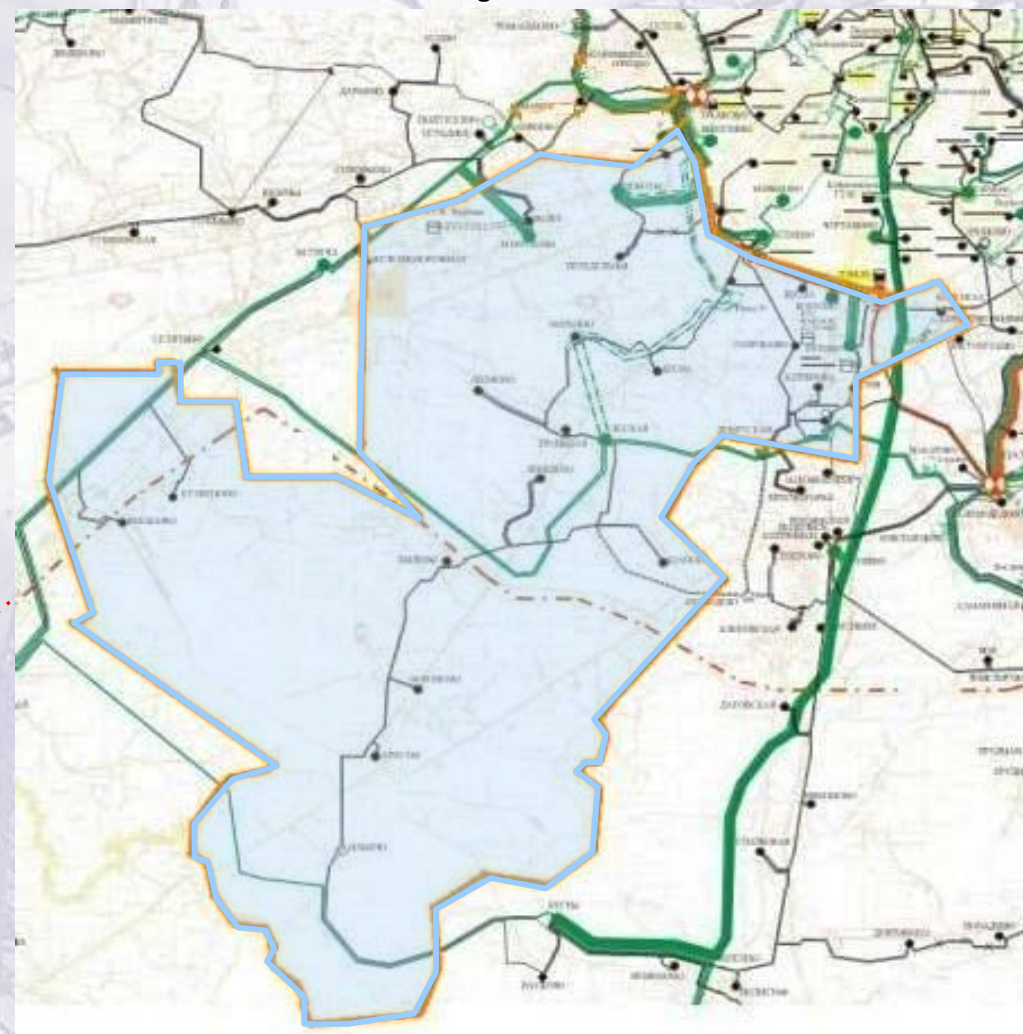
Dynamics of electricity consumption, bln kWh



Expanding of Moscow borders:

- expansion of Moscow by 144 thousand hectares to 251 hectares, construction of 105 mln m² of real estate, increasing the population by 2 mln people.
- the increase in consumption in Moscow on 20-30% in addition to organic growth 24-35% by 2020.
- the need for additional energy requirement in the amount of 4-5 GW (generation and electric grids).

•A fragment of the scheme of long-term development of JSC "MOESK" electric grids till 2020



- network 500 kV
- network 220 kV
- network 110 kV
- The borders of the territory attaching to Moscow

The Program of restrictions removal on congested power centers in Moscow for the period 2012-2016's.



Goal: Removal of restrictions on JSC "MOESK" congested power centers for technological connection of consumers to the electricity grid in Moscow for the period 2012-2016 .

Problems:

- creation of additional reserve capacity on overloaded substations of JSC "MOESK" in Moscow;
- increase the capacity of transmission lines of JSC "MOESK" 110 - 220 kV;
- new construction of substations and transmission lines;
- providing opportunities to connect new customers in the growing demand for electricity.

Targets:

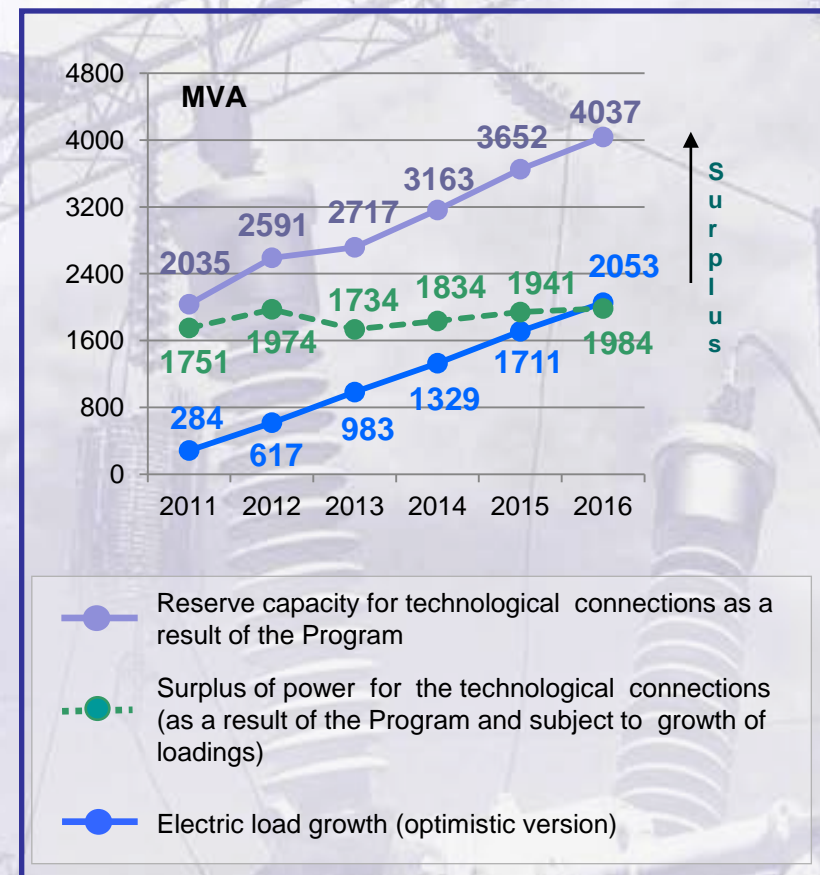
- commissioning of a new transformer capacity (including the replacement of overloaded transformers) in Moscow for the period 2011-2016. - MVA 9 436;
- creation of a reserve capacity for technological connections by 2016. – MVA 2 002.

Financing: 83,483 ,487 ths RUB, including:

- 59,922,270 ths RUB is included in the JSC "MOESK" investment program draft for 2012 - 2017's.
- 23,561,217 ths RUB is a necessary amount of additional funding for the program.

Activities and outcome of the Program:

- removal of restrictions for technological connection of consumers to the 55 power centers in Moscow;
- reconstruction of 39 and construction of 2 substations 110-220 kV;
- reconstruction of 29 power lines 110-220 kV.



The Program of energy conservation and energy efficiency improvement of JSC "MOESK"



Objectives and targets:

- reduction of power losses from **10.33 %** in 2011 to **8.58 %** in 2016 from the total amount of supply;
- reduction of electricity consumption for household needs by **2.18 mln kWh**.

Goals:

- maintenance of networks operation in economy mode.
- increase the capacity of transmission lines, providing opportunities to connect new customers and meet growing demand for electricity.
- implementation of measures aimed at ensuring the reliability of energy accounting.
- implementation of energy saving technologies.

Performance period: 2012-2016's

The cost of implementing of the Program targeted activities: 1.0 bln RUB.

Financing: Own sources (costs and investment program)

Savings resulting from implementation of the Program during the 2012-2016's amount to 2,181 mln kWh (734 ths. tonnes of coal equivalent)

Economic performance:

- Net present value = 1.8 bln RUB;
- Internal Rate of Return = 24.6%;
- Discounted payback period = 4.8 years;
- Profitability index = 1.26.

Program measures

Target measures
(aimed at getting effect of energy conservation)

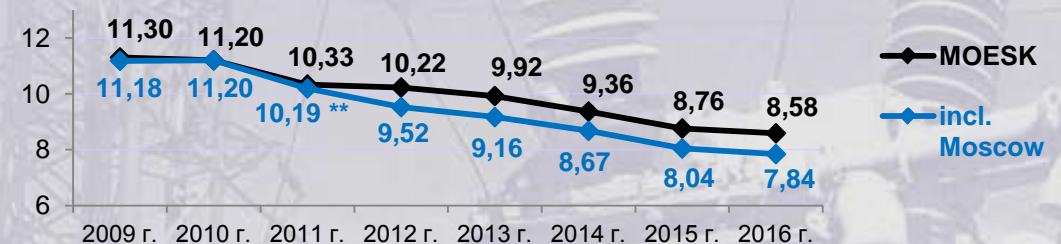
1. Organizational measures for the commercial accounting of electricity (meter reading of electricity, identification of unregistered and non-contractual consumption)
2. Installing energy-saving bulbs to reduce energy use for household needs

Non-target measures

(aimed at the development of network reliability and the establishment of energy accounting. Energy saving effect is collateral)

3. Technical measures for the commercial accounting of electricity (creation / upgrading of information-measuring systems for electricity metering)
4. Replacement of worn-out and congested 35-220 kV transformers
5. Replacement of worn-out and congested transformers 6-10 kV
6. Increase the capacity of 35-220 kV transmission line
7. Development of distribution electric grids of 20 kV
8. Installing of energy-saving bulbs to reduce energy consumption for own needs

The dynamics of power losses,% of supply in the network*



* Reflects the transfer of electricity supply facilities to JSC "OEK"

** Actual power losses in the distribution grids in Moscow (MKS - a branch of JSC "MOESK") in 2011 amounted to **9.23%**

The Program of Innovative Development of JSC "MOESK" for 2011-2016's and up to 2020



The aim of the Program of Innovative Development is to increase economic and energy efficiency of power supply to consumers by providing innovative development of JSC "MOESK" through the creation of a modern power grid infrastructure at the level of world standards.

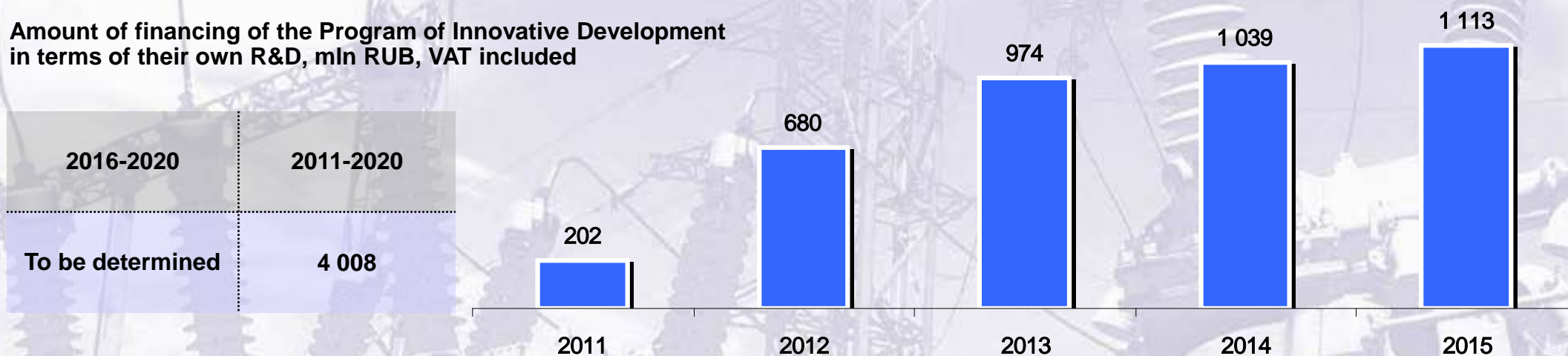
Objectives of the Program of Innovative Development:

- ✓ ensuring high reliability of power supply of the metropolitan region;
- ✓ energy efficiency by reducing power losses and introduction of innovations;
- ✓ increasing of market share by means of M&A;
- ✓ increase in the proportion of related industries: engineering and energy service;
- ✓ increasing of the investment attractiveness and value of the Company.

Key areas of innovation development of JSC "MOESK":

- ✓ innovative technologies and intellectual components of distribution grid;
- ✓ innovative systems and methods of measurement, communication, control and communications in IP networks;
- ✓ creation and development of new services and types of customer service;
- ✓ innovation in business processes and management of the Company.

Amount of financing of the Program of Innovative Development in terms of their own R&D, mln RUB, VAT included



Technical level and innovations

The most significant innovation projects of JSC "MOESK"

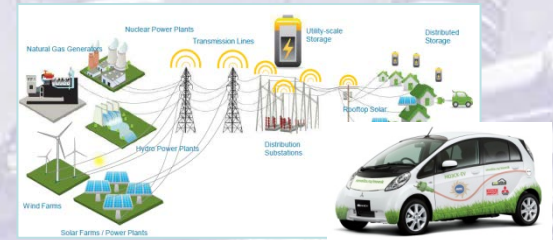
The use of inserts a DC to reduce the levels of short-circuit currents and voltage regulation



The use of reactive power compensation FACTS for voltage regulation



Introduction of "smart grids" technologies, including infrastructure for electric transport.



Increase on customer focus



In terms of RAB-regulation the tariff value is directly related to the quality of service the company renders. In this regard, the Company pays close attention to customer-oriented management

Company management system is certified according to ISO 9000



An extensive network of customer service is created



Methods and processes of customer service are constantly improving



The risk management system

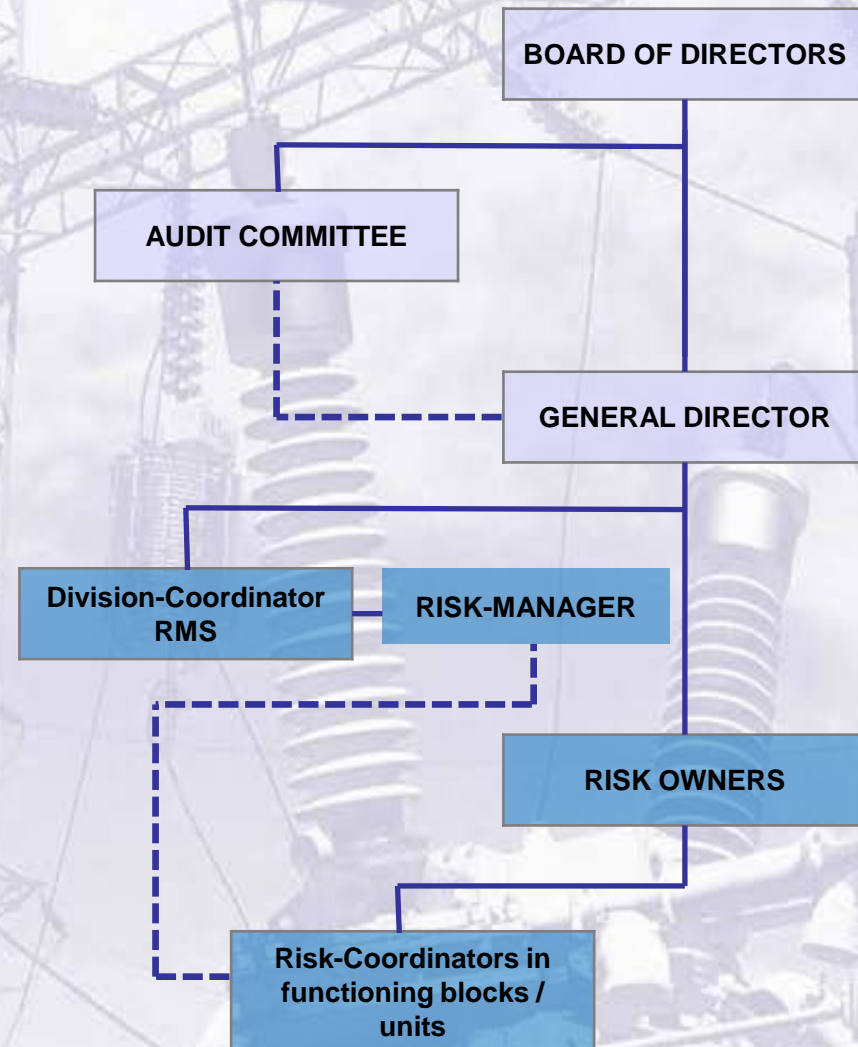


Stability JSC "MOESK" free cash flow (FCF) of is subject to:

- ⚡ Traditional risks (operational, credit, financing).
- ⚡ New risks (risks of long-term tariff regulation and market risks).

To reduce risks, the Company is implementing a corporate system of risk management, built on the following principles:

- ⚡ The presence of permanent cross-functional organizational structure of risk management.
- ⚡ Identification and regularly updating of the Company risk profile.
- ⚡ Selection of the most significant risks for inclusion in the regular monitoring and management.
- ⚡ Calculation of the probability and consequences of significant risks
- ⚡ Calculation of an integral indicator EaR (earning at risk).
- ⚡ The choice of risk management (adoption, reduction, hedging, transfer), depending on an acceptable option of EaR for shareholders.
- ⚡ Certification of the risks and fixing responsibility of managers (risk-owners) for the monitoring and risk management.





Thank you for your attention!

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The background of the slide is a faded, high-angle photograph of a high-voltage electrical transmission tower. The tower is a complex lattice structure of steel, with multiple high-voltage insulators and power lines extending from it. The sky is overcast and grey. The word "Appendix" is overlaid in the center in a large, bold, black sans-serif font.

Appendix

Structure of the MOESK group



Russian Federation

53,69%

JSC "IDGC Holding"

50,9%

49,1% **minors**

CJSC "Leader" (Trustee)
GPB-DI Holdings Limited
JSC "OEK-Finance", LLC "MOEK-Finance"
Others

7 BRANCHES

- Western Electric Networks (WEN)

- Eastern Electric Networks (EEN)

- Northern Electric Networks (NEN)

- Southern Electric Networks (SEN)

- Central Electric Networks (CEN)

- High-Voltage Cable Networks (HVCN)

- Moscow Cable Networks (MCN)

1 ASSOCIATE COMPANY

JSC "Energocentr", 50%

Main activity

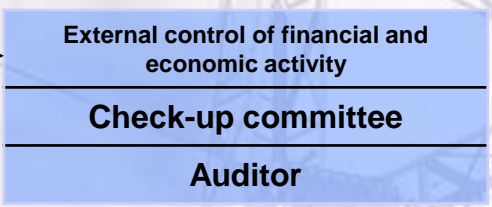
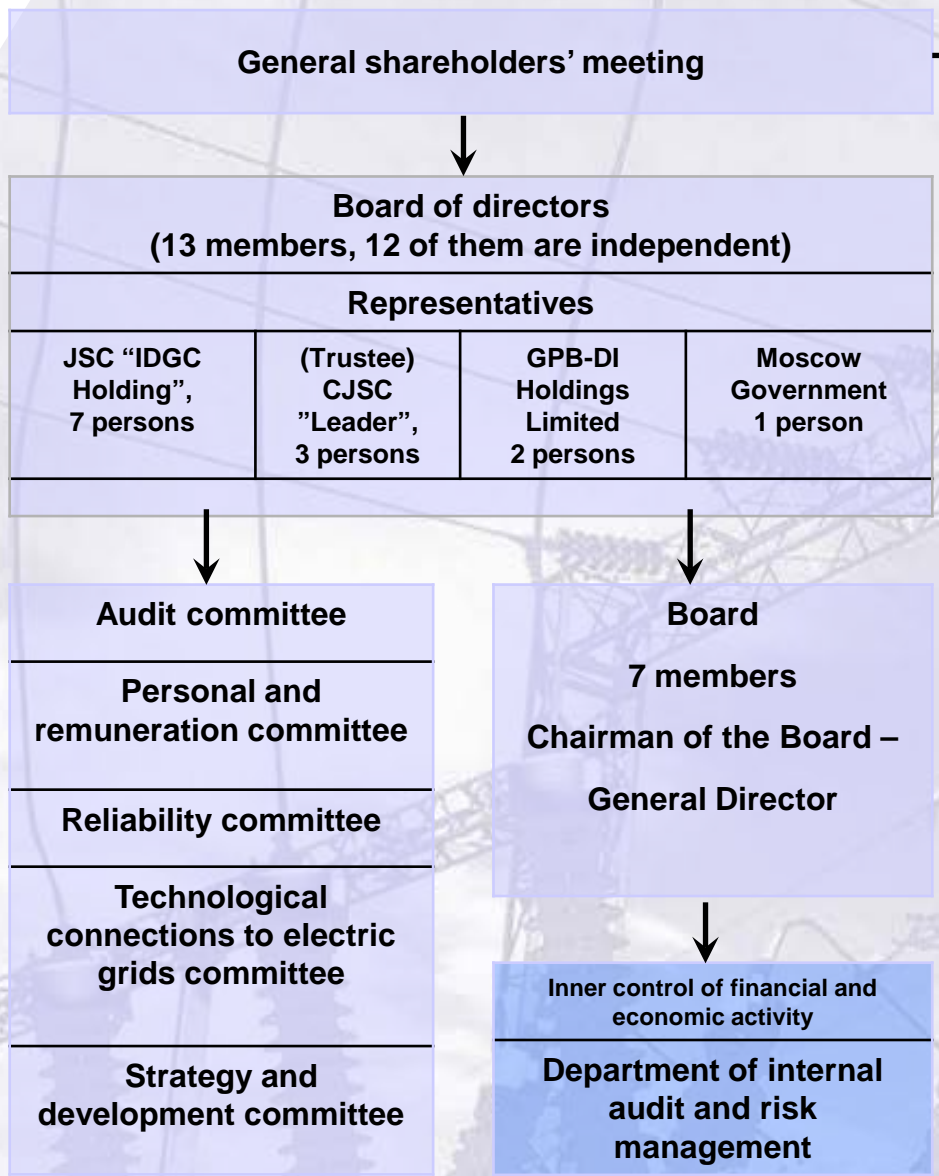
Technological connection to electric networks

MOESK group

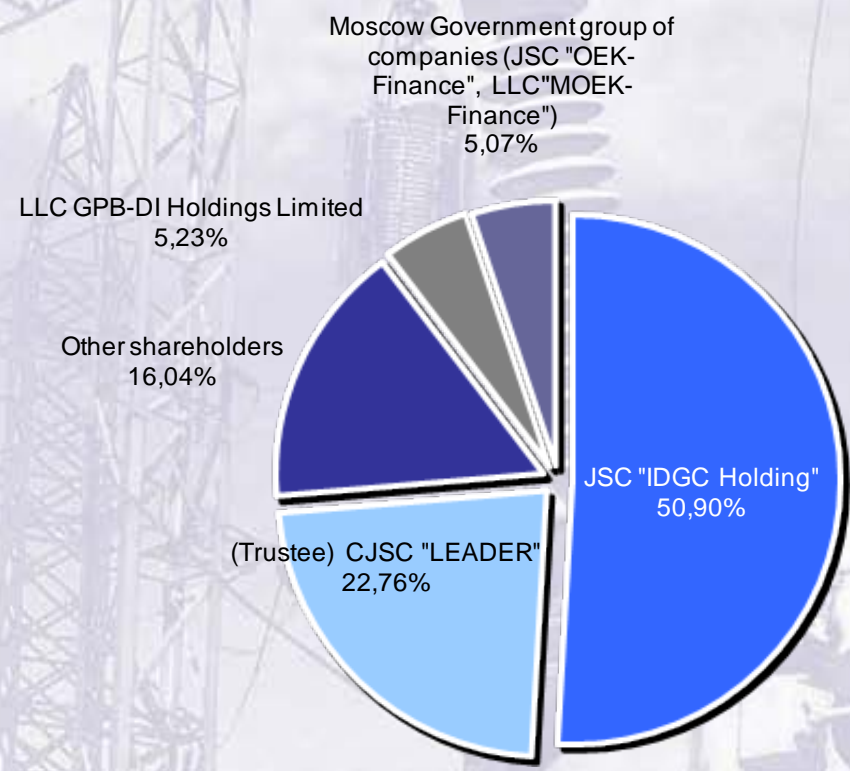
3 SUBSIDIARIES

JSC "Moskabelenergoremont", (JSC "MKER"), 100%	JSC "Moskabelcetmontag", (JSC "MKSM"), 100%	JSC "Factory on repair of electrical equipment", (JSC "Zavod RETO"), 100%
Main activity		
Installation, commissioning and maintenance of power, electrical, equipment and power users.	Design, construction and reconstruction of cable lines 0.4- 35 kV high-voltage cable construction of power lines of 110-220 kV and 500 kV.	Repair of high-voltage electrical equipment, production facilities and electrical fixtures, dies and molds.

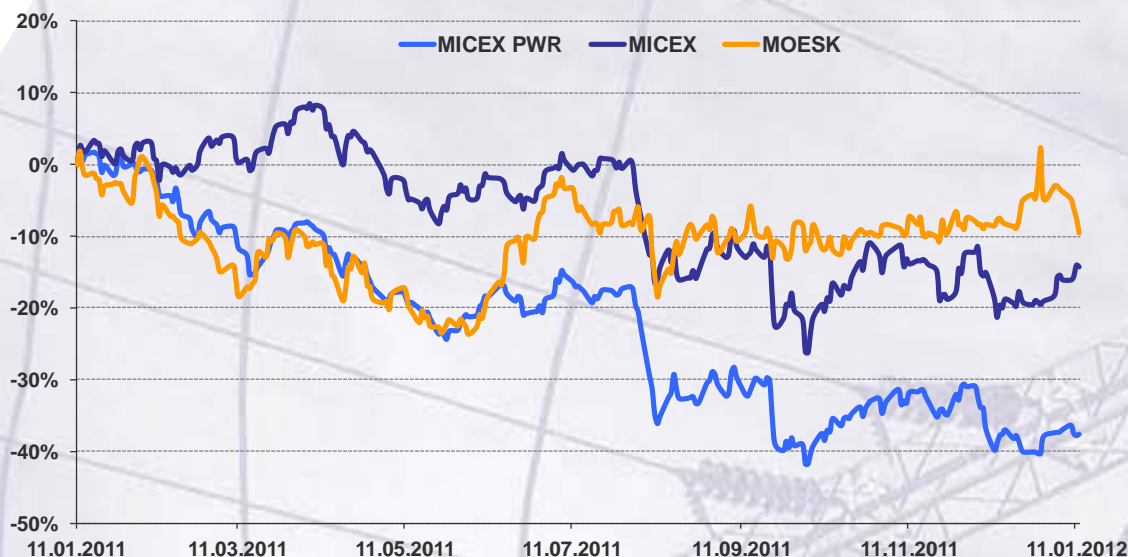
Corporate governance and shareholders' capital



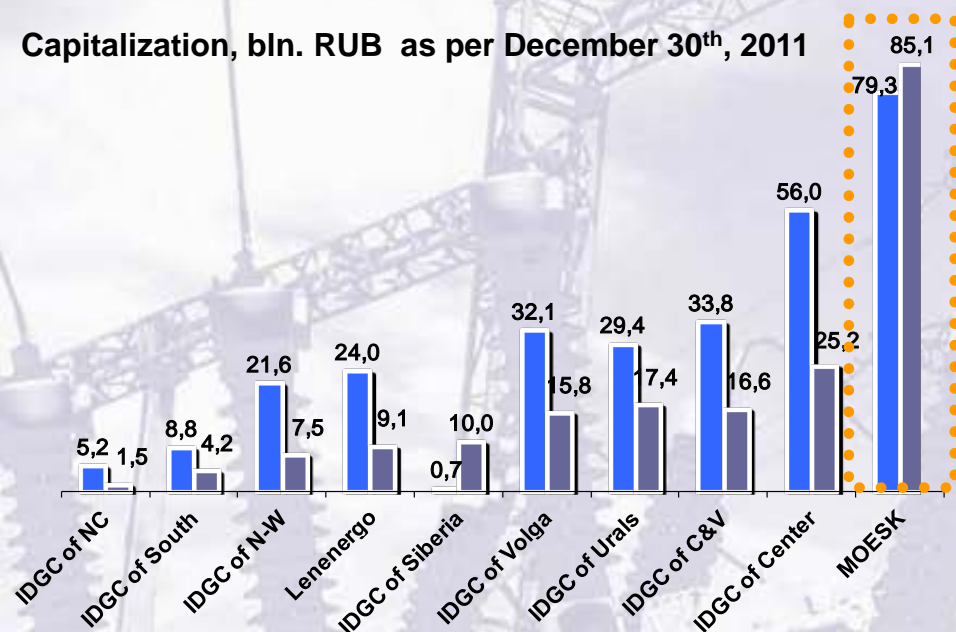
Shareholders' capital structure as per August 8th, 2011 – the date of composing the list of the persons entitled to participate in the extraordinary general shareholders' meeting in 2011.



Shares



Capitalization, bln. RUB as per December 30th, 2011



Total number of issued shares, pcs.	48,707,091,574
Ticker	MSRS
Level of listing	A1
Average weighted price, RUB. as per December 30 th , 2011	1.7473
Capitalization, mln. RUB as per December 30 th , 2011	85,106
Presence in the indexes	MICEX PWR (RTSeu – currency value), RTS, RTS2

Positive dividend history

	2009	2010	2011
Payout dividends, mln. RUB.	-	450	1 200
% of the profit from services on electricity transmission	-	15	31
EPS	-	0,06	0,08

Investment multipliers as per December 30th, 2011

EV/EBITDA	3,3
EV/RAB	0,35
EV/Output	55 \$/MWh